

**GAMING POLICY
AND ENFORCEMENT BRANCH
INVESTIGATION DIVISION**

**REPORT OF
FINDINGS: Breach of the Integrity of Gaming**

CONFIDENTIAL

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Name: Gateway Casinos and Entertainment Inc.

Address: 300-4621 Canada Way, Burnaby, BC

Reported: 2010-05-07

GPEB File # 31723

BACKGROUND:

On ^{s.22} _____ a regular high limit patron, redeemed 1.2 million dollars in Starlight Casino value chips into cash. On this occasion ^{s.22} _____ requested that Starlight management supply him with a letter that advised he had cashed in value chips in the amount of 1.2 million dollars. ^{s.15;s.22} _____
s.15;s.22

INVESTIGATION:

^{s.22} _____ has been a regular high limit player at the Starlight Casino for several years. He is considered one of the “biggest” players with buy-ins in the millions of dollars every year. Between ^{s.22} _____ and ^{s.22} _____ visited the Starlight Casino high limit room on ^{s.22} _____ occasions. During this time he had won approximately 1.1 million dollars.

He would take the value chips with him when he was s.22 , which is somewhat s.22 for him.

On s.22 returned to the Starlight Casino and presented 1.2 million dollars in Starlight Casino value chips for redemption into Canadian currency. The Starlight Casino did not have enough currency on hand and had to have a quantity of currency transferred from the Grand Villa Casino to complete the transaction with s.22

During this time s.22 made a request to Cathy SHEN, Senior VIP Room Manager, that the Starlight Casino supply him with a letter advising he had just redeemed 1.2 million dollars in value chips into Canadian currency. SHEN then contacted Meiling HARDING, Director VIP Services and Business Development. HARDING met with s.22 who advised he was s.22 and was concerned with the potential issue with airport security regarding a large sum of currency in his luggage. Also, s.22 does not speak English and would have difficulty explaining where the currency came from.

HARDING contacted s.22 , Cage Manager, and directed him to speak with Starlight Casino General manager Tim BARNETT and advise him of this request.

HARDING then contacted Matt BALLESTY, Senior VP of VIP Operations, and explained the circumstances of the request made by s.22 BALLESTY stated he did not foresee any issues with supplying this letter to s.22 as long as it was s.13

MacNEILL contacted Glenn ATCHISON, Manager of Compliance, at Gateway Head Office. ATCHISON advised against issuing this letter.

MacNEILL then met with BARNETT and informed him of the request made by s.22 and that ATCHISON had advised against supplying a letter to s.22

BARNETT then called BALLESTY and they both agreed that they could not supply a letter confirming that the cash related to a win, however, it would be reasonable to offer assistance to a customer who may experience

problems transporting the cash by air. It was agreed that they would supply s.22 with the letter he requested.

BARNETT drafted up the letter, on Starlight Casino letterhead, for HARDINGS signature. It is as follows;

4 May, 2010

“To whom it may concern,

**This letter is to confirm that^{s.22} cashed out \$1.2m in
Starlight gaming chips on^{s.22}**

**For further information please contact Meiling Harding, Director VIP
Services and Business development 778-991-7448”**

Kind Regards,

Meiling Harding

HARDING retrieved the letter from BARNETT, signed it, and took it to the VIP Room and gave it to s.22 to give to s.22. As this process had taken some time, s.22 had left the casino and instructed that the letter be given to his associate, s.22. SHEN handed the letter to s.22.

The following day Steve BEEKSMA, BCLC investigator assigned to the Starlight Casino, became aware that this letter had been supplied to s.22. He met with BARNETT and advised him that anyone that was involved in this incident must submit an itrak supplemental report.

On May 7th, BEEKSMA submitted a Section 86 Gaming Control Act Report to GPEB investigations.

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FINDINGS GENERAL:

GPEB Investigations immediately had grave concerns over the issuance of this letter after being notified via Section 86 report from BCLC. We recognized a significant “integrity of gaming” issue, and an immediate concern that the issuance of this letter could be used for illegal means. Inspector Mike Arnold, Operations Officer, “E” Division Integrated Proceeds of Crime Section, RCMP, was contacted and supplied with the circumstances of s.22 receiving this letter and asked to comment on how the criminal element could use this. He stated;

s.16

s.22 is well known within the gaming industry for more than just the large amounts of cash he brings into the venues. Here is a synopsis of some of the concerning behaviors he has been involved in;

s.15;s.22

s.15;s.22

INTERVIEW WITH BCLC TRAINING CASINOS: SEPTEMBER 2019

s.22

who received the letter from SHEN, also has a history of engaging in loan sharking activity, and was Provincially Prohibited by BCLC in 2007 for the inappropriate transfer of value chips and money. s.22 is no longer prohibited at this time.

10-05-13

BCLC investigators John KARLOVCEC, Don MERKEL and Steve BEEKSMA met with BALLESTY, BARNETT and Starlight Casino Executive General Manager of Table Games, Sam OAN. The Gateway

personnel admitted that in the past VIP staff have shown a tendency to lean too much to the customer service side of the fence for fear of offending the VIP patrons. They advised they were taking steps to ensure this would not happen again. They also advised that they have been negligent in not keeping Gateway's Director of Security and Surveillance, Stan WAGER informed of incidents/situations that clearly fall within his job description. (copy of this info received via email from KARLOVCEC attached)

WAGER is a^{s.22} with a wealth of knowledge in the area of money laundering and proceeds of crime issues. I have since spoken with WAGER who was adamant that he would have vigorously advised against writing this letter, under any circumstances, had been told or had determined that this letter was being drafted.

10-05-17
s.13;s.15

CONCLUSIONS:

As previously noted, s.22 is a regular patron at the Starlight Casino and is generally considered the largest cash player in terms of buy-ins. Every year s.2 buy-ins total in the several million dollar range. On occasion s.2 wins significant sums of money, however s.2 has also lost large amounts in a short period of time, included one session where s.2 lost more than a million dollars in one 18 hour time period.

s.22 also has an extensive record of suspicious activity within local casinos. s.2 was Provincially Prohibited by BCLC in s.22 from all gaming facilities for inappropriate transfer of value chips. s.2 also has been observed meeting and associating with known loan sharks. Although it should be pointed out that s.22 has never been suspected of engaging in loan sharking activities, s.2 does regularly use the services of loan sharks. Also, on many of these occasions the money used by s.22 to buy-in was identified as suspicious currency/proceeds of crime because of the small denominations of the bills presented. On another occasion s.2 bought in with a large quantity of currency, which 47 of the bills had noticeable burned edges.

The s.22 sent to the Starlight Casino to get the letter, s.22 s.22 also has a history of suspicious activity within local casinos. As noted previously, s.22 was Provincially Prohibited in s.22 for one year from entering all gaming facilities for engaging in loan sharking activities.

Management at the Starlight Casino are aware of s.22 dubious background and s.2 association with loan sharks. The chronological history of suspicious incidents listed above is readily available and easily retrievable via the itrak reporting database. s.22 previous history can also be searched via the itrak system however, there is no indication this was

ever done. Yet, despite the concerning associations of these two individuals they chose to issue the 1.2 million dollar letter.

s.13;s.15

s.15;s.16

One of the troubling aspects of this entire matter is the fact that it was not a poor decision made by an individual. It was a management decision made by senior members of Gateway Casinos and Entertainment Inc. To reiterate, the following Gateway management personnel were involved from the outset;

Cathy SHEN, VIP Room Manager, Starlight Casino.

Meiling HARDING , Director VIP Services and Business Development, Gateway Head Office.

Tim BARNETT, Executive General Manager, Starlight Casino.

Matt BALLESTY, Senior VP of Operations, Gateway Head Office.

Glenn ATCHISON, Manager of Compliance, Gateway Head Office.

ATTACHMENTS

Itrak report # 10-17708
FINTRAC Report #199436317
Letter From HARDING to^{s.22}
Email from John KARLOVCEC
Email from Mike ARNOLD

The foregoing information is provided for the consideration of Registration Division. This file is concluded herewith.

Numerous procedural concerns were identified, and articulated in the body of the narrative report, through this investigation.

Prepared by:	Approved by:
<i>Original Signed</i>	
Derek Dickson Director, Casino Investigations, LMD Investigations Division	

Forward: 10-06-24

This report submitted by Director of Casino Investigations, Derek Dickson completely lays out all of the circumstances surrounding this matter. I don't believe, however, that it can be overemphasized how significant a breach has been committed here.

It is especially important to remember that the subject s.22 who was given the letter, was extremely well known and had been for a long period of time. s.22 notable lengthy and questionable "currency transaction" past history was well known and documented by this service provider. This, coupled with the fact that the letter was actually given to a 3rd party s.22 with an equally questionable past history, adds to the gravity of this breach. All of that however has to also be seen in light of the fact that several upper management service provider personnel were instrumental in discussing this and then making the conscious and deliberate decision to proceed with issuance of the letter. They even excluded going to their own Director of Security and Surveillance who they knew had direct experience and knowledge of these types of issues.

I believe the circumstances as provided in this case outline a serious "integrity of gaming" concern relative to this service provider and, if not addressed, could have far reaching ramifications elsewhere in the gaming industry within British Columbia.

Joe Schalk, Senior Director Investigations
Gaming Policy and Enforcement, Investigations Division

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Withheld pursuant to/removed as

DUPLICATE

ANTI-MONEY LAUNDERING - SURVEY OF OTHER JURISDICTIONS

Over the past several years there has been a dramatic rise in the number of Suspicious Currency Transactions (SCT's) and large buy-ins (50k, \$100k, \$200k and even in excess of \$400k) predominantly in \$20.00 bills, being accepted at some of the larger gaming facilities in British Columbia. These SCT's, undoubtedly Proceeds of Crime, are being reported as required to us as the Regulator and to the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC).

A Government of British Columbia review of Anti-Money Laundering measures at BC Gaming Facilities in February, 2011 not only looked at anti-money laundering practices, policies and strategies that were in place in British Columbia but reviewed and identified opportunities to strengthen existing anti-money laundering diligence in BC Gaming facilities. In order to completely review anti-money laundering due diligence in our jurisdiction, it was also felt that other jurisdictions should be sought out to determine what policies, procedures and practices are in place elsewhere in North America.

We are seeking your assistance in providing information on Anti-Money Laundering policies and procedures undertaken in your jurisdiction. We would very much appreciate any assistance to us in this regard.

The following questions are being sent out in advance to some 15 different jurisdictions (5 in Canada, possibly one foreign (UK or Australia) the rest American) via e mail with the intent to follow up with person-person telephone interviews. For some, many of the questions may not have application in your jurisdiction. This list of possible questions simply presents a broad overview of some of the areas we may wish to touch on if/as they apply in your jurisdiction.

We hope this survey will help assist in obtaining as much info as possible regarding anti-money laundering processes in place across North America.

We certainly want to offer the results of this survey to any jurisdiction that would like/could use this information.

As noted, questions are broken down into 4 main categories: Cash, Chips, Credit and Procedures.

Thank you in advance for your assistance to us.

Joe Schalk, Sr. Director Investigations and Regional Operations
Gaming Enforcement, Investigations Division
Gaming Policy and Enforcement Branch
Ministry of Public Safety and Solicitor General
Province of British Columbia
Ph: (604)660-0271
E mail: joe.schalk@gov.bc.ca

Derek Dickson, Director, Casino Investigations
Gaming Enforcement, Investigations Division

Ph: (604)660-0299
E-mail: derek.dickson@gov.bc.ca

QUESTIONS:

- Cash:**
- Does your jurisdiction have stipulated reporting requirements by the venue to a regulator on wrongdoing occurring within gaming/a venue?
 - Do your venues accept/take in 20K?, 50K?, 100K? over 100K in small denominations? (\$20.00 bills)
 - If yes, what due diligence/information do you get from patron?
 - Do you call/involve regulator or Police when this happens?
 - Are enforcement/regulator/Police on site?
 - How do patrons get large sums of money into venues in order to facilitate their play?
 - Do you report/who do you report LCT and SCT's to?
 - If there is a SCT, who/when/why/what decision is made to involve authorities?

- Chips:**
- Are value chips allowed to be taken out/brought into your venues?
 - Are value chips allowed to be exchanged between patrons within the venue?
 - Are patrons given cheques from the venue (verified win or other) when value chips are cashed out with patron leaving venue.
 - Are distinctions made between verified win cheques and/or cheques for cash out only?

- Credit:**
- Are any form of wire transfers allowed/provided into or out of venues
 - If so, are they allowed from any foreign jurisdictions, Canadian jurisdictions only, American jurisdictions only, other?
 - Are banks available or on the properties of Casino/gaming venues?
 - Is Global Cash or other like opportunity to get cash available in the venue?
 - Are personal cheques taken by venue from the patron?
 - Is there any kind of credit allowed to be extended to patrons? Any limit?
 - Do you use Player Gaming Cards for any purpose – how used?

Procedures:

- What policies/procedures are in place for the handling/reporting of large volumes of small denomination bills (\$20.'s) within your venues? (CSOP's, Audits, Regulator)
- What policies/procedures are in place to the handling/reporting of chips within your venues? (CSOP's, Audits, Regulator)
- What policies/procedures are in place to handle/control and reporting of credit/wire transfer within your venues? (CSOP's, Audits, Regulator)
- If you have/regulate E-Gaming, what AML procedures/policies are in place?

ANTI MONEY LAUNDERING - SURVEY ON OTHER JURISDICTIONS

The following suggested questions will be sent out in advance to a maximum of 15 different jurisdictions (5 in Canada, possibly one foreign (UK or Australia) the rest American) via e mail with follow up person-person interviews to help assist also in obtaining as much info as possible. E mail will include background and reasons for our survey. Questions will be broken down into 4 main categories: Cash, Chips, Credit and Procedures.

