

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

**REPORT OF**

**CONFIDENTIAL**

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**Suspicious Cash Transactions/ Money Laundering**

File Review

River Rock Casino

Date of Report: February 22<sup>nd</sup>, 2012

**BACKGROUND:**

This report is being provided further to previous reports submitted regarding issues involving the extent and quantity of Suspicious Currency Transactions in Lower Mainland gaming facilities. Those previous reports have dealt with specific individuals and general trends as they were reported to and investigated by the Casino Unit of the Investigation and Regional Operations Division of GPEB.

All of the information contained in this and previous reports has been disseminated to the RCMP Integrated Proceeds of Crime Unit on a regular and ongoing basis.

A file review was recently completed of all Suspicious Currency Transaction (SCT) reports received from the River Rock Casino by way of Section 86 reports. A 36 day period (5 weeks) between January 13<sup>th</sup>, 2012 and February 17<sup>th</sup> was selected. This time frame captured the period before,

during and after Chinese New Year that began on January 23<sup>rd</sup>, 2012. The following information is the result of the review:

Number of Section 86 SCT reports received: **85**

Dollar value of the suspicious \$20 denomination buy-ins: **\$6,677,620**

Dollar value of the suspicious \$50 denomination buy-ins: **\$251,200**

Dollar value of the suspicious \$100 denomination buy-ins: **\$948,400**

Total dollar value of all suspicious denomination buy-ins: **\$8,504,060**

Number of patrons involved in multiple suspicious cash buy-ins: **14**

Total number of suspicious cash transactions reports generated by the patrons with multiple suspicious buy-ins: **74**

Patron with the highest multiple suspicious buy-ins reported: **19**

The total dollar value of the patron with the highest number of suspicious buy-ins: **\$1,435,480**

### **CONCLUSION:**

The patrons involved in bringing these large amounts of suspicious cash into Casinos in British Columbia continues to be almost exclusively male persons of s.22. The game of choice continues to be baccarat. There are also several documented incidents where these patrons lose their bankroll and leave the casino, only to return a short while later (sometime within minutes) with another bag of cash, primarily in \$20 denominations and bundled in \$10,000 bricks held together by two elastic bands. As previously reported on s.15

s.15 these activities are highly indicative of involvement with loan sharks.

It is believed that Casino Service Providers including the River Rock Casino are in fact being diligent and forthright in expediently reporting

Suspicious Currency Transactions and other matters of wrongdoing via Section 86 reports.

There also appears to be an increase in the number of \$50 and \$100 denomination bills being presented during these Suspicious Currency Transactions. \$100 dollar denominations in particular are becoming more common as evidenced by the almost one million dollars reported as SCT during this review.

The one patron involved in the 19 SCT by himself, <sup>s.22</sup>, and several other patrons involved in the suspicious currency buy-ins, have active Player Gaming Fund Accounts that were either emptied and not replenished, or not used at all. All of them have had no difficulties acquiring large sums of cash used as buy-ins. One patron that was conspicuous by his absence during the course of this review was one <sup>s.22</sup> previously reported on and a person who is generally believed to be the patron who brings the largest amount of cash into Lower Mainland Casinos annually. Almost all of the transactions <sup>s.22</sup> is involved in are reported as a SCT. <sup>s.22</sup> did not attend the River Rock Casino at all during the review period.

As noted, this review **only** involved the River Rock Casino in Richmond, B.C. and covered off **only a five (5) week period**. This venue is the largest and most active in terms of generating Section 86 reports in general, but also specifically generates the most Section 86 reports regarding SCT.

It was also determined that some of the patrons associated with the total of 85 SCT reports received during the review period, also did attend other Lower Mainland Casinos. In turn, they also generated other Section 86 SCT reports involving substantial quantities of suspicious cash. These additional Section 86 reports were not included in this review.

No procedural concerns were identified through this investigation.