SUGGESTED QUESTIONS:

- Cash:**
- Do your venues accept/take in 20K?, 50K?, 100K? over 100K in small cash denominations (\$20.00 bills)
 - If yes, what due diligence/information do you get from patron?
 - Do you call/involve regulator or Police when this happens?
 - How do patrons get large sums of money into venues in order to facilitate their play?
 - Do you report/who do you report LCT and SCT's to?
 - If there is a SCT, who/when/why/what decision is made to involve authorities?
- Chips:**
- Are value chips allowed to be taken out/brought into your venues?
 - Are value chips allowed to be exchanged between patrons within the venue?
 - Are patrons given cheques from the venue (verified win or other) when value chips cashed out with patron leaving venue.
 - Are distinctions made between verified win cheques and/or cheques for cash out only?
- Credit:**
- Are any form of wire transfers allowed/provided into or out of venues
 - If so, are they allowed from any foreign jurisdictions, Canadian jurisdictions only, American jurisdictions only, other?
 - Are banks available or on the properties of Casino/gaming venues?
 - Is Global Cash or other like opportunity to get cash available in the venue?
 - Are personal cheques taken by venue from the patron?
 - Is there any kind of credit allowed to be extended to patrons? Any limit?
 - Do you use Player Gaming Cards for any purpose – how used?
- Procedures:**
- What policies/procedures are in place for the handling/reporting of large volumes of small denomination bills (\$20.'s) within your venues? (CSOP's, Audits, Regulator)
 - What policies/procedures are in place to the handling/reporting of chips within your venues? (CSOP's, Audits, Regulator)
 - What policies/procedures are in place to handle/control and reporting of credit/wire transfer within your venues? (CSOP's, Audits, Regulator)
 - If you have/regulate E-Gaming, what AML procedures/policies are in place?

ANTI MONEY LAUNDERING SURVEY

Jurisdictions Outside of British Columbia

Jurisdiction:

Contact Person:

Position/Title:

Date of Contact:

Contact Numbers:

E Mail Contact:

Survey Conducted By:

ANTI MONEY LAUNDERING - SURVEY ON OTHER JURISDICTIONS

QUESTIONS:

Cash:

- Does your jurisdiction have stipulated reporting requirements by the venue to a regulator on wrongdoing occurring within gaming/a venue?

- Do your venues accept/take in 20K?, 50K?, 100K? over 100K in small cash denominations? (\$20.00 bills)

- If yes, what due diligence/information do you get from patron?

- Do you call/involve regulator or Police when this happens?

- Are enforcement/regulator/Police on site?

- How do patrons get large sums of money into venues in order to facilitate their play?

- Do you report/who do you report LCT and SCT's to?
- If there is a SCT, who/when/why/what decision is made to involve authorities?

Chips:

- Are value chips allowed to be taken out/brought into your venues?
- Are value chips allowed to be exchanged between patrons within the venue?
- Are patrons given cheques from the venue (verified win or other) when value chips cashed out with patron leaving venue?
- Are distinctions made between verified win cheques and/or cheques for cash out only?

Credit:

- Are any form of wire transfers allowed/provided into or out of venues?

- If so, are they allowed from any foreign jurisdictions, Canadian jurisdictions only, American jurisdictions only, other?

- Are banks available or on the properties of Casino/gaming venues?

- Is Global Cash or other like opportunity to get cash available in the venue?

- Are personal cheques taken by venue from the patron?

- Is there any kind of credit allowed to be extended to patrons? Any limit?

- Do you use Player Gaming Cards for any purpose – how used?

Procedures:

- What policies/procedures are in place for the handling/reporting of large volumes of small denomination bills (\$20.'s) within your venues? (CSOP's, Audits, Regulator)

- What policies/procedures are in place to the handling/reporting of chips within your venues? (CSOP's, Audits, Regulator)

- What policies/procedures are in place to handle/control and reporting of credit/wire transfer within your venues? (CSOP's, Audits, Regulator)

- If you have/regulate E-Gaming, what AML procedures/policies are in place?

Additional Notes

Dealing with loan sharking and money laundering issues are two of the main priorities of the Gaming Policy and Enforcement Branch, Investigations Division. Over the past several months we have observed a number of incidents involving Large Cash Transaction (LCT) patrons at Lower Mainland Casinos and their continued involvement in chip passing, money exchanging and loan sharking activities. There are many individuals with these types of histories, however, We have conducted a review of four specific LCT patrons that are chronic violators to determine if there is an on-going problem that needs to be addressed and what strategies, if any, need to be considered to ensure the integrity of gaming is being protected.

s.22

In s.22 was prohibited by BCLC for one year as a result of transferring value chips to another casino patron. Since s.22 has been involved in seven suspicious cash transactions and chip passing incidents, including associating with a known loan shark. No sanctions have been imposed.

s.22

Since s.22 has been involved in six suspicious cash transactions and chip passing incidents. s.22 has also been involved in two incidents where she was observed associating with a known loan shark. In one of these incidents the BCLC Investigator wrote in the Itrak report,

“This incident is deemed suspicious by the writer as it appears that both s.22 are running chips/cash for BCLC prohibited s.22

No sanctions have been imposed.

s.22

Since s.22 has been involved in twelve suspicious cash and chip passing incidents. On two occasions she was observed associating with known loan sharks. In one of these incidents the BCLC Investigator wrote in the FINTRAC Report,

“The circumstances of s.22 involvement in this incident make it likely they are involved in loan sharking

activities.”

No sanctions have been imposed.

s.22

Since^{s.22} has been involved in six suspicious cash transactions and chip passing incidents. s.22 was involved in one incident where the BCLC Investigator wrote in a FINTRAC Report,

“The circumstances of^{s.22} involvement in this incident make it likely they are involved in loan sharking activities.”

No sanctions have been imposed.

Section 92 of the Gaming Control Act (GCA) states;

If the lottery corporation or a person acting on its behalf has reason to believe that the presence of a person on the premises of a gaming facility is undesirable, the lottery corporation or person acting on its behalf may

- (a) request the person to leave the premises of the gaming facility immediately, or**
- (b) by written notice delivered to the person, forbid him or her to enter the premises of the gaming facility at any time during a period specified in the notice**

This section of the GCA empowers BCLC to remove and forbid any person that is deemed to be “undesirable”. We believe that any patron associating with, or engaging in loan shark activity, is by definition undesirable. In several instances BCLC investigators have authored within Itrak and FINTRAC reports their opinion that LCT patrons, ^{s.22} are engaging in activities consistent with loan sharking. Yet, no sanctions are imposed.

In the past the service providers and BCLC have been vigilant in dealing with loan sharks operating within the casinos. They have, for the most part, been removed from the floors and out of the venues. However, there are still numerous documented instances where loan sharks have adapted their tactics and are still

very active within the casinos. We believe the next step in dealing with loan sharks is to target the patrons using the services of loan sharks, and operating on behalf of loan sharks.

We are of the opinion that permitting any patron to engage in these types of behavior is a serious threat to the integrity of gaming, and an aggressive attitude needs to be adopted by the service providers, BCLC and GPEB to stop this undesirable behavior that is ultimately fostering the loan sharks' abilities to operate within casinos. One of the tactics available to BCLC, that we believe should be utilized, is to toughen their stance in these types of policy violations and prohibit any patron found to be engaging in undesirable behaviors' involving associating with loan sharks, and particularly, engaging in loan sharking activity.

A secondary issue that has also surfaced is the volume of chip passing incidents being reported to GPEB by way of Section 86, GCA. Most of these incidents are rightfully being identified as not suspicious, however, the same violators are appearing in these reported incidents over and over. Despite being warned by the service provider and BCLC they continue to openly flaunt the BCLC chip passing policy. It is obvious that these warnings are not having any influence on the offending patrons to correct their undesirable behaviors'. We are of the opinion that BCLC needs to impose meaningful sanctions on the chronic violators in an effort to reel in the problem of chip passing in all of the casinos.



CONFIDENTIAL

27 December, 2012

Bryon Hodgkin
Director, Operational Compliance
Corporate Security and Compliance
British Columbia Lottery Corporation
2940 – Virtual Way
Vancouver, B.C. V5M 0A6

Dear Bryon:

**Re: Suspicious Currency Transactions/Money Laundering –
British Columbia Casinos**

This memorandum is further to previous correspondence between Investigations and Regional Operations Division, Gaming Policy and Enforcement Branch and Mr. Gordon Friesen, that commenced on 24 November, 2010. It should be noted that since 2007/2008 the incidents of reported Suspicious Currency Transactions (SCT) have been increasing yearly at an alarming rate.

In late 2011, GPEB's Investigations and Regional Operations Division conducted a review of SCT reporting for the period between **1 September, 2010** and **31 August, 2011**. The following results were found:

Total SCT 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

- Eighty (80) different patrons bought in for over \$100,000 on at least one occasion.
- The top five patrons had suspicious currency buy-ins with a combined total of \$10,408,210.00
- The top individual patron had suspicious currency buy-ins totaling \$5,855,760.00
- The vast majority of all the suspicious currency buy-ins was in \$20 dollar denominations.

It has become abundantly clear that most of these patrons are of Asian descent and are using large amounts of suspicious currency supplied by loan sharks, often operating in the vicinity of the casinos. It is known that these Asian gamblers are using suspicious currency obtained from loan sharks who we believe are obtaining the proceeds of crime from organized crime subjects or groups.

In 2011, the Minister responsible for Gaming in British Columbia commissioned Robert Kroeker to conduct a review and author a report on anti-money laundering measures in British Columbia gaming facilities. The review was also “to identify any opportunities to strengthen the existing anti-money laundering regime.” The first paragraph of the Summary Review authored by Kroeker stated:

“In January 2011, a series of news reports ran on cash transactions occurring at gaming facilities in British Columbia. The media stories focused on a number of large cash transactions involving small denomination Canadian currency, typically \$20.00 bills, which occurred over the summer of 2010. In the course of these reports the media raised questions about how well gaming in the province was protected from money laundering.”

Mr. Kroeker’s report made several recommendations regarding suspicious currency transactions in casinos, including that British Columbia Lottery Corporation (BCLC) accept law enforcement's professional opinion that this activity is money laundering. BCLC accepted these recommendations and agreed to enhance its anti-money laundering initiatives and strategies.

A further review of SCT reports was conducted by Investigations and Regional Operations in October/November 2012. This review was for the **nine (9) month period** between **1 January, 2012 and 30 September, 2012**. The following results were found:

Total Money Laundering/SCT files: 794 files

Total dollar amount: \$63,971,727.00

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

This represents over 70% of all suspicious cash entering casinos.

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

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

The top 22 patrons had SCT buy-ins totaling: \$45,812,130.00.

This represents 71% of the total dollar amount of all SCT.

The top ten patrons' SCT buy-ins generated 285 separate Gaming Control Act (GCA) Section 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 than the total number of SCT reports generated in 2007, 2008 and 2009 and is only ten less than 2010.

Using the previously mentioned figures from the first nine months of 2012, it is projected that the yearly totals will be:

Total Money Laundering /SCT files: 1,090 + files

Total dollar amount: \$85,300,000.00 +

Total dollar amounts in \$20 denominations: \$59,000,000.00 +

It has become routine for patrons to buy- in with suspicious currency totaling \$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.

Conclusions

- The number of Section 86 GCA, Suspicious Currency reports received from the Service Providers and BCLC have almost doubled every year since 2010.
- The total dollar amount of reported suspicious currency entering British Columbia casinos continues to rise exponentially, year over year.
- The twenty (\$20) dollar bill is currently used in over 70% of all Suspicious Currency Transactions.
- All large SCT buy-ins are in Canadian currency.
- s.22 are the subject of the majority of all Section 86 GCA Suspicious Currency reports generated within Lower Mainland casinos.
- BCLC initiated several enhancements to the Player Gaming Fund Account (PGFA) in April, 2012 in order to reduce the reliance on cash in British Columbia casinos.
- A GPEB Investigations and Regional Operations Division review of 2012 indicates that enhancements to the PGFA and other measures taken to date to reduce the flow of cash into casinos **have not slowed the flow of Suspicious Currency into Lower Mainland casinos.**
- The continued significant increase of Suspicious Currency being **brought into and accepted at** several casinos in the Lower Mainland is a cause of great concern to the Investigations and Regional Operations Division. We believe that this is significantly impacting the overall integrity of gaming in British Columbia.

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

CC: Larry P. Vander Graaf, Executive Director

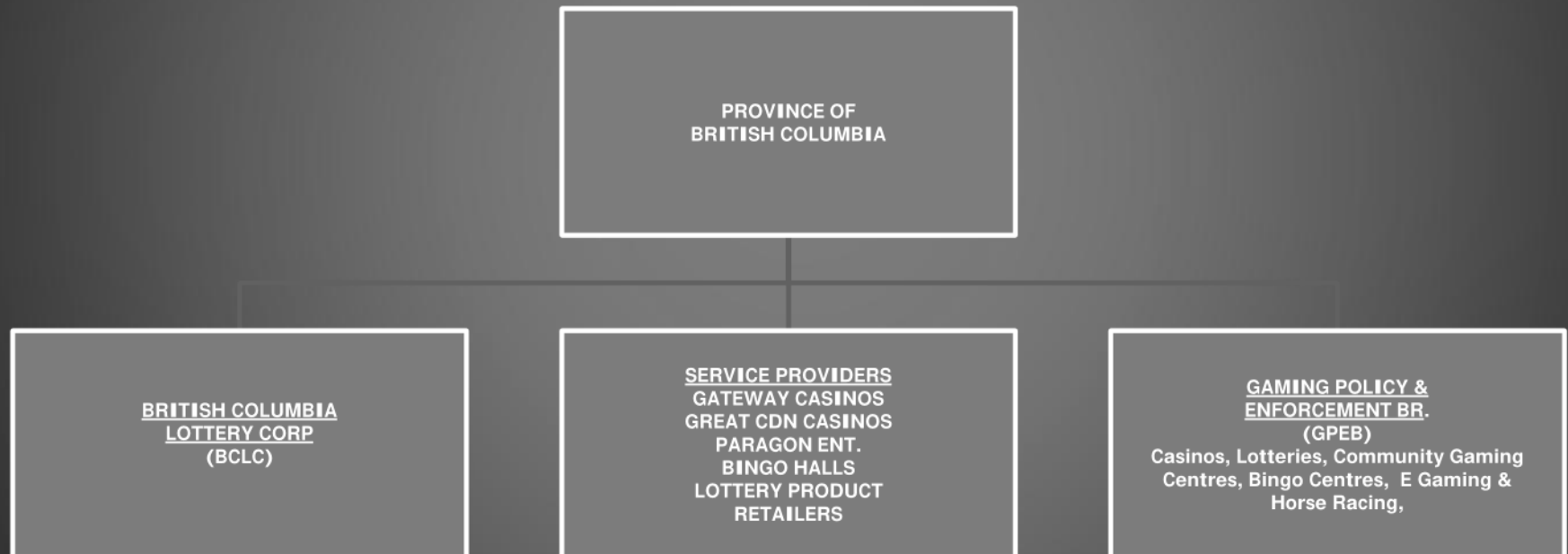
MONEY LAUNDERING

INTERNET GAMBLING/CASINOS

Presented by:

Joe Schalk, Sr. Director Investigations
Derek Dickson, Director, Casino Investigations
Gaming Policy & Enforcement Branch
Investigation Division LMD

THREE ENTITIES OF LEGAL GAMING



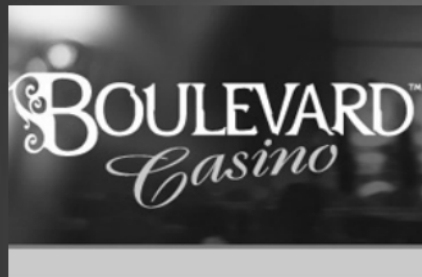


BCLC



- Conduct and Manage the service providers
- Develop Casino Standards, Policies, and Procedures.
- Manage lottery retailers
- Carry out civil investigations within casinos.
- BCLC specialized technicians carry out equipment checks and maintenance.

SERVICE PROVIDER



Gaming Policy and Enforcement Branch

Regulating all gaming
in British Columbia

GPEB



LOTTERIES/BINGO DIVISION

- ☐ Enforce Gaming Control Act, Gaming Control Regs. & Criminal Code.
- ☐ Investigate all criminal activities pertaining to lottery/bingo frauds.
- ☐ Licensing enforcement.
- ☐ Post Registration Investigations of Gaming Employees/retailers.

HORSE RACING DIVISION

CASINO DIVISION

- ☐ Enforce Gaming Control Act, Gaming Control Regs. & Criminal Code.
- ☐ Investigate all criminal activities within the casinos and lay criminal charges where applicable.
- ☐ Assist police of jurisdiction on all major investigations.
- ☐ Only GPEB Investigators carry the designation of Special Provincial Constable.
- ☐ Work with BCLC & Service Provider to develop certain policy. (ie Money Laundering Policy)
- ☐ Post Registration Investigations of Gaming Employees.

INTERNET GAMBLING



US Friendly Room!

This Poker Room Welcomes US Players



100% up to \$600 Extra

Website: www.fulltiltpoker.com

Play Now

This room does not accept US players
US Players Go THERE



PartyPoker.com
The World's Largest Poker Room



20% Bonus up to \$100

Website: www.partypoker.com

Play Now

Here you can play
BLACK JACK PAYS 3 TO 2
INSURANCE PAYS 2 TO 1
Black Jack
online for FREE!

PLAY FOR FREE



WIN REAL PRIZES!



POKER ONLINE
WWW.007POKERONLINE.COM

Internet Gambling Growth

- One of the fastest growing businesses online
 - In 2001, there were 1400 online gambling sites, in 2008 there were over 2132 sites.
 - at present, online gambling licences occur in 76 jurisdictions.
- Internet gaming revenue from the industry has grown from \$2.2 billion in 2000 to revenue of over \$29 billion by 2010 and an estimated \$80 billion in 2013.

Games Available Online

- Casino Games – Black Jack, Slots, Roulette, Keno, Craps, Baccarat, & Bingo
- Video Poker – including Caribbean Poker and Pai Gow Poker, Four & Three Card Poker
- Horse Racing
- Texas Holdem Tournaments
- Sports Betting
- Soon all games including sports betting and proposition betting on mobile - live

Regulatory Structures

LEGALLY ALLOWING ONLINE GAMBLING

Malta	291 online gambling sites
Gibraltar	183 online gambling sites
United Kingdom	97 online gambling sites
Alderney	66 online gambling sites
Khanawakhe	302 online gambling sites
Netherlands Antilles	269 online gambling sites
Antigua & Barbuda	115 online gambling sites
Costa Rica	234 online gambling sites
Belize	35 online gambling sites
Panama	32 online gambling sites

JURISDICTION

- Antigua, Costa Rica, UK, Gibraltar, Malta, Netherlands Antilles, etc, all legally allow online gambling in their countries.
- Register their company name in a country that Internet Gambling is legal.
- Real Operation is often operated elsewhere. Canada is popular destination.
 - Montreal, Toronto, and Vancouver
- Largest server in the world. Khanawakhe Gaming Commission. (believed to be OVER 400 sites).

ONLINE PAYMENT



ONLINE PAYMENT

- Credit Cards
 - Uses shell companies to mask transactions
- Cheques
- Money Orders
- Direct Debit
- eWallet
 - NETeller
 - My Citadel
- Payment Cards
 - similar to phone cards.
 - Purchase amount desired.

MONEY LAUNDERING

- Revenue can be “disguised” as
 - Winnings
 - Sports betting
 - Poker room winnings
 - Revenue from online gambling business
 - Advertising company, call center, 3rd parties.
- Crimes and suspicious transactions are seldom reported to authorities.
- Transactions are often hard to track
- Records are software based and often located offshore.
- NO LEGISLATION TO FORCE THEM TO PROVIDE INFORMATION
- Many controlled by CRIME SYNDICATES or person with criminal backgrounds



BCLC INTERNET GAMBLING

- Lotto 6/49
- Lotto MAX
- BC 49
- Extra
- Keno
- Sports Action
- Pacific Holdem
- Several new PlayNow.com products include games with **predetermined outcome** (Similar to Scratch tickets) (ie: eBingo and Monopoly)
- E Poker (*July – 2010*)
- ALL OTHER GAMBLING ONLINE IS ILLEGAL.

[REGISTER](#)[LOGIN](#)[HOME](#)[LOTTERY](#)[CASINO](#)[SPORTS](#)[BINGO](#)[GAMES](#)[Winners](#) | [Promotions](#)**Casino**- **Table Games**[American Roulette](#)[Baccarat](#)[Blackjack 1 Hand](#)[Red Dog](#)[Sicbo](#)+ **9 Line Slots**+ **20 Line Slots**+ **Free Spin Slots**+ **All Slots**+ **Video Poker**

Table Games



\$100

DEPOSIT BONUS[REGISTER NOW](#)*Some restrictions apply. See promotion**Most Popular****Blackjack 1 Hand**

A classic casino game. Double down and split your way to cold hard cash.

[Play Demo](#)[Play Game](#)**Game Feature**[More Promotions](#)**Bonus Bars**

The more you wager on casino games, the more your Bonus Bars grow. Once filled, you receive a Casino Token.

[See Promotion](#)**Table Games****American Roulette**

Pick your favourite number and spin that wheel. You can also bet on Double Zero.

[Play Demo](#)[Play Game](#)**Baccarat**

Naturals can't be beat. You can gamble which hand will be closer to nine total.

[Play Demo](#)[Play Game](#)**Blackjack 1 Hand**

A classic casino game. Double

**Red Dog**

All outcomes rest on the turn



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Invest Log Aug 2010 ...

Casino | PlayNow.co...

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**PLAY
NOW
COM**

Lotto
MAX

LOTTO
649

Bc49

Keno

PAKIE
HOLDEN

BINGO

SPORTS ACTION



Online

Now Accepted Here

**25
INTERACTIVE
GAMES**

MONEY LAUNDERING

CASINOS



Criminal Code of Canada

Definition

PROCEEDS OF CRIME:

- means any property, benefit or advantage, within or outside Canada, obtained or derived directly or indirectly as a result of
 - (a) the commission in Canada of a designated offence, or
 - (b) an act or omission anywhere that , if it had occurred in Canada, would have constituted a designated offence. >

Laundering Proceeds of Crime

Offence Section

Sec.462.31(1) Every one commits an offence who uses, transfers the possession of, sends or delivers to any person or place, transports, transmits, alters, disposes of or otherwise deals with, in any manner and by any means, any property or any proceeds of any property with intent to conceal or convert that property or those proceeds, **knowing or believing that all or a part of that property or of those proceeds was obtained or derived directly or indirectly as a result of**

- (a) the commission in Canada of a designated offence; or
- (b) an act or omission anywhere that, if it had occurred in Canada, would have constituted a designated offence. >

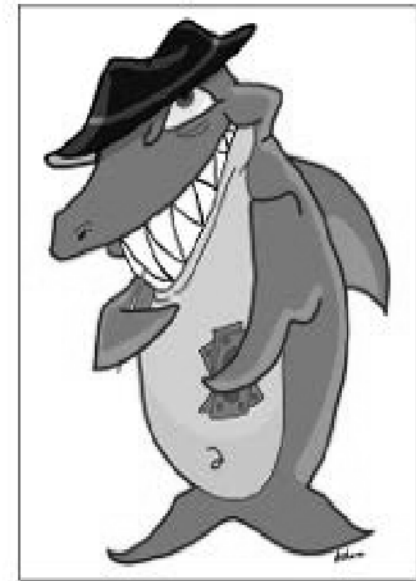
LOAN SHARKING

Offence Section

- Section 347 C.C.

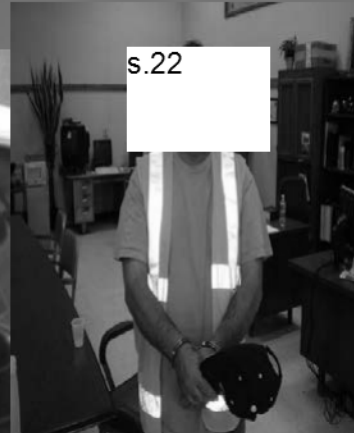
(1)(a) ...everyone who enters into an agreement or arrangement to receive interest at a criminal rate.

Definition: **Criminal Rate:** an annual rate of interest that exceeds 60% on the credit advanced.



PROCEEDS OF CRIME

TEXAS DEPARTMENT OF TRANSPORT VEHICLE USED TO SMUGGLE DRUGS AND CASH
ACROSS USA/MEXICAN BORDER.



PROCEEDS OF CRIME

Drug Raid in Mexico City Netted Police \$205,000,000.00



BC CASINO STATS

- 13.6 billion @yr/430 @sec=# slot handle pulls.
- 1.6 billion @yr/50 @ sec=# table hands played.
- 24,000,000 = CASINO attendance this year.
- \$2.61 billion = com gaming generated in 08/09.
- Gaming will generate projected 1.2 Billion to Government coffers in 2012/13
(Casinos, Lotteries, Commercial Bingo Halls and Community gaming centers).

GAMING FACILITIES IN BC

- 17 CASINOS
- 11 COMMERCIAL BINGO HALLS
- 16 COMMUNITY GAMING CENTRES
- 2 HORSE RACETRACKS
- 22 HORSE RACING TELETHEATRES
- 26,000 people participating in gaming
- 5,200 registered gaming operators
- 2,300 lottery retailers





MONEY LAUNDERING TECHNIQUES



- Change up bills at cash cages
- Run cash through the slot machines
- Color change at the tables
- Use minimal play techniques
- Keep transactions under \$10,000 (LCT)
- Loan Sharking
- Unsophisticated – comparable to smurfing. >

FINTRAC'S EFFORTS TO STOP MONEY LAUNDERING IN CASINOS

- The Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA) oblige casinos to report to FINTRAC. (amendments Bill C-25)
 - In 2001, all casinos had compliance obligations to keep records, checking identifications, and reporting certain transactions.
 - As of Sept 28th, 2009, casinos required to report all disbursements of \$10,000 or more to FINTRAC. (LCTR)
 - STR (suspicious transaction reports)
 - Sep – 2010 BCLC was fined \$675,000 for non-reporting violations (under appeal at this time)

INDUSTRY EFFORTS MADE TO COUNTER MONEY LAUNDERING

- Cash cage exchanges are monitored
- Minimal play not condoned
- Players are tracked via pit bosses, surveillance photos, ID for LCT players.
- Payouts made in cash - \$100/\$20 bills returned (with minimal play)
- Cheques paid only when requested and after proof of verified win. ?? (very difficult to verify win)
- New Policy August 7th, 2009 – cheques for winning amount only not buy-ins. ??
- Cash coming in should be in bank order bundles. (NOT!!)
- Casino's FINTRAC reports controlled/forwarded by BCLC.
- GPEB report suspicious transactions to RCMP IPOC Units >

THE END

Gaming Policy and Enforcement Branch

Investigations and Regional Operations Division

Compliance Note to the Minister

- To ensure the integrity of gaming in British Columbia, GPEB investigates all reported instances of real or suspected wrongdoing in gaming and horse racing
- Investigations and Regional Operations personnel investigate or assist law enforcement in investigating reported real or suspected criminal activity and/or regulatory infractions in legal gaming and horse racing. Post registration and post licensing investigations are also conducted on registered gaming workers and registered gaming service providers.
- GPEB investigators also work in conjunction with law enforcement in investigating a significant number of illegal gaming issues
- BCLC and all Service Providers are legally required to notify GPEB of any wrongdoing considered contrary to the Criminal Code, the Gaming Control Act or anything affecting the integrity of gaming in British Columbia
- In 2012/2013, GPEB Investigations and Regional Operations received 16,015 notifications/complaints from service providers, Police, BCLC and/or the public. These notifications include issues related to theft, assault, threats, fraud, loan sharking, cheat at play, counterfeit, BCLC prohibited persons and illegal gaming issues being the most significant of issues dealt with
- Three strategic priorities of the Division and the Branch are:
 - 1) Investigate, gather intelligence and report regarding notifications in order to deter money laundering or perception of money laundering in gaming facilities in British Columbia
 - 2) Continue to develop and implement investigative processes for investigating and deterring wrongdoing in E gaming in British Columbia
 - 3) Conduct investigations, covert and otherwise, relative to minors participating or attempting to participate in gaming in British Columbia and take appropriate enforcement actions under provisions of the Gaming Control Act

The following statistics are being provided relevant to the three strategic priorities.