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

**FORWARD: 22 February, 2012**

**To: Executive Director, Investigations and Regional Operations, GPEB**

As with previous reports, this report is again self explanatory. This report deals with a review of **ONLY ONE VENUE** undertaken over a **FIVE WEEK PERIOD** with some 85 Suspicious Currency Transactions involving more than 8.5 million dollars of suspicious currency more than 6.5 million of that currency being of the \$20 denomination variety. There is simply no question that a significant number of patrons are involved in, at very least, facilitating the laundering of suspicious currency. The \$20 bill continues to be the very predominant cash currency of choice in these transactions.

The River Rock Casino, although the most prominent of 5 major LMD casinos that have by far the most of Suspicious Currency Transactions occurring; would still only account for approximately 40% of all SCT reports and approximately 50% of all SCT monies reported.

As has been previously reported, again we have several of these patrons who do have Patron Gaming Fund accounts but choose not to use them. I do agree with Director Derek Dickson that the venues are duly reporting, as required, these Suspicious Currency Transactions via Section 86 reporting. I also believe, however, that these Service Providers have a much greater responsibility of due diligence and corporate citizenship and to the law and order of this Province and this country, of not taking or allowing this suspicious currency into their venues. Corporate banking institutions will not and do not take suspicious currency and we do not believe gaming venues should be any different.

It should also be noted that the incidents of Suspicious Currency Transactions reported by gaming venues continues to rise dramatically from year to year. In the fiscal year **2009/2010, 117 incidents** of Suspicious Currency Transactions were reported (non-reporting by Service Providers was certainly more of an issue then – our scrutiny on non-reporting issues has tightened up reporting considerably). In the fiscal year **2010/2011, 459**

reports were received. For the fiscal year 2011/2012 up to 15 Feb (10 ½ months) 653 reports of Suspicious Currency Transactions have been reported (projected to be at least 750 incidents for the full year).

As noted, the RCMP IPOC Section has been fully apprised of our ongoing involvement in Suspicious Currency/Money Laundering issues within Gaming Facilities in British Columbia.

J. Schalk, Sr. Director  
Investigations and Regional Operations  
Gaming Enforcement

**Forwarded 22 February, 2012**

This 6 week review of the River Rock Casino suspicious currency reports clearly indicates that the flow of large volumes of cash into the Casino has not slowed and has in fact significantly increased. It is logical to conclude that without intervention it will continue to increase. It should be noted and reiterated that from my standpoint the large amounts of cash are reasonably expected to be organized crime profits that are primarily being supplied to s.22 gamblers through loan sharks. The various methods of repayment of these loans can be speculated but are unknown at this time. Another significant area of concern is that some of these gamblers have used or had access to PGFund accounts and those accounts were only used on brief occasions or not used at all. The removal of large amounts of cash obtained from loan sharks to be gambled in the casino environments in British Columbia is not happening. Alternate methods have/are being provided but the reports of suspicious currency transactions continues to raise significantly. This is of great concern to all investigators in this Division. I am of the opinion that BCLC and the Service Provider have a **much greater obligation to deter Money Laundering** than just report the suspicious transactions?

Larry Vander Graaf, Executive Director.

### **SCT/Money Laundering: One Year File Review**

Recently there was an anti-money laundering cross divisional working group(X-DAWG) formed within the Branch to look at the issues surrounding money laundering in gaming venues within British Columbia, specifically casinos in the Lower Mainland. During the first of these x-dwg meetings it became apparent that a file review was going to be required to extract the information required to accurately expose the magnitude of the problem surrounding suspicious large cash buy-ins that continue to pour into the Lower Mainland casinos.