1) Notifications of Suspicious Currency Transactions(SCT's) investigated by GPEB Investigations

	2012	2013
• Notifications/complaints	1,173	1,212
• Total dollar value of reported SCT's	\$88,748,787	\$101,012,053
• Total reported SCT's in \$20 bills	\$60,380,790	\$72,092,905
	(68% of SCT total)	(71% of SCT total)

2) Total number of E gaming investigations conducted in 2012/2013 – 127

3) Information on covert investigations conducted relative to testing practises of casinos, community gaming centres and lottery retailers in British Columbia in 2013

- 270 Lottery Retailers approached by contracted undercover minors
 - 111 Lottery Retailers (41%) sold lottery products to the minor
- 16 attempts made to enter casinos/community gaming centres by minor
 - 1 successful entry by contracted minor to enter gaming facility

GPEB Investigations and Regional Operations have offices in four locations within the Province servicing the Lower Mainland, Interior, North and Vancouver Island regions of the Province.

Page 058 of 315 to/à Page 061 of 315

Withheld pursuant to/removed as

s.13

**ADVICE TO MINISTER
ESTIMATES NOTE**

JANUARY 20, 2014

ISSUE: ADDRESSING WRONGDOING RELATED TO GAMING (GPEB MEASURES)

ADVICE AND RECOMMENDED RESPONSE:

- ◆ **Government is committed to ensuring the integrity of legal gaming in British Columbia.**
- ◆ **BCLC, Service Providers, Licensees and Gaming Registrants are legally required to notify GPEB without delay of any conduct, activity or incident of real or suspected wrongdoing under the Criminal Code of Canada or under BC's Gaming Control Act or anything that might affect the integrity of gaming.**
- ◆ **The Investigations and Regional Operations Division of GPEB receives notifications or complaints of real or suspected wrongdoing in gaming and investigates or assists law enforcement agencies in investigating all reports of suspected criminal activity or regulatory infractions related to legal gaming and horse racing.**
- ◆ **GPEB investigators also work in conjunction with other law enforcement agencies to investigate some illegal gambling activities.**

CURRENT STATUS:

- ◆ In 2012/13, GPEB's Investigations and Regional Operations Division received 16,015 complaints and/or notifications of suspicious activity or suspected wrongdoing related to gaming.
- ◆ The majority of these investigations were related to less serious Criminal Code and/or Gaming Control Act offences. Some involved assisting and or working with Police of Jurisdiction as well as intelligence gathering.
- ◆ In addition to investigating complaints of real or suspected wrongdoing in *legal* gaming, in 2012/13, GPEB Investigations and Regional Operations also handled – and/or assisted local Police of Jurisdiction in handling – 95 files related to illegal gaming issues.

KEY FACTS REGARDING THE ISSUE:

- ◆ GPEB investigates gaming related offences under the Criminal Code of Canada and regulatory offences under the Gaming Control Act. GPEB will recommend for prosecution any gaming related offences under the Criminal Code of Canada. GPEB also has the authority to prosecute, issue tickets, issue warnings and/or administer sanctions under the Gaming Control Act.
- ◆ Sanctions for offences under the Gaming Control Act include:
 - Ticket violation notices (up to \$500) for some violations;
 - Administrative sanctions for licensing or registration contraventions, including warning, revocation of a licence/registration, or fines of up to \$20,000.
- ◆ Other investigation activities include:
 - conducting post-registration and post-licensing investigations;
 - working in conjunction with law enforcement agencies to assist in investigating illegal gambling activities such as unauthorized lottery schemes, gaming houses, illegal internet gaming, loan sharking and money laundering;
 - conducting gaming investigations using minors to ensure lottery retailers and legal gaming venues are compliant with the prohibition of selling lottery products to minors and/or allowing minors into gaming facilities;
 - conducting pro-active criminal investigations directly involved with retailer integrity and the misappropriation of player lottery ticket prize money;
 - investigating, gathering intelligence, reporting and working with Police of Jurisdiction relative to suspicious currency flowing into gaming venues and criminal attempts to legitimize illegal proceeds of crime in gaming facilities; and
 - providing gaming expertise, proceeds of crime assistance and forensic investigation to law enforcement agencies throughout the province.

Contact: ADM, GPEB

John Mazure

250-893-5270

File Created: January 20,
2014

File Updated:

File Location: G:\GPE_Enforcement\Financial Records\Estimates Notes\Estimates Notes
2013-14

IGTF

San Diego, Calif. – 21 January, 2010

Lecture Notes

- Asked to talk about/give insight into Gaming and especially the current extent and status of E gaming in British Columbia, Canada – more commonly referred to as the “Frozen North” – EH!
 - Thanks for the opportunity to provide a little insight into our gaming picture in B.C. – especially as it relates to our electronic gaming picture and the quickly changing world in our area.
-
- Story of guy to Dr. About his wife’s hearing
-
- In order to give some context to how gaming in British Columbia is conducted, we need to give you a brief insight into the law and also how gaming is conducted and who conducts gaming in British Columbia
 - The Federal law in Canada is known and administered under what is known as the Criminal Code of Canada. Section 207 of the Criminal Code
 - 1) gives the authority to conduct gaming in each separate Province of Canada to the Provincial governing authorities – either to conduct gaming themselves, OR

(2) the Province can licence Charities to conduct lottery schemes under the terms of their licence OR

(3) Exhibition or Fair Boards, under licence from the Province, can conduct lottery schemes.

The Criminal Code DOES ALLOW single bet pari-mutuel betting to be conducted in Canada as made law in 1985.

- Up to 1985, what little gaming that took place in B.C. was conducted by Charities and some “Social Clubs” operating under licence from the Province.
- In 1985/86, the Province of British Columbia itself became involved in operating lottery schemes, by setting up a Crown Corporation known as the British Columbia Lottery Corporation, or often referred to as BCLC, to conduct and manage several Provincial lotteries, latter a partnership with other Western Canadian Provinces in several western Canadian lottery schemes and then a Canada wide lottery known as the 6/49 lottery. All of these lottery schemes predominately involved the sale of several different types of lottery tickets, mostly through sales at selected stores and kiosks scattered in both large and small centres throughout the Province. BCLC started fairly small but continued to grow throughout the years and more and more money was generated for the Province as business and types of product sold expanded.

- Some Casino gaming started in major centres in BC around this time, all run under the auspices of licensed Charitable Gaming and contracted service providers. A considerable growing amount of Bingo also run under licensed charitable gaming was prevalent.
- 1997 brought a major shift in gaming in BC – the Province took over control of all Casino gaming, appointing BCLC to conduct and manage all Casino gaming in the Province, contracting to service providers to provide the venues, management and operational staff. Social clubs as “card houses” were no longer licenced to operate.
- A further major shift occurred in 2001 when the Province took over Bingo gaming and Horse Racing in the Province – Bingo under the umbrella of BCLC, Horse Racing under the Gaming Policy and Enforcement Branch. These two significant shifts followed two major political scandals, one known as “Bingogate” involving a very prominent Cabinet minister in the Government of the day and later, something that could be termed “Casinogate” involving the then Premier of the Province.
- In 2002, a Provincial law, the Gaming Control Act of British Columbia was enacted, finally giving enforcement powers to the enforcement arm of the Gaming Policy and Enforcement or GPEP and giving us, as the investigative body, our marching authority. We became the regulator/enforcement body for the industry, including Horse Racing and the regulatory oversight for BCLC.

- Back to the law for a minute – electronic gaming is allowed under the Criminal Code if conducted under certain circumstances and or licensed by the Province. There are restrictions and/or certain limitations. Interactive gaming is NOT allowed however lottery type games of almost any description, those with randomly selected or predetermined outcomes or winners ARE.
- BCLC started getting involved with computer generated gaming approx. 4 years ago – starting with 4 different types of computer lottery schemes. Many of them involve the pull tab variety of game, keno and bingo. Fairly early on, BCLC also included sports action betting available both at kiosks, stores and gaming centres but also available on-line on computer. Sport action betting involves betting on the outcome of a minimum of 3 games with even up payout if you have two out of three winners and higher odds payouts on picking all three winners.
- In the last year, significant increases in the types and numbers of computer gaming available on line has taken place. What was 10 games available at the start of 2009 has now become some 35 games and is increasing exponentially. All of these games have randomly selected outcomes and payouts accordingly. These games now include a variation of Texas Hold'em with randomly selected, predetermined, winning hands and many, many other lottery type games.
- **I have brought along a few copies of information sheets or advertisements of these games on the BCLC website.**

- Some of the other interesting things that have happened:
 In August, 2009, it was suddenly announced that the weekly purchase limit for patrons of e gaming had gone from \$120. Per week to – wait for it - \$9,999.00 per week. This, curiously enough, coincided fairly closely with Government finally telling the people of the Province that our budget deficit, originally predicted to be approx. 600 million would now be close to 3 billion dollars. This also coincided with the yearly financial report showing that for the first time ever, income from lotteries to the Province had decreased some 10 million dollars in 08/09. Obviously the goal is to prop up revenues to keep building on previously gaining revenues now bringing in some 260 million dollars per year. For interest purposes, the Province now takes in about 1 billion, 200 million in revenue from gaming per year. In 2004, that figure was 360 million per year yet government claims still are there has been no “expansion of gaming in the Province of BC”.
- Other interesting, fairly recent changes (last couple of years) in gaming in the Province include:
 - Bingo centres now being turned into Community Gaming Centres which include up to a maximum of 150 slots. All lottery products are sold in these venues as well.
 - “Racecinos” being established at the two major thoroughbred and standard bred racetracks in the Lower Mainland, complete with 600-800 slots and table games

- Five major casinos in the Lower Mainland which have very large, up to 80 table “high limit” poker rooms, maximum \$5,000 bets to a maximum of 9 spots on a table.
- BCLC now refusing to pay “self excluded” persons who are winners in casinos, either slots or tables – this matter now before the courts.
- Some of the just as interesting, maybe much more concerning things, that have happened in the last couple of years are:
 - An Ombudsman enquiry almost 3 years ago that expressed serious concerns about how lotteries were conducted and managed in the Province, especially dealing with lottery retailers, and to a lesser but also concerning degree how retailers were regulated and enforcement was carried out.
 - Sports action betting through sales both at the retailer and possibly on line now with high limits being introduced, becoming a favourite for use by persons within Canada and outside Canada combining their banking and purchased large quantities of sports action lottery product, based on usually better than Vegas odds, and winning substantial amounts for their out of country patrons/partners.
 - Attempts by legislators to change the law to allow for the prosecution of “self excluded” patrons to help prop up BCLC’s desire to disallow payment to them if they win

- Recent attempts by BCLC (and apparently one or more other jurisdictions in Canada) to now offer a single sports action type bet known as “football squares”. The proposal is that a block of 100 squares is sold in a pub or bar @\$2.00 or whatever per square. After the start of the game, the numbers are drawn for the numbers across and down, 0-9, giving a person a score ie: 8-5 and then the winning team also has to be selected. This is being suggested as a lottery scheme NOT dependent on the outcome of a single sporting event which is contrary to the Criminal Code.
- Reports of persons from outside the Province and/or country (USA) being able to participate in BC’s e gaming, what with roaming IP technology etc. As well, reports of minors being able to use parents or other persons ID to facilitate their desire to participate in e gaming
- Significant and organized loan sharking prevalent in major casinos, especially within the^{s.22} and high limit player and culture.
- Believed significant money laundering in major casinos and we believe, horse racing in BC and elsewhere in Canada, as identified in a major RCMP Anti-Money laundering report released within the Police universe only last summer
- The concern that organized crime is and/or could easily be involved in various aspects of legalized gaming

- The shutdown of BC's Integrated Illegal Gaming Enforcement Team (a combination of RCMP and Gaming Enforcement personnel) in April/09 by government of BC due to economic and financial restraints/cutbacks. Illegal gaming enforcement is now being left to Police of Jurisdiction, most of whom have major personnel and budget shortages and restraints and an over abundance of serious criminal enforcement activity to investigate, especially in the Lower Mainland area, where gang crime and targeted killings have just exploded the past several years.

ANY QUESTIONS???????

MEMORANDUM

CONFIDENTIAL

This Memo is confidential and is intended only for the individual named. It may contain privileged information. You should not disseminate, distribute or copy this Memo. Any unauthorized disclosure is strictly prohibited.

2013 November 20

TO: Joe Schalk, Senior Director
Investigations and Regional Director, LMD
Gaming Policy and Enforcement Branch, Investigations and Regional Operations Division

FROM: Derek Dickson
Director of Casino Investigations, LMD

SUBJECT: Organized Crime Groups operating at or near LMD casinos.

As a result of ongoing and now further recent intelligence received from different police agencies, it is confirmed that the influence and existence of several Organized Crime (OC) groups in Lower Mainland (LMD) casinos is expanding. All casinos in the LMD have had known associates of OC groups within their venues, however the situation has become an increasing and even more significant issue at the River Rock Casino in Richmond.

GPEB Investigators have identified a number of loan sharks and associates of loan sharks that have been confirmed as affiliated to different OC groups, who are primarily supplying large sums of cash to a significant number of predominantly s.22 patrons. These OC associates have criminal backgrounds that include:

- Kidnapping
- Forcible Confinement
- Possession of Restricted Firearms
- Human Trafficking
- Prostitution/Bawdy House
- Drug Trafficking
- Marijuana Grows
- Fraud
- Sexual Assault
- Illegal Gaming House
- Illegal Cigarettes, Counterfeit Merchandise
- Home Invasion

These individuals and other unidentified associates operate in the area of a casino and are also known to utilize local businesses as meeting points where large sums of money are exchanged with the patrons. It is also common for some patrons to remove one or more bags of money from a vehicle at or near a gaming venue and then enter the venue to gamble. On other occasions patrons can be seen entering a vehicle as it drives up to, or is already parked in front of, a venue and then drive away. Within a few minutes the same vehicle returns and the same patron who previously got into the vehicle now exits and enters the venue carrying a large sum of money contained in a bag.

Recent troubling information was received regarding two known patrons. s.15
s.15

Police of jurisdiction confirmed that they were aware that this type of activity was occurring in and around the venue and that members of Organized Crime groups are involved.

Conclusions

1. s.13;s.15

2. The amount of suspicious cash being brought into the LMD casinos continues to increase. s.15
s.15

This information is being provided for consideration in our ongoing processes in relation to Money Laundering issues associated with gaming in British Columbia.

Derek Dickson, Director, Casino Investigations
Investigations and Regional Operations Division
Gaming Policy and Enforcement Branch

FORWARD: 28 November 2013

To: Executive Director, Investigations and Regional Operations, GPEB

The following comments are being made further to the information put forward in this memorandum from the Director, Casino Investigations.

The amount of Suspicious Currency being brought into Casinos predominantly located in the LMD and especially the River Rock Casino continues to increase year to year and is, in my opinion, reaching staggering proportions. The facilitation of how the money is obtained by the

patrons bringing the suspicious currency into the Casinos and gaming in the facility continues to be consistent with what we have been seeing over the last number of years.

The recent and ongoing intelligence provided to us from various Police sources, although consistent with what we have been told or believed in past, is now more extensive and also appears to indicate that, at least at and around the River Rock Casino, is increasing and is more overt. Our investigators, based on what they see and hear, also feel that is very much the case.

I would agree with the conclusion noted that GPEB investigators's.15
s.15, at least on their own. Certainly I believe that if they were with and/or assisting Police of Jurisdiction personnel, we could and would participate and assist, even lead in these types of investigations. An additional obstacle when dealing with many of these types of persons is their inability/unwillingness to communicate in English and Police personnel with those languages and Police skills would almost be a must.

An additional concern is that any interdiction by Police and/or GPEB personnel at the time when suspicious cash is being brought into gaming venues could not and would not be seized or prevented from coming into the venues. Without a seizure, allowing the currency to continue to be taken in by the service provider would almost further "legitimize" the taking of the suspicious currency in the patron and service provider's eyes.

As stated previously, I believe that the acceptance of these huge amounts of suspicious currency by Casino service providers in the Province continues to pose a significant and serious risk to the overall integrity of gaming.

Joe Schalk, Sr. Director
Investigations and Regional Operations LMD

GAMING ENFORCEMENT
Casinos/Lotteries
Internet Gaming
Money Laundering in Legal Gaming
and the Relationship to Organized Crime

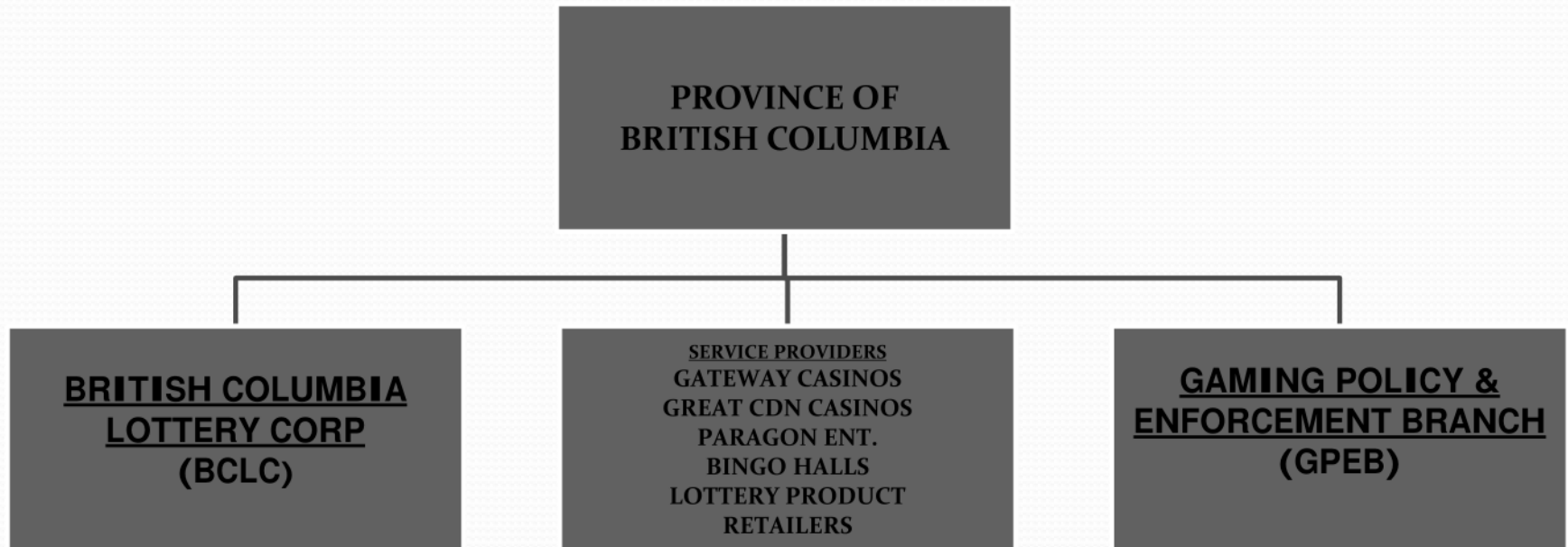
Presented by:

Joe Schalk, Sr. Director Investigations
Derek Dickson, Director, Casino Investigations LMD
Gaming Policy & Enforcement Branch
Investigation Division LMD

CISC – Criminal Intelligence Course – R.C.M.P. H. Q. - 18 – 27 February, 2014

THREE ENTITIES OF LEGAL GAMING

In British Columbia



Gaming Policy and Enforcement Branch

Regulating all gaming
in British Columbia



LOTTERIES/E-GAMING DIVISION

- ☐ Enforce Gaming Control Act, Gaming Control Regs. & Criminal Code.
- ☐ Investigate all criminal activities pertaining to lottery/bingo frauds.
- ☐ All criminal and GCA activity in E-Gaming
- ☐ Post Registration Investigations of Gaming Employees/Retailers.

CHARITABLE GAMING

- Investigate wrongdoing related to criminal and GCA activity of Gaming Grant funding and Charitable gaming issues.

COMMUNITY GAMING CENTRES/BINGO

- Investigate all wrongdoing

CASINO DIVISION

- ☐ Enforce Gaming Control Act, Gaming Control Regs. & Criminal Code.
- ☐ Investigate all criminal activities within the casinos and lay criminal charges where applicable.
- ☐ Assist police of jurisdiction on all major investigations.
- ☐ Only GPEB Investigators carry SPC designation (Special Provincial Constable.)
- ☐ Work with BCLC & Service Provider to develop certain policy (i.e. Money Laundering Policy)
- ☐ Post Registration Investigations of Gaming Employees.

HORSE RACING DIVISION

- Investigate all criminal and GCA wrongdoing in Horse Racing

BC CASINO STATS

- 430 slot plays/sec. = 13.6 billion/yr.
- 50 table hands/sec. = 1.6 billion/yr.
- 40+ million patron Casino visits per year
- Average per person - spend on gaming - \$552.00 yr
- \$2.7 billion (gross)- generated by gaming in 2012/13.
- Gaming generated almost \$1.128 billion (net) to Government coffers in 2012/13 through:
Casinos, Lotteries, Community Gaming Centres, Bingo Halls, E-Gaming and Horse Racing.



LEGAL Internet Gambling through BCLC's PLAY NOW

- Lotto 6/49 Lotto Max BC 49
- Extra Keno
- Sports Action Pacific Holdem
- Several new PlayNow.com products include games with **pre-determined outcome** (Similar to Scratch tickets) (i.e.: eBingo and Monopoly)
- **E Poker** (July – 2010) (Includes Quebec, now Manitoba and soon Alberta – Ontario plans On-line for June 2014)
- **Hand held devices** – some but not all games - growing
- **Single sports betting ? ?** – could be big – not yet passed
- **ALL OTHER GAMBLING ONLINE IS ILLEGAL.**

Future **LEGAL INTERNET** Gaming In USA

- In past two years , five states have authorized legal internet gaming in their State
- Nevada opened preliminary sites – hope to be in FULL BLOWN operations by mid 2014.
- A number of other States contemplating legalization
- Federal Government refusing to pass Federal law
- Conservative estimate – by 2020 – Legalized On-Line Gaming will generate more than \$9.3 Billion in revenues (more than Nevada and Atlantic City generate in Casino gaming now(\$9.2 B).

Illegal Internet Gambling Growth

- One of the fastest growing businesses worldwide
 - In 2001, there were 140 online gambling sites, in 2008 there were over 2,132 sites.
 - At present, online gambling licences occur in 76 jurisdictions.
- Internet gaming revenue from the industry has grown from \$2.2 billion in 2000 to revenue of over \$29 billion by 2010 and an estimated \$40 billion in 2013.

ONLINE PAYMENT

- Credit Cards
 - Use shell companies to mask transactions
- Cheques
- Money Orders
- Direct Debit
- eWallet
 - NETeller
 - My Citadel
- Payment Cards
 - similar to phone cards.
 - Purchase amount desired.

MONEY LAUNDERING

in Illegal Internet Gaming

- **Revenue** can be “**disguised**” as
 - Winnings - Sports betting/Poker rooms - Fraudulent accounts
 - Revenue from online gambling business
 - Advertising , call centres, 3rd parties, on-line pay
- **Crimes** and suspicious transactions are **seldom reported** to authorities.
- Transactions are often hard to track
- **Records** are software-based and often located **offshore**.
- NO LEGISLATION TO FORCE THEM TO PROVIDE ANY INFORMATION TO ANYONE
- Many sites **controlled by CRIME SYNDICATES** or persons with criminal backgrounds
- May/2014 – 7 charged with 6 billion \$ on-line M.L. Scam – New York

Other Illegal Gaming Activity Influenced by Organized Crime

- Gaming Houses
- Bookmaking
- Video Gambling Machines (VLT's – grey machines)
 - VLT Distributors
- Ticket Re-sellers (significant – can be huge)
- Texas Hold'em Tournaments
- Illegal Lotteries & Games of Chance (Pubs/Bars)
- Cock (Dog) Fighting
- Pyramid Schemes

MONEY LAUNDERING

CASINOS



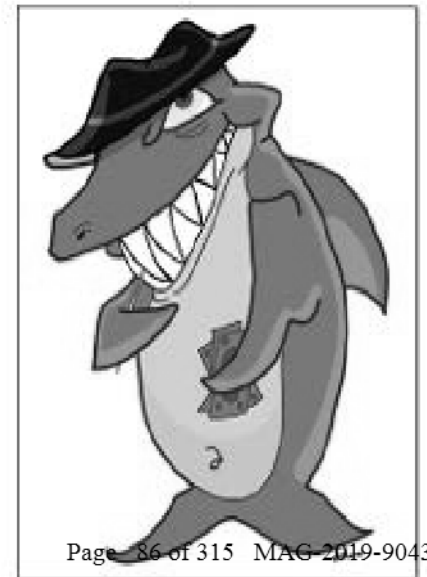
LOAN SHARKING

Offence Section

- Section 347 C.C.

(1)(a) ...everyone who enters into an agreement or arrangement to receive interest at a criminal rate.

Definition: Criminal Rate: an annual rate of interest that exceeds 60% on the credit advanced.



MONEY LAUNDERING TECHNIQUES



- Change up bills at cash cages (colour up)
- Run cash (\$20's) through the slot machines
- Colour up at the tables
- Use minimal play techniques
- Keep transactions under \$10,000 (FINTRAC/LCT)
- Loan Sharking
- Unsophisticated – comparable to smurfing.

Volume and Weight

□ 1 Canadian or US dollar bill = 1 gram

□ 1 million dollars in \$20 dollar bills =
50,000 grams or 50 kilograms or 110 lbs

□ 1 million dollars in \$100 dollar bills =
10,000 grams or 10 kilogram or 22 lbs

□ 1 million dollars in \$1,000 dollar bills =
?????

FINTRAC'S EFFORTS TO STOP MONEY LAUNDERING IN CASINOS

- The Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA) oblige casinos to report to FINTRAC. (amendments Bill C-25)
- In 2001, all casinos had compliance obligations to keep records, checking identifications and reporting certain transactions.
- As of Sept 28th, 2009 BCLC (info from Casinos) required to report all disbursements of \$10,000 or more to FINTRAC. (LCTR & STR)
- LCTR (large cash transaction report(s)
STR (suspicious (cash)transaction report(s)
- Sep – 2010 BCLC was fined \$675,000 for non-compliance violations (under appeal at this time)

INDUSTRY EFFORTS TO COUNTER MONEY LAUNDERING

- New Policy August 2009 – small “convenience” cheques . (\$8,000 or less)(2014 – changed to \$10,000 or less)
- Other measures of reducing the reliance on cash
- Casino FINTRAC reports controlled/forwarded by BCLC
- GPEB will report on Suspicious Transactions to RCMP IPOC Units and CISBC

Suspicious Currency in BC Casinos

- Sep. 01/10 to Aug. 31/11 - \$39,572,313.00 SCT reports (mostly in \$20's) – 543 reports
- 127 reports of over \$100,000 single buy-in
- 80 different patrons bought in for over 100,000 at least once
- Top five - combined for over \$10.5 mil. SCT buy-ins
- Top patron – had over \$5.855 mil in SCT buy-ins

Suspicious Currency

BC Casinos 2013

- **1,212** Notifications
- **\$101,012,053** Million in SCT reported
- Over 70% in \$20.00 bills (**\$72,092,905** Million)
- **110** patrons bought in at least once at over \$100,000
- **23** patrons bought in for over One Million
 - A number of others just under One Million
- **Top** patron bought in for **\$7,439,000** Million
 - Several other over/well over Five Million

Suspicious Currency – 2013/2014

B.C. Casinos

- 1,382 notifications (+ 30.5%)
- \$118,693,215 MILLION in reported SCT's (+44.1%)
- Over 76% in \$20.00 bills (\$89,757,547) (+69.0 %)

SUSPICIOUS CASH TRANSACTIONS – BC Casinos

- Reports of SCT received by casino is reported both to GPEB (as required) and FINTRAC (as required through BCLC)
- **NO DUE DILIGENCE** on the **ORIGIN** of the **CASH**



What GPEB Can Do For YOU

GAMING FACILITIES IN BC

- 17 CASINOS
- 19 COMMUNITY GAMING CENTRES/HALLS
- 7 COMMERCIAL BINGO HALLS
- 2 HORSE RACE TRACKS
- 23 HORSE RACING TELETHEATRES
- 26,000 workers in gaming/service
- 10,000 + licensed gaming events
- 6,500 registered gaming workers/retailers
- 3,700 + lottery retailers (1000 bars/pubs)
- Gaming industry employs over 10,000 people



That's All Folks!!!

- QUESTIONS???
- COMMENTS???

CONFIDENTIAL

Money Laundering Group Exercise – November – 2012

The following suggestions arose out of the 4 group “ Money Laundering in BC Casinos” exercise held during the Investigation Division meetings of 29/30 November, 2012. These are put in no semblance of order or priority. These are a combination of what came about from some 30 suggestions put forward by the various groups. The top six (6) were the suggestions from at least two of the groups and all of these top six suggestions had from 2 to 6 similar suggestions made.