The time frame for this one year review was **August 31<sup>st</sup>, 2010 to September 1<sup>st</sup>, 2011**. The results are as follow;

**Total SCT/ money laundering files: 543**

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

#### **Top 3 venues;**

<b>River Rock Casino: 213</b>	<b>Total dollar amount: \$21,703,215.00</b>
<b>Starlight Casino: 140</b>	<b>Total dollar amount: \$13,540,757.00</b>
<b>Grand Villa Casino: 103</b>	<b>Total dollar amount: \$2,815,470.00</b>

A further breakdown determined individual buy-in patterns;

308 over \$10,000

276 over \$20,000

230 over \$50,000

127 over \$100,000

19 over \$200,000

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**SUSPICIOUS CURRENCY TRANSACTIONS/MONEY LAUNDERING IN  
BRITISH COLUMBIA CASINOS  
Current Status – October, 2013**

The following update and information is being provided further to previous quarterly reports and ongoing updating of suspicious currency trends and statistics, relative to the flow of suspicious cash into casinos in British Columbia. The information contained in this report will again indicate that all Anti- Money Laundering measures that have been attempted or implemented since 2011 by BCLC and or the service providers have not slowed the dramatic and ongoing increase in suspicious cash coming into predominantly Lower Mainland casinos.

In the Action Plan to Review Money Laundering Measures at BC Gaming Facilities of August 22, 2011 authored by Robert Kroeker, under Recommendation #2 it was noted that *“BCLC should enhance training and corporate policy to help ensure gaming staff do not draw conclusions about the ultimate origin of funds based solely on the identification of a patron and his or her pattern of play. Training and business practices should result in gaming staff having a clear understanding that the duty to diligently scrutinize all buy-ins for suspicious transactions applies, whether or not a patron is considered to be known to BCLC or the facility operator.”* To date, neither BCLC nor the service providers have taken any steps to *“diligently scrutinize all buy-ins for suspicious transactions”*.

In mid-2011 a GPEB Anti-Money Laundering Cross Divisional Working Group (AML X-DWG) was formed. Its strategic statement and focus was: *“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 March, 2013 GPEB Anti-Money Laundering in BC Gaming - Measuring Performance progress report went on to state the strategy objective was to *“prevent money laundering, and the perception of money laundering.”*

### **Statistical Overview:**

To review and address important concerns and statistics the AML X-DWG continues to look at:

- 1) The number of Sec. 86 Reports on SCT's for the noted years were:
  - 2008/09 – 103
  - 2009/10 – 117
  - 2010/11 – 459
  - 2011/12 – 861
  - 2012/13 - 1,062
  - 2013 (first 9 months) – 840    Projected for full year - 1120
- 2) Initiatives and strategies implemented to help reduce the amount of suspicious currency coming into casinos in BC and developing alternatives for bringing cash into these casinos:
  - Player Gaming Fund Account – 2009
  - Hold Cheque Policy – April, 2012
  - Convenience Cheque Policy – April, 2012
  - Debit allowed – May, 2012
- 3) Tracking of suspicious currency statistics and denominations of bills started in 2010 and provide the following statistical information:
  - July 01, 2010/June 30, 2011 (1 year period) - \$39, 572,313 with 75% being in \$20.00 bill denomination
  - January 01, 2012 to December 31, 2012 (1 year period) - \$87,435,297 with 68% being in \$20.00 bills
- 4) For the present year (statistics from January 01, 2013 to September 30, 2013 (9 month period), the following SCT data has been reported:
  - \$71,196,398 with 67% or \$47,989,675 in \$20.00 denomination

Projecting forward to a full calendar year will equate to the following estimates for the year 2013:

  - \$94,928,530 with approx. 67% in \$20.00 denomination
- 5) That projected total would again show an approximate 8% overall increase from 2012 and the total amount of SCT's is coming very close to 100 million dollars per year.

Approximately 75% of that total currency is being accepted predominantly at one venue, the River Rock Casino and the majority of that suspicious currency is being brought in by some 35-40 patrons.



- 6) Generally, it is some 20–25 different patrons that are the subjects of 25% to 35% of all SCT Sec. 86 reports submitted by the service providers to GPEB, depending on the particular period of review. This same group of patrons is responsible for bringing in 60-70 % of all suspicious currency being brought into casinos in the LMD.