1. Gaming chips – stop flow in/out of casinos
 2. Question the source of cash – BCLC/Service Provider/GPEB/IPOC (and/or)
 3. CRA and or Civil Forfeiture – have involvement/presence in casino
 4. Legislation/Ministerial Order – limit amount of \$20's -what can be taken in
 5. Post Registration/Conditions of Registration – Sanctions of Service Provider by Registration Division – terms and conditions of registration
 6. Return Cash – same denominations ALWAYS
-
7. Electronic Funds Transfers – (International/National/Banks/Credit Unions)
 8. Standardized Reporting by All Service Providers on set amounts of small currency cash
 9. Political Pressure on Police – to take enforcement actions

MEMORANDUM

CONFIDENTIAL

This Memo is confidential and is intended only for the individual named. It may contain privileged information. You should not disseminate, distribute or copy this Memo. Any unauthorized disclosure is strictly prohibited.

2013 September 13

TO: Joe Schalk, Senior Director
Investigations and Regional Director, LMD
Gaming Policy and Enforcement Branch, Investigations and Regional Operations Division

FROM: Derek Dickson
Director of Casino Investigations, LMD

SUBJECT: Organized Crime Groups operating at or near LMD casinos.

As a result of ongoing and now further recent intelligence received from different police agencies, it is confirmed that the influence and existence of several Organized Crime (OC) groups in Lower Mainland (LMD) casinos is expanding. All of the casinos in the LMD have had known associates of OC groups within their venues, however the situation has become an increasing and even more significant issue at the River Rock Casino in Richmond.

GPEB Investigators have identified a number of loan sharks and associates of loan sharks that have been confirmed as affiliated to different OC groups, who are primarily supplying large sums of cash to a significant number of predominantly ≈ 22 patrons. These OC associates have criminal backgrounds that include:

- Kidnapping
- Forcible Confinement
- Possession of Restricted Firearms
- Human Trafficking
- Prostitution/Bawdy House
- Drug Trafficking
- Marijuana Grows
- Fraud
- Sexual Assault
- Illegal Gaming House
- Illegal Cigarettes, Counterfeit Merchandise
- Home Invasion

These individuals and other unidentified associates operate in the casinos in the Lower Mainland. They are known to utilize local businesses as meeting points where large sums of money are exchanged with the s.22 patrons. It is also common for some patrons to remove one or more bags of money from a vehicle at or near a gaming venue and then enter the venue to gamble. On other occasions patrons can be seen entering a vehicle as it drives up to, or is already parked in front of, a venue and then drive away. Within a few minutes the same vehicle returns and the same patron who previously got into the vehicle now exits and enters the venue carrying a large sum of money contained in a bag.

Recent troubling information was received regarding two known patrons. s.15
s.15

Police of jurisdiction confirmed that they were aware that this type of activity was occurring in and around the venue(s) and that members of Organized Crime groups are involved.

Conclusions

s.13;s.15

1.

2. The amount of suspicious cash being brought into the LMD casinos continues to increase s.15
s.15

This information is being provided for consideration in our ongoing processes in relation to Money Laundering issues associated with gaming in British Columbia.

Derek Dickson, Director, Casino Investigations
Investigations and Regional Operations Division
Gaming Policy and Enforcement Branch

Cc: Larry Vander Graaf, Executive Director, Investigations and Regional Operations

MONEY LAUNDERING

by

LARRY VANDER GRAAF
Vancouver, British Columbia
Canada

What is Money Laundering?

Part XII.2 Criminal Code of Canada

Definitions: Section 462.3

“Designated Offence” means

- a) any offence that may be prosecuted as an indictable offence under this or any Act of Parliament, other than an indictable offence prescribed by regulation or
- b) a conspiracy or an attempt to commit, being an accessory after the fact in relation to, or any counselling in relation to, an offence referred to in paragraph a):

Definitions continued

“Proceeds of Crime” means

Any property, benefit or advantage, within or outside Canada, obtained or derived directly or indirectly as a result of

- a) the commission in Canada of a designated offence, or**
- b) the act or omission anywhere that, if it had occurred in Canada, would have constituted a designated offence.**

Money Laundering Offence

Offence, Section 462.31 (1)

“Laundering Proceeds of Crime”

Every one commits an offence who uses, transfers the possession of, sends or delivers to any person or place, transports, transmits, alters, disposes of or otherwise deals with, in any manner and by any means, any property or proceeds of any property with intent to conceal or convert that property or convert that property or those proceeds, knowing or believing that all or a part of that property or those proceeds was obtained or derived directly or indirectly as a result of

Money Laundering Offence continued

- a) the commission in Canada or a designated offence; or
- b) an act or omission anywhere that, if it had occur in Canada, would have constituted a designated offence.

2) Every one who commits an offence under subsection (1)

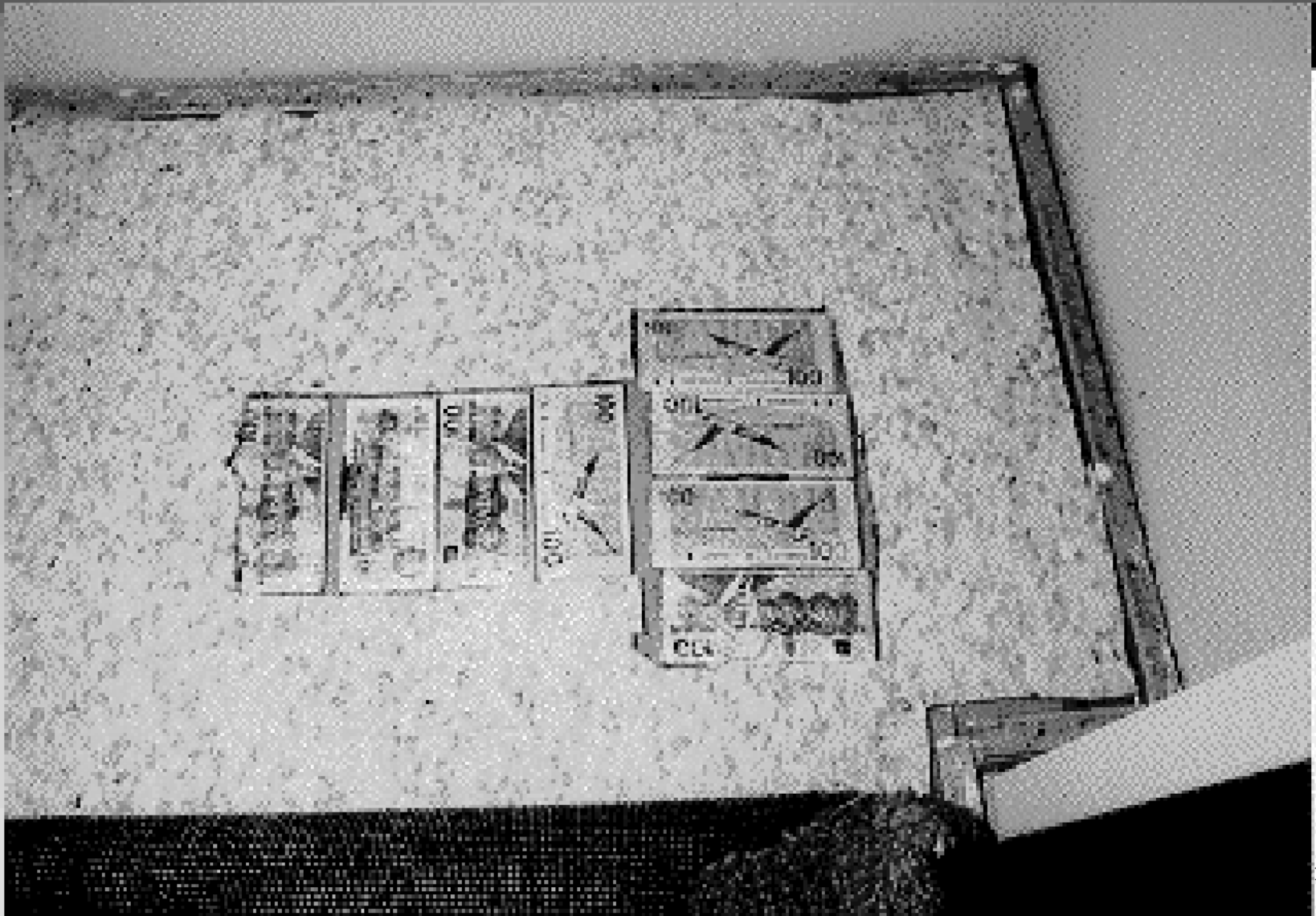
- a) is guilty of an indictable offence and is liable to imprisonment for a term not exceeding ten years;
- b) is guilty of an offence punishable on summary conviction.

Peace Officers are exempt for purpose of investigations or in execution of duty.....

\$700,000 in floor



\$100,000 in floor



Money can grow in the Ground



\$475,000 buried in yard



Volume is problem



Hidden Compartment \$600,000



Hidden Compartment



Seized as Proceeds of Crime



Volume and Weight

- **1 Canadian or US dollar bill = 1 gram**
- **1 million dollars in \$20 dollar bills =
50000 grams or 50 kilograms or 110 lbs**
- **1 million dollars in \$100 dollar bills =
10000 grams or 10 kilogram or 22 lbs**
- **1 million dollars in \$1000 dollar bills =**

MONEY LAUNDERING STAGES

Placement

Co-Mingling

Refining

Structuring

Layering

Integration

Placement



Placement

SERVICES

USD ↔ US\$

C / C

M / O



Placement



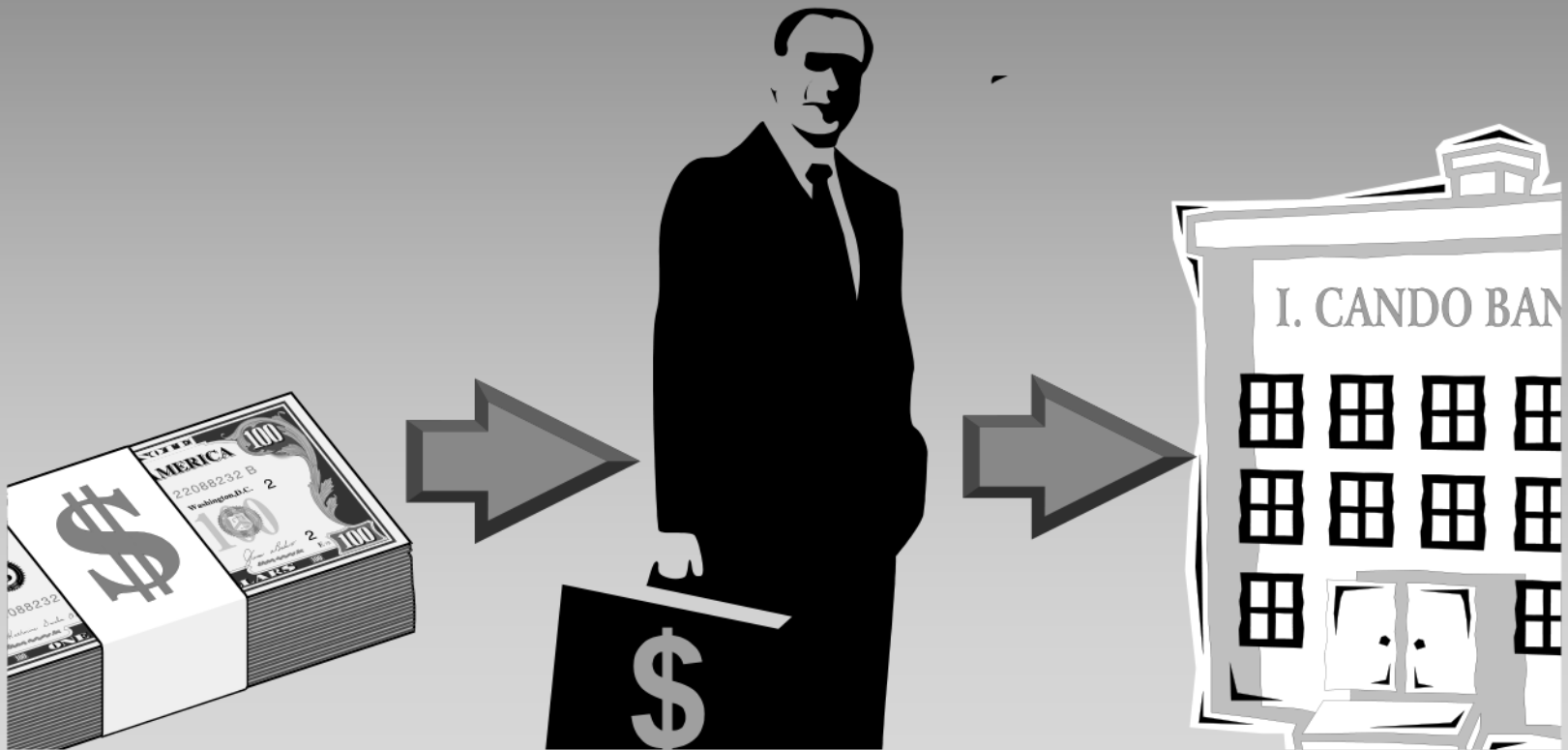
ALL BILLS
RGE BILLS

Placement

Cash Business

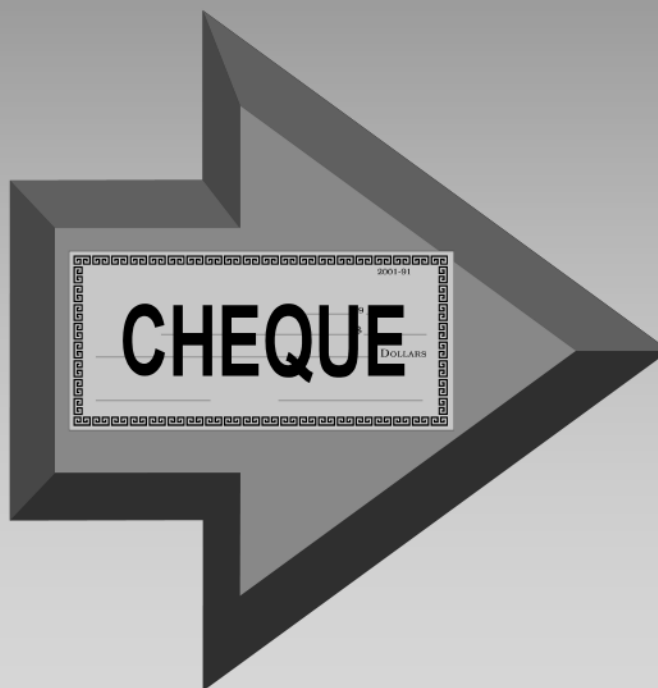


Placement and Layering



Placement and Layering

DEBIT
STOCK
COUNT
CANDO"