There is no question that most of the large sums of cash currency coming into casinos, and especially the small denomination cash currency (\$20.00 bills), is being brought in by patrons who utilize loan sharks to obtain their currency. Over the past several years the service providers and BCLC have been vigilant in dealing with loan sharks who were operating within the casinos and who have, for the most part, been removed from the gaming floor and out of the venues. However, loan sharks are increasingly operating out of locations nearby the casinos. They continue to have associates operating as “runners” or “eyes and ears” inside the casinos, ready to contact or alert their loan shark bosses of “patron customers” who will need more money to continue play. What is now often observed is when a patron is out of money he/she and or the associate make a phone call to a loan shark. The patron leaves the facility, often driven by the associate and/or picked up by the loan shark or his associate, and then departs the facility property. The patron returns within several minutes with a new supply of suspicious currency which is brought into and accepted at the casino. This is continually repeated over and over again at the main casinos in the LMD s.13

s.13

In accepting currency of \$10,000 or more into the casino, service provider personnel do complete and submit through BCLC the required Large Cash Transaction (LCT) or Suspicious Transaction Reports (STR's) as required by FINTRAC. Sec. 86 Reports on SCTs are also reported as required to GPEB Investigation Division. Many of the patrons bringing in the large sums of cash are, for the most part, known to the service providers. Checking of ID and confirming existing information on file on the subject is not regularly done. Service providers simply follow the BCLC guidelines of “know your customer”. The service provider however never asks about or questions the origin of the money that is being brought into the casino. Even though patrons will bring in \$100, 000, \$200,000 and sometimes up to \$500,000 in cash, many times most of it being in smaller denominations or combinations of \$20.00 bills and larger bills, the origin of the money is not questioned.

s.15

loan sharks are obtaining suspicious currency from Organized Crime (OC) groups who are laundering their proceeds of crime through the use of loan sharks. s.15

s.15

these OC groups often discount the small denomination currency given to loan sharks, who in turn can also discount suspicious small denomination currency that they provide to patrons using same in casinos. Over the past year or more the proliferation of loan sharks and/or “runners” has become more apparent and disconcerting. This is especially the case at or near various

LMD casinos and the business/restaurants/meeting spots in the near vicinity of these casinos.

Information and intelligence has always indicated that loan sharks and their associates are or may themselves be part of other criminal elements and groups. Over the past several months s.15

s.15 a number of known loan sharks and “runners” are affiliated to different OC groups. Some of these associates to OC groups have significant and serious criminal backgrounds and associations, including firearms possession. The presence of these types of individuals could present a potential safety hazard to anyone who personally interacts with them.

### **Conclusions:**

All of the information provided simply reaffirms that an overwhelming amount of suspicious currency, most being in small denominations, continues to flood into casinos in British Columbia, especially in the LMD. As evidenced in the ongoing receipt of large numbers of Section 86 SCT reports, the amount of suspicious currency continues to rise significantly. None of the measures introduced by BCLC, the service provider, the AML X-DWG or a combination of those entities over the past 3 years have stopped or slowed that increase. There continue to be serious concerns about this suspicious currency and how the influx of that currency into our casinos adversely reflects in a significant way on the overall integrity of gaming in British Columbia.

Joe Schalk, Sr. Director  
Investigations and Regional Operations  
Gaming Policy and Enforcement Branch.

**Forwarded: 25 October, 2013**

In the past number of years this Division has collected data, prepared Reports of Findings and has given observations to the Branch and others on suspected money laundering in Casinos in BC. I am not intending to reiterate all the contents of the previous Reports of Findings but I think to look at this report in context it is fair and important to say that the “Money Laundering Alarm” was sounded a number years earlier (2008/09) by this Division. The recommendations by this Division in concert with other GPEB Divisions prior to even considering the BCLC request for PGF accounts included, but was not limited to, “the Branch to define in regulation/or a term and condition of registration specific anti-money laundering requirements” The recommendations also included what should be deemed “suspicious” and went as far as to suggest “once a transaction or attempted transaction had been deemed “suspicious” and prior to it being complete,

the transaction must be refused by the service provider at a commercial gaming facility and immediately reported to GPEB in accordance with Section 86 of the GCA". It was also reiterated that the guiding principle "Know your Client" risk management approach must be used by gaming service providers in order to exercise appropriate "diligence" to ensure they understand the background of the account holders (PGF) and the source of funds.