CRED
ACCOL
"CROO
TRUS'



Layering

**TAX
HAVEN
1**

**TAX
HAVEN
3**



TAX



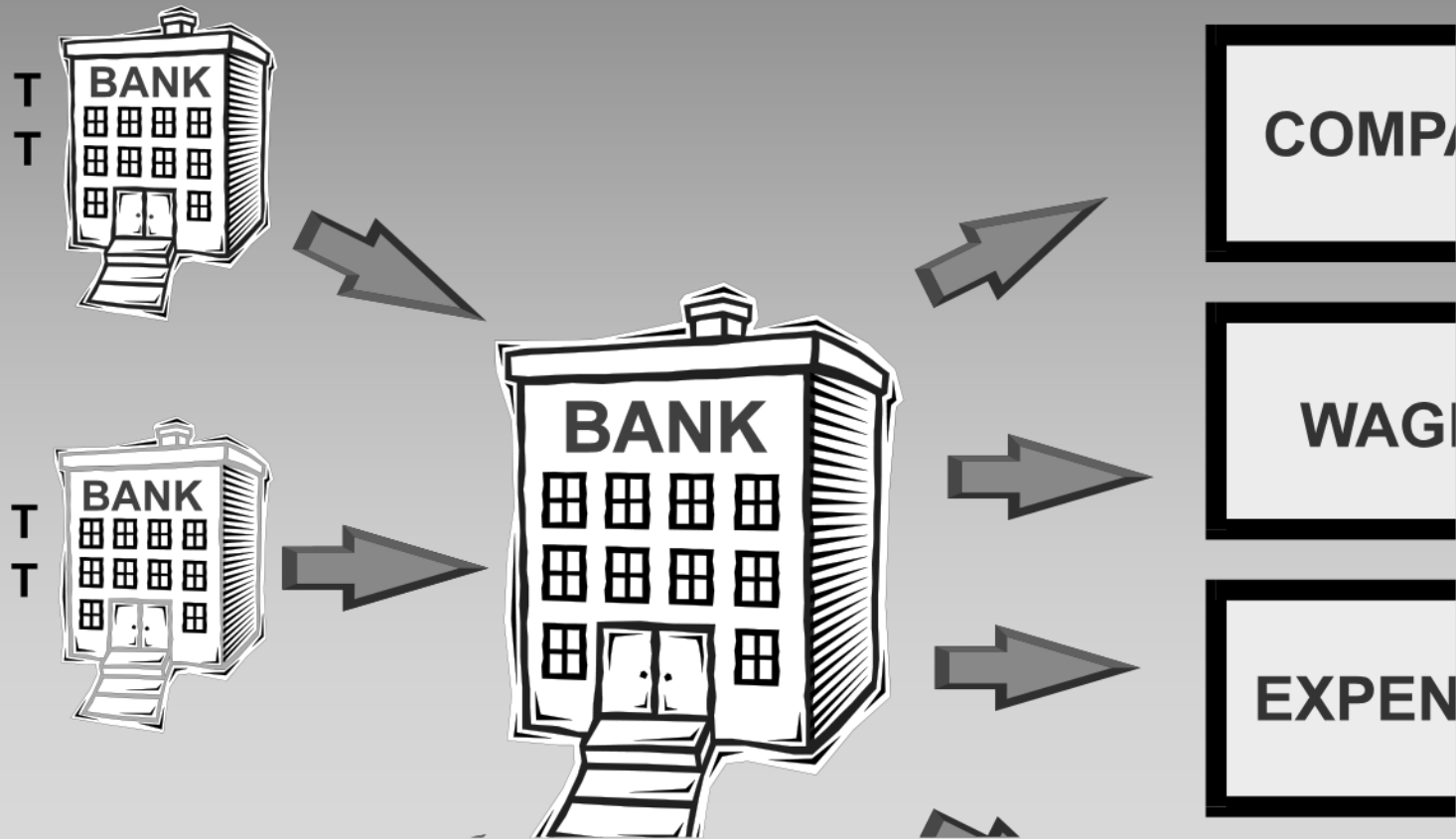
Layering



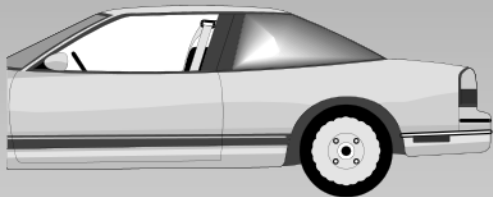
Layering



Layering



Layering



Integration



IK OF SWISS CREDIT



Layering and Integration





What is the objective of the Money Launder in Casinos

Criminal Activity (Drug Trafficking) is a cash business at the street level.

Large amounts of Cash are bulky and in volume can be heavy.

Criminals often want to validate “unexplained income” (justify net worth), integrate into a bona fide Bank to move or purchase articles of worth.

Volume and Weight

- **1 Canadian or US dollar bill = 1 gram**
- **1 million dollars in \$20 dollar bills =
50000 grams or 50 kilograms or 110 lbs**
- **1 million dollars in \$100 dollar bills =
10000 grams or 10 kilogram or 22 lbs**
- **1 million dollars in \$1000 dollar bills =**

Money Laundering in Casinos - methods

Slot Machines

Pay out on Slot Machines approx. 92%

Play 10K in Slot Machine in small bills (\$5, \$10, \$20)

Could receive \$9,200 in return with minimal play

Payout in larger bills (\$50. \$100) known as “coloring up” or “refining”

Ideal to receive a cheque or perfect “verified win cheque”



continued.....

Purchase and Redemption of Chips

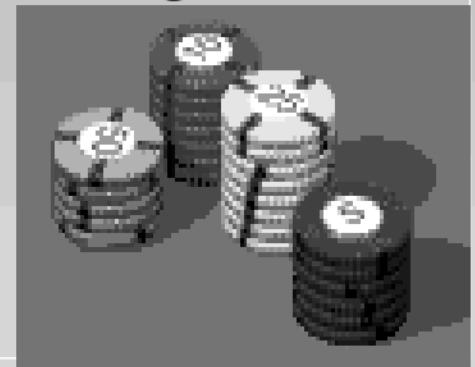
“Smurfing”: Criminal or associates purchase chips with small denominations

Under 10K to avoid FINTRAC reporting

One individual gathers chips to confuse origin

Cheque or “verified win cheque” ideal

Minimum “coloring up” or “refining”



continued.....

High value chips are purchased with small denomination bills

High value chips are easily transported, carried, and concealed easier than large amounts of cash

High value chips are easily and not prohibited from being removed from Casinos

Loaned to high level players

continued.....

Collusion with associates

One person appears to be losing

Another associate appears to be winning at other

Person's expense

Baccarat tables most likely gaming event

Objective cheque or “verified win cheque”

Explain “unexplained income”

Criminal Interest Rate

Section 347 (1) Criminal Code (Loan Sharking)

Despite any other Act of Parliament, every one who Enters into an agreement or arrangement to receive interest at a criminal rate, or receives a payment or partial payment of interest at a criminal rate, is

- a) guilty of an indictable offence (imprisonment not more than 5 years**
- b) guilty of offence summary conviction fine not more than 25k**

continued.....

“Criminal Rate” means

an effective annual rate of interest calculated in accordance with generally accepted actuarial practices and principles that exceed sixty per cent of the credit advanced under an agreement or arrangement;

continued....

Criminal Organizations often “loan “ gamblers small denominations bills (\$20) that a Proceeds of Crime. interest rates are flexible

Loan Sharks associated with Organized Crime will “lend” high level players large sums of money primarily \$20 bills.

**On occasions up to 1M over number of days money wrapped in 10k “bricks” wrapped in elastic bands
Delivered carried in plastic and paper bags, gym bags**

continued

**Repayment can come in any form,
cheques, money orders, “verified win”
line of credit cheque, vehicles, houses,
jewelry, stocks, businesses, large
denomination bills, high value chips,
prostitution **NON PAYMENT.....****



Related Considerations

Section 86 reporting.....

“Verified Wins”.....

“Player Gaming Fund” account.....

Police of Jurisdiction.....

GPEB Investigations and Regional Operations – Investigation/Reporting Procedures

What GPEB Does

Under Section 23 of the Gaming Control Act, the General Manager of Gaming Policy and Enforcement Branch (GPEB) is responsible for the overall integrity of gaming and horse racing.

Section 86(2) of the Gaming Control Act requires a registrant (Casinos) to notify the General Manager, GPEB immediately about any conduct, activity or incident occurring in connection with a lottery scheme or horse racing that may be considered contrary to the Criminal Code of Canada or British Columbia's Gaming Control Act or Gaming Control Regulation

Sec. 34(1)(t) of the Gaming Control Regulation requires a service provider to immediately report to the General Manager (GPEB) any conduct or activity at or near a gaming facility that may be contrary to the Criminal Code the Gaming Control Act or a Regulation under the Act.

To provide guidance for the reporting/notification requirement, gaming service providers and BCLC were notified by the General Manger, GPEB in memorandums dated 16 December, 2002 and further of December 3, 2010 and July, 2012 of the requirement and how to notify the General Manager immediately of conduct, activity or incidents at or near gaming facilities. That included the reporting of Suspicious Currency Transactions (SCT's) and a number of other suspicious or illegal activities.

Service Providers do report all incidents of real or suspected Criminal Code or Gaming control Act wrongdoing and or anything that could affect the integrity of gaming, Including Suspicious Currency Transactions (SCT's).

Reporting by Service Providers (Casinos) and BCLC is completed via Sec. 86 Notification Reports (format as provided by GPEB). Service Provider personnel, generally from their Surveillance department, send the Sec. 86 Notification reports electronically to GPEB Investigation and Regional Operation Division offices in their particular area locations (Prince George, Kelowna, Victoria and Burnaby). The electronic reports are removed from the computer by office personnel, a hard copy of Sec. 86 report is made and an investigation file is electronically created in Gaming On-Line System (GOS) by number. A hard copy file is made up and distributed to the designated investigator. Most of the Sec. 86 Notification reports are received electronically by GPEB during the evening/early AM hours.

Page 143 of 315

Withheld pursuant to/removed as

s.15

What FINTRAC Does

The Financial Transactions Reports Analysis Centre of Canada (FINTRAC) was established and operates within the ambit of the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA) and its Regulations.

FINTRAC's mandate is to facilitate the detection, prevention and deterrence of money laundering and the financing of terrorist activities, while ensuring the protection of personal information under our control. They fulfill our mandate through the following activities:

- * Receiving financial transaction reports (Large Cash Transactions – over \$10,000), ANY Suspicious Transactions (STR's – any dollar value) and voluntary information on money laundering and terrorist financing in accordance with the legislation and regulations and safeguarding personal information under their control;
- * Ensuring compliance of reporting entities with the legislation and regulations;
- * Producing financial intelligence relevant to money laundering, terrorist activity financing and threats to the security of Canada investigations;
- * Maintaining a registry of money services businesses in Canada;
- * Enhancing public awareness and understanding of money laundering and terrorist activity financing.

FINTRAC does not have legislative authority to provide disclosure information on criminal intelligence to regulators.

Unlawfully disclosing (FINTRAC) information carries a penalty of up to \$50,000 fine and/or six months imprisonment (summary conviction), or up to \$500,000 fine and/or five years imprisonment (indictable).

Explanation – Present Situation

s.13;s.15

s.13;s.15

GPEB Investigations and Regional Operations Divisions

GAMING ENFORCEMENT
Casinos/Lotteries
Internet Gaming
Money Laundering in Legal Gaming
and the Relationship to Organized Crime

Presented by:

Joe Schalk, Sr. Director Investigations
Gaming Policy & Enforcement Branch
Investigation Division LMD

ORGANIZED CRIME COURSE – Chilliwack, B.C. - May, 2013

THREE ENTITIES OF LEGAL GAMING

In British Columbia



Gaming Policy and Enforcement Branch

Regulating all gaming
in British Columbia



LOTTERIES/E-GAMING DIVISION

- ☐ Enforce Gaming Control Act, Gaming Control Regs. & Criminal Code.
- ☐ Investigate all criminal activities pertaining to lottery/bingo frauds.
- ☐ All criminal and GCA activity in E-Gaming
- ☐ Post Registration Investigations of Gaming Employees/Retailers.

CHARITABLE GAMING

- Investigate wrongdoing related to criminal and GCA activity of Gaming Grant funding and Charitable gaming issues.

COMMUNITY GAMING CENTRES/BINGO

- Investigate all wrongdoing

CASINO DIVISION

- ☐ Enforce Gaming Control Act, Gaming Control Regs. & Criminal Code.
- ☐ Investigate all criminal activities within the casinos and lay criminal charges where applicable.
- ☐ Assist police of jurisdiction on all major investigations.
- ☐ Only GPEB Investigators carry SPC designation (Special Provincial Constable.)
- ☐ Work with BCLC & Service Provider to develop certain policy (i.e. Money Laundering Policy)
- ☐ Post Registration Investigations of Gaming Employees.

HORSE RACING DIVISION

- Investigate all criminal and GCA wrongdoing in Horse Racing

- Conduct and Manage the Service Providers
- Develop Casino Standards, Policies, and Procedures
- Manage Lottery Retailers
- Carry out security/policy investigations within casinos
ie: like Bank Security – NO police status
- Specialized BCLC technicians carry out equipment checks and maintenance.