As previously outlined in this Report of Findings, the "Money Laundering Measures at BC Gaming Facilities" authored in 2011 (commonly known as the Kroeker report) made a number of observations and specific recommendations. The previously quoted recommendation that BCLC should enhance training and corporate policy to help ensure gaming staff do not draw conclusions about the ultimate origin of funds based solely on the identification of a patron and his or her pattern of play. Training and business practices should result in gaming staff having a clear understanding that the duty to diligently scrutinize all buy-ins for suspicious transactions applies, whether or not a patron is considered to be known to BCLC or the facility operator. This recommendation clearly reiterates "Know your Client" which I believe must include knowing the source of your clients suspicious funds (Cash). It is clear that the intent of this recommendation was to scrutinize the source of the funds under the "Know your Client" umbrella. It is not sufficient protection to the integrity of gaming to know your client without specifically knowing the source of the suspicious funds (Cash) presented by the client especially when the funds are huge (50k, 100K to 500K) and the majority of the currency is \$20 dollar bills in plastic bags and/or duffle bags. This is not a new concept as it is and has been common practice in all bone fide financial institutions for many years. Recent conversations with corporate security in the banking community re-enforces that even a greater "Due Diligence" is warranted in the present world climate and is being stringently exercised by front line staff in Financial Institutions in relation to attempted large deposits of Cash. The "Due Diligence" relief to protect integrity by reasonably knowing the origin of the cash is obvious.

The Branch AML Strategy implemented in 2011 has the objective of persuading/forcing the Gaming industry to prevent money laundering in gaming by moving from a cash based industry as quickly as possible and scrutinizing the remaining cash for appropriate action. It was also the intent of this "removing the cash strategy" to respect or enhance our responsible gambling practices as well as maintain the health of the industry. The Investigation Division management continued to be open advisors to the AML Group and provided statistics as well as strong written recommendations while continuing to "Sound the Alarm" on the situation respecting huge cash amounts entering BC Casinos. We also continued to correlate cash volume statistics that are prepared from the Section 86 Reports on Suspicious Currency Transactions submitted by Service Providers. In concert with the AML strategy the Branch allowed a number of enhancements that allowed gamblers easier access to legitimate cash (cash machines) on the casino floor. The Policy also included easier access to funds by allowing the gambler the ability to electronically transfer funds from existing bank accounts into their casino PGF account. However, those

initiatives along with other initiatives have not reduced the volume of suspicious cash nor the number of Suspicious Currency Transactions in BC Casinos. The alarm continues to ring, even louder. It should also be noted on 16 September, 2013, that BCLC requested a "Policy Change Regarding Casino Cheque Issuance". They were requesting that casino cheques be issued to patrons that had entered with large amounts of currency, put their money at risk and then left the casino. This Division has previously disagreed with that policy change for a number of reasons on numerous occasions due to the huge risk of completing the money laundering circle. Any large cheque issuance should be only considered when it is from a completely documented "verified win" or a very minor amount for a specific reason. ADM Doug Scott has previously addressed that request but I am of the opinion it will surface again.

I feel the Branch is at an important juncture in the AML strategy with the task of ultimately assessing the strategic objective of preventing money laundering and the perception of money laundering. This Division felt it was necessary to outline the progression of this situation at this time to allow the AML working group to be as informed as much as possible on the historic and present situation.

In closing, I am of the opinion that the influx of large amounts of cash into BC Casinos has not been reduced. That "Loan Sharks" or runners are providing horrendous amounts of unexplained cash to gamblers. I believe that most of the "Loan Sharks" and runners have extensive criminal records and are associated to other criminal groups or organizations. The business of supplying suspicious currency that enters BC Casinos in huge amounts is provided by these loan sharks through other criminal associates. The service providers are appropriately complying with the legal requirement of reporting Suspicious Currency Transactions to this Division. The "Know your Client" requirement of the Service Provider at the present time is not sufficient and does not include the critical component of knowing and carrying out appropriate extensive "Due Diligence" on the origin of the source of the large amounts of suspicious cash funds. The Branch does not yet have a defined Regulation and/or Term and Condition of Registration, specific to Anti-Money Laundering which outlines appropriate regulatory "Due Diligence" and I am of the opinion to meet our overall objective of preserving the integrity and the perception of integrity of gaming that is critical.

Larry Vander Graaf, Executive Director  
Investigations and Regional Operations

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**27 October, 2014**

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**SUSPICIOUS CURRENCY TRANSACTIONS/SUSPECTED MONEY  
LAUNDERING IN BRITISH COLUMBIA CASINOS**  
**Update of Status – October, 2014**

This report is prepared and disseminated as a status update on the present state of suspicious currency/suspected money laundering information, trends and statistics as it applies to gaming in casinos in British Columbia as of October, 2014. This report will provide information which clearly indicates a significant and continuing rapid acceleration of suspicious cash coming into predominantly Lower Mainland casinos. It will also again indicate that all Anti-Money Laundering measures that have been put into place since 2008 have not slowed or decreased the flow of suspicious currency coming into our casinos.

This report will simply provide a “status update” further to an extensive report submitted in November 2013 and could be read as a continuation of that report.

**Statistical Overview:**

The following statistical information is provided to communicate ongoing reviews and concerns for the AML X-DWG:

- 1) The number of Sec. 86 Notification reports on Suspicious Currency Transactions (SCT's) reported for the noted years were:

<b><u>Year</u></b>	<b><u># of Reports</u></b>	<b><u>Total \$ Value</u></b>
2012/2013	1,059	\$ 82,369,077
2013/2014	1,382	\$118,693,215
2014/2015 (6 months)	<b>876</b>	<b>\$ 92,891,065 (actual)</b>
<b>Full year</b>	<b>1,750</b>	<b>\$185 Million + (projected)</b>

**(Full statistics sheet attached)**

Previous reports have provided SCT reporting statistics since 2008/09. It is important to point out that the total number of SCT reports for the full year of 2010 is approximately the number of reports we are now receiving for a three month period and the total dollar amount of suspicious currency reported in BC casinos in the past three (3) months far exceeds the total amount of suspicious currency reported for the full year in 2010. Suspicious cash continues to come into BC Casinos at an alarming rate and continues to increase exponentially in numbers of occurrences and certainly significantly in dollar amounts of suspicious currency.

A breakdown of number of persons involved in bringing in \$100,000 or more in suspicious currency over the past 3 months is also of interest. Seventy (70) different patrons brought in \$100,000 or more of suspicious currency at least once during the 3 month July/September period. Thirty of those persons came in at least once, a number of persons came in 5 – 8 times and 3 different persons came in 9, 10 and 11 times with suspicious currency in excess of \$100,000.

The percentage of \$20 bill composition of reported suspicious currency transactions continues to remain very high and is certainly a significantly higher percentage than it was several years ago. In 2012/2013, the yearly average was at 64% of suspicious currency reported was in the \$20 denomination. In 2013/2014 it rose dramatically to 76%. That appears to be the norm at present time as well. These numbers also correspond with the findings of GPEB's Audit and Compliance Division as reported in their "2013/14 AML Recap" report of 16 June 2014. Some of their findings specifically referred to in their findings at the River Rock Casino, the major Lower Mainland Casino, reports approximately 75% of all suspicious currency transactions, include:

- *"High limit Patrons are buying in with bundles of \$20's not \$100's. Regular patrons are the ones bringing in the majority of \$100's."*
- *"Coloring up appears to be an ongoing activity within casinos, i.e. patrons buying in with \$20's and being paid out with \$100's."*
- *"73% of all cash received through buy-ins at high limit cage were in 20's. This compares with only 44% of buy-ins for the casino as a whole (all tables) being done in \$20's."*
- *"High-roller" patrons utilizing high limit cage tend to buy-in with smaller denominations whereas the average bettor at regular tables tends to use the larger denominations."*

Again, it is important to note that generally speaking, banking institutions would not take these large sums of small denomination bills unless the patron had a proven source for those type of funds (i.e.: large super markets, large retail stores doing significant cash business) and a verified record of a regular and similar pattern of small denomination currency deposits. The banks regularly and continually seek "source of funds" information and if not satisfied with verifiable information, banks will not take small currency deposits in large amounts.

Also of interest is the fact that there appears to be a rise in the amount of large denomination casino playing chips leaving the casinos. GPEB's intelligence and investigations indicate that the use of playing chips to repay loan sharks is on the increase and in turn the loan shark is able to loan out chips, not just cash money. Many of those transactions are infrequently noted at a cash cage and therefore no reports are ever made of "suspicious transactions". s.13

s.13 Historically, the River Rock was known to have some s.21  
s.21 out of casino playing chip circulation. Recent enquiries in this regard indicate that has now increased to somewhere in the s.21 range of outstanding chips amongst the patrons outside of the casino on any given day. This concern centers almost exclusively around the largest playing chip value, the s.15 chip. Regularly, the use of these chips is also a common occurrence when patrons "color up" their money, buying in with \$20's and receiving large denomination chips to play and/or remove these chips from the casino. We must not mistake the fact that the use of casino playing chips are as concerning as cash and equally as useful as instruments used in overall money laundering schemes.

### **Incidents of Note**

Within the past 6 weeks, two other significant/interesting incidents of note have added to the concern of suspicious cash being brought into BC Casinos.

On s.22 one s.22 (public information) was shot and killed while exiting his vehicle in a Surrey neighborhood. Police have determined this was a "targeted hit."

s.15,s.22

On s.15 September, a recognized and known high limit poker player, s.22 bought in for in excess of s.15 comprised almost completely of \$20.00 bills at the VIP room of the River Rock Casino. The suspicious cash transactions were two separate buy-ins which occurred in less than a two hour period. All of the suspicious cash was similarly packaged in s.15 lots held together by elastics inside silver plastic bags. The two lots of s.15 and s.15 cash respectively were transported; in the first instance a large suitcase and a brown paper bag and in the second instance another suitcase. s.22 was met by two different persons when receiving this suspicious currency just off site from the Casino. Both of these persons are BCLC prohibited and are associated to a known loan shark with ties to Organized Crime groups. During his play at the River Rock casino, s.22 was also the recipient of two covert chip

passing incidents involving s.15 and s.15 in casino playing chips being passed to him. The subjects of those covert chip passes are also associated to previous loan sharking activity.

As a matter of interest and context s.15 weighs approximately 110 pounds.

### **Conclusion**

All of the information provided reaffirms that there continues to be an overwhelming amount of suspicious currency activity in Lower Mainland casinos. The numbers of SCT reports; the total value of suspicious currency transacted; the very high percentage volume of \$20 bills making up the suspicious currency; the number of patrons regularly bringing in this suspicious currency; and the now newest one million dollars in suspicious currency brought in by a single patron on a given evening all give rise to an ongoing significant concern about how the integrity of gaming is being impacted in British Columbia.

Joe Schalk, Sr. Director  
Investigations and Regional Operations  
Gaming Policy and Enforcement Branch

### **Forwarded 27 October, 2014**

The Investigation and Regional Operations Division has continuously reported out and sounded the alarm to the Branch on the volume of suspicious currency that is entering into the BC Casinos unchallenged (origin of currency) by the Service Providers. In 2010, Suspicious Currency Transactions in the amount of **\$39,572,000.00** were reported to the Branch in compliance with Section 86 of the Gaming Control Act. In 2014/2015 the projected Suspicious Currency Transaction reports are estimated to be an amount exceeding **\$185,000,000.00**. This Division, on a number of occasions, has commented that the initiative of “removing the cash from casinos by providing a multitude of other noncash options” has not achieved the desired objectives of deterring or eliminating suspected money laundering in casinos and in fact the numbers clearly show a massive escalation/increase of suspicious currency entering casinos. It is my and others unchallenged opinion that all businesses including casinos have an obligation to deter money laundering and not facilitate or be wilfully blind. Regulatory bodies have a legal and moral obligation to openly and publicly demonstrate commitment to deter/eliminate money laundering in any business or industry, including casinos.

Illicit Drug activity in British Columbia is a 6-7 billion dollar per year industry. It is commonly known that drug trafficking is normally conducted in cash and smaller bills (\$20 bills) are generally the bill of choice at street level. Volumes of cash and weight of



cash are a major problem for high level drug traffickers. This Division and the police (as far as we know) cannot prove that beyond a reasonable doubt nor on the balance of probabilities that Suspicious Currency Transactions in Casinos are proceeds of crime and may never be able to reach that high level of legal proof. However, this Division based on certain criteria and circumstances, believes/suspects that the large amounts of suspicious currency are proceeds of crime and must be curtailed to ensure the integrity of gaming. The industry cannot afford to even leave the perception that it is in any way wilfully blind in that regard. Due diligence on the "origin of funds" at the service provider entry point is appropriate and necessary. It is common knowledge that "loan sharks" and/or their "runners" are providing large amounts of unexplained suspicious cash to gamblers in British Columbia Casinos. The Investigation Division believes that most of the "loan sharks" and runners have extensive criminal backgrounds and are associated to other criminal groups or organizations. BCLC continues to legally prohibit these people from gaming facilities however this has not deterred the activity. The business of supplying suspicious currency that enters BC Casinos in huge amounts continues to be provided by these loan sharks through other criminal associates (runners). Investigation intelligence reveals that gamblers have paid the loan sharks/organized crime groups back lost gaming funds, in value chips, merchandise, and with funds located in other areas of the world including, southeast Asia. The scenario of, organized crime (with street trafficking funds in \$20 dollar bills) providing large amounts of street cash to gamblers (nominees) through loan sharks (facilitators), who gamble and pay back the funds in another country with limited regulations, provides the organized groups with a "best practice" money laundering circle. With no link between the cash funds utilized to gamble and the funds reimbursed in a form other than cash in another country, it leaves authorities with an extremely difficult if not impossible task to identify location of funds and to investigate. The "laundered" (converted and concealed) funds can now be utilized for what is "visibly presumed" as purchases with legitimate funds?

The "know your client" requirement of the service provider at the present time is not sufficient and does not include the critical component of knowing and carrying out appropriate extensive due diligence at the entry point on the "origin of funds" of the large amounts of suspicious cash entering British Columbia casinos. Taking these large amounts of suspicious cash without asking the origin of the cash leaves the gaming industry open to severe criticism and negative public scrutiny. The public and the Branch have seen this over the last 5 years. It also leaves an open invitation to organized crime at all levels from any location to further infiltrate the casino environment with more and larger amounts of suspicious cash. As previously stated, it is imperative that the Branch have a defined enforceable regulation and/or term and condition of registration on the service provider, specific to Anti-Money Laundering. It must be enforceable and have noncompliant consequences to have any effect or impact on the huge amounts of unchallenged suspected proceeds of crime entering casinos. We are of the opinion to meet our overall objective of preserving the integrity and the perception of integrity of gaming that is critical.

Larry Vander Graaf, Executive Director