GAMING FACILITIES IN BC

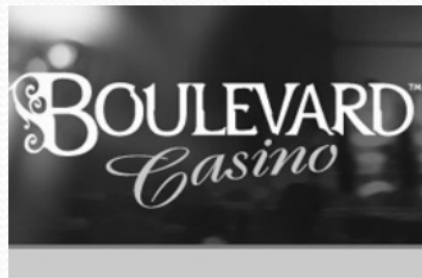
- 17 CASINOS
- 19 COMMUNITY GAMING CENTRES/HALLS
- 11 COMMERCIAL BINGO HALLS
- 2 HORSE RACE TRACKS
- 23 HORSE RACING TELETHEATRES
- 26,000 workers in gaming/service
- 5,200 registered gaming worker
- 3,800 + lottery retailers



BC CASINO STATS

- 430 slot plays/sec. = 13.6 billion/yr.
- 50 table hands/sec. = 1.6 billion/yr.
- 35+ million patron Casino visits per year
- \$2.61 billion = com gaming generated in 2008/09.
- Gaming will generate projected \$1.2 billion to Government coffers in 2012/13 through:
Casinos, Lotteries, Community Gaming Centres, Bingo Halls, E-Gaming and Horse Racing.

SERVICE PROVIDERS





LEGAL Internet Gambling through BCLC's PLAY NOW

- Lotto 6/49 Lotto Max BC 49
- Extra Keno
- Sports Action Pacific Holdem
- Several new PlayNow.com products include games with **pre-determined outcome** (Similar to Scratch tickets) (i.e.: eBingo and Monopoly)
- **E Poker** (July – 2010) (Includes Quebec, now Manitoba and soon Alberta – Ontario plans On-line for early 2014)
- **SOON – hand held devices** – other games (June, 2013??)
- **ALL OTHER GAMBLING ONLINE IS ILLEGAL.**



[REGISTER](#)[LOGIN](#)[HOME](#)[LOTTERY](#)[CASINO](#)[SPORTS](#)[BINGO](#)[GAMES](#)[Winners](#) | [Promotions](#)**Casino**- **Table Games**[American Roulette](#)[Baccarat](#)[Blackjack 1 Hand](#)[Red Dog](#)[Sicbo](#)+ **9 Line Slots**+ **20 Line Slots**+ **Free Spin Slots**+ **All Slots**+ **Video Poker**

Table GAMES



\$100

DEPOSIT BONUS*[REGISTER NOW](#)*Some restrictions apply. [See promotion](#)**Most Popular****Blackjack 1 Hand**

A classic casino game. Double down and split your way to cold hard cash.

[Play Demo](#)[Play Game](#)**Game Feature**[More Promotions](#)**Bonus Bars**

The more you wager on casino games, the more your Bonus Bars grow. Once filled, you receive a Casino Token.

[See Promotion](#)**Table Games****American Roulette**

Pick your favourite number and spin that wheel. You can also bet on Double Zero.

[Play Demo](#)[Play Game](#)**Baccarat**

Naturals can't be beat. You can gamble which hand will be closer to nine total.

[Play Demo](#)[Play Game](#)**Blackjack 1 Hand**

A classic casino game. Double

**Red Dog**

All outcomes rest on the turn



Inbox - Microsoft Ou...



Invest Log Aug 2010 ...



Casino | PlayNow.co...

Internet | Protected Mode: On

100%



11:09 AM



90434

Future **LEGAL INTERNET** Gaming In USA

- In past year, two states have authorized legal internet gaming in their State (Nevada/New Hampshire)
- Nevada just opened preliminary sites – hope to be in FULL BLOWN operations by end of 2013.
- A number of other States contemplating legalization
- Federal Government refusing to pass Federal law
- Conservative estimate – by 2020 – Legalized On-Line Gaming will generate more than \$9.3 Billion in revenues (more than Nevada and Atlantic City generate in Casino gaming now(\$9.2 B)).

Illegal Internet Gambling Growth

- One of the fastest growing businesses worldwide
 - In 2001, there were 140 online gambling sites, in 2008 there were over 2,132 sites.
 - At present, online gambling licences occur in 76 jurisdictions.
- Internet gaming revenue from the industry has grown from \$2.2 billion in 2000 to revenue of over \$29 billion by 2010 and an estimated \$40 billion in 2013.

Regulatory Structures

LEGALLY ALLOWING ONLINE GAMBLING

Malta Gibraltar United Kingdom Alderney Khanawakhe	291 online gambling sites 183 online gambling sites 97 online gambling sites 66 online gambling sites 500+ online gambling sites
Netherlands Antilles Antigua & Barbuda Costa Rica Belize Panama	269 online gambling sites 115 online gambling sites 234 online gambling sites 35 online gambling sites 32 online gambling sites

JURISDICTION

- Antigua, Costa Rica, UK, Gibraltar, Malta, Netherlands Antilles, etc. all legally allow online gambling in their countries.
- Register their company name in a country where Internet Gambling is legal.
- Real operation is often operated elsewhere. Canada is popular destination.
 - Montreal, Toronto, and Vancouver
- Largest server in the world. Kahnawake Gaming Commission. (believed to be approx. 500+ sites)

Games Available Online

- Casino Games – Blackjack, Slots, Roulette, Keno, Craps, Baccarat & Bingo
- Video Poker – including Caribbean Poker and Pai Gow Poker, Four & Three Card Poker
- Horse Racing
- Texas Hold'em Poker and Tournaments
- Sports Betting
- Soon ALL games including sports betting/proposition betting will be MOBILE - live

INTERNET GAMBLING



US Friendly Room!

This Poker Room Welcomes US Players



100% up to \$600 Extra

Website: www.fulltiltpoker.com

Play Now

This room does not accept US players
US Players Go THERE



PartyPoker.com
The World's Largest Poker Room



20% Bonus up to \$100

Website: www.partypoker.com

Play Now



PLAY FOR FREE



WIN REAL PRIZES!



POKER ONLINE
WWW.007POKERONLINE.COM

ONLINE PAYMENT

- Credit Cards
 - Use shell companies to mask transactions
- Cheques
- Money Orders
- Direct Debit
- eWallet
 - NETeller
 - My Citadel
- Payment Cards
 - similar to phone cards.
 - Purchase amount desired.

ONLINE PAYMENT



MAKE A PAYMENT ONLINE
NOW



Google
Checkout

Google Checkout

ipay88

MONEY LAUNDERING

in Illegal Internet Gaming

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MONEY LAUNDERING

CASINOS



Criminal Code of Canada

Definition

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 - (a) the commission in Canada of a designated offence, or
 - (b) an act or omission anywhere that, if it had occurred in Canada, would have constituted a designated offence.

Laundering Proceeds of Crime Offence Section

Sec.462.31(1) Every one commits an offence who uses, transfers the possession of, sends or delivers to any person or place, transports, transmits, alters, disposes of or otherwise deals with, in any manner and by any means, any property or any proceeds of any property with intent to conceal or convert that property or those proceeds, **knowing or believing that all or a part of that property or of those proceeds was obtained or derived directly or indirectly as a result of**

(a) the commission in Canada of a designated offence; or

(b) an act or omission anywhere that, if it had occurred in Canada, would have constituted a designated offence.

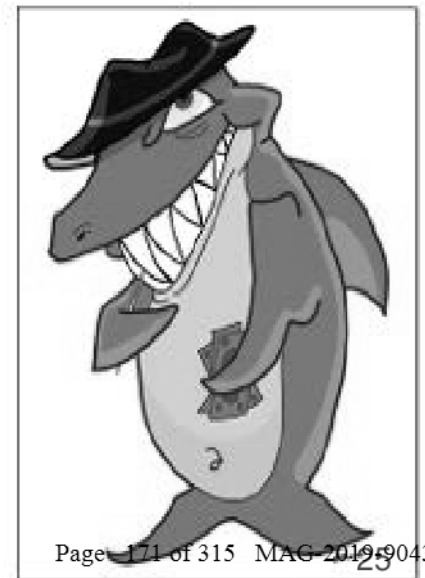
LOAN SHARKING

Offence Section

- Section 347 C.C.

(1)(a) ...everyone who enters into an agreement or arrangement to receive interest at a criminal rate.

Definition: Criminal Rate: an annual rate of interest that exceeds 60% on the credit advanced.

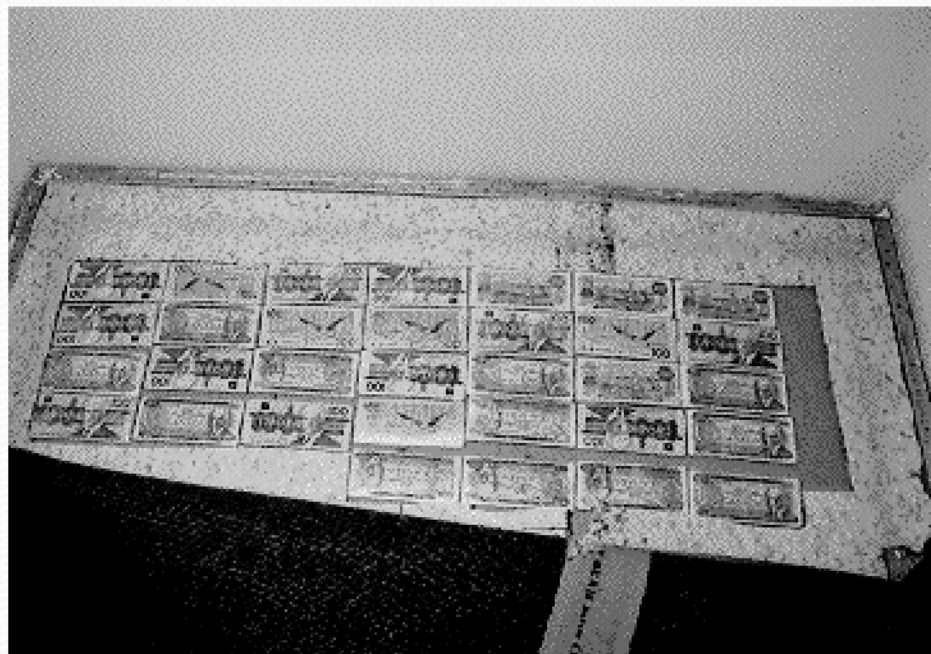


PROCEEDS OF CRIME

TEXAS DEPARTMENT OF TRANSPORT VEHICLE USED TO SMUGGLE DRUGS AND CASH ACROSS USA/MEXICAN BORDER.



Money hidden in floor



Money hidden in backyard



PROCEEDS OF CRIME

Drug Raid in Mexico City Netted Police \$205,000,000.00



Volume and Weight

- 1 Canadian or US dollar bill = 1 gram
- 1 million dollars in \$20 dollar bills =
50,000 grams or 50 kilograms or 110 lbs
- 1 million dollars in \$100 dollar bills =
10,000 grams or 10 kilogram or 22 lbs
- 1 million dollars in \$1,000 dollar bills =
?????

MONEY LAUNDERING TECHNIQUES



- Change up bills at cash cages (colour up)
- Run cash (\$20's) through the slot machines
- Color up at the tables
- Use minimal play techniques
- Keep transactions under \$10,000 (LCT)
- Loan Sharking
- Unsophisticated – comparable to smurfing.

FINTRAC'S EFFORTS TO STOP MONEY LAUNDERING IN CASINOS

- The Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA) oblige casinos to report to FINTRAC. (amendments Bill C-25)
- In 2001, all casinos had compliance obligations to keep records, checking identifications and reporting certain transactions.
- As of Sept 28th, 2009 BCLC (info from Casinos) required to report all disbursements of \$10,000 or more to FINTRAC. (LCTR & STR)
- LCTR (large cash transaction report(s)
STR (suspicious (cash)transaction report(s)
- Sep – 2010 BCLC was fined \$675,000 for non-reporting violations (under appeal at this time)

INDUSTRY EFFORTS TO COUNTER MONEY LAUNDERING

- Cash cage exchanges are monitored
- Minimal play not condoned
- Players are tracked via pit bosses, surveillance photos, ID for LCT players.
- Payouts made in cash - \$100/\$20 bills returned (with minimal play)
- Cheques paid only when requested and after proof of verified win ?? (very difficult to verify win)

INDUSTRY EFFORTS TO COUNTER MONEY LAUNDERING

- New Policy August 2009 – cheques only for winning amounts but NOT including buy-ins
- Cash coming in SHOULD be in bank order bundles (NOT!!!)
- Casino FINTRAC reports controlled/forwarded by BCLC
- GPEB will report on Suspicious Transactions to RCMP IPOC Units and CISBC

Suspicious Currency in BC Casinos

- Sep. 01/10 to Aug. 31/11 - \$39,572,313.00 SCT reports (mostly in \$20's) – 543 reports
- 127 reports of over \$100,000 single buy-in
- 80 different patrons bought in for over 100,000 at least once
- Top five - combined for over \$10.5 mil. SCT buy-ins
- Top patron – had over \$5.855 mil in SCT buy-ins

Suspicious Currency – BC Casinos - 2012

- 1,175 Notifications
- \$87.5 Million in SCT reported
- Over 70% in \$20.00 bills

- 88 Patrons bought in at least once at over \$100 k
- 17 patrons bought in for over \$One Million
- Top 22 patrons bought in for over \$45 Million

SUSPICIOUS CASH TRANSACTIONS – BC Casinos

- Reports of SCT received by casino is reported both to GPEB (as required) and FINTRAC (as required through BCLC)
- Short **video clips** of suspicious cash coming into Lower Mainland casinos
- BUT THE **CASH** IS **STILL TAKEN** by the casino !!

That's All Folks!!!

- QUESTIONS???
- COMMENTS???

Q & A on Anti Money Laundering Measures – Talking Points

1) What are recognized money laundering activities involving casinos

2) What is a verified win?

- In the event that an individual wins a sum of money at a casino, when cashing out, he/she can request a cheque in lieu of cash marked as “verified win”. This type of cheque increases the security for individuals when leaving the casino (i.e. they do not have to carry cash), in and in the case of large financial transactions, provide verification at financial institutions that the funds are legitimate.
- In the case of individuals who exchange large sums of cash for chips, play minimally and then cash out, casino personnel are expected to exchange the chips for cash of the equivalent denomination of the original purchase. This policy is not/cannot be well monitored (see below). The policy, if fully and continually practised, would help considerably in deterring people from attempting to launder proceeds of crime at casinos.
- Investigations Div. have little faith in the “verified win” determination at casinos because, to truly verify any win, there must be one on one (in real time) surveillance of every hand being played to verify opening buy-in, each bet, each hand won or lost and then the eventual pay out, all complicated by the possible introduction of chips from pockets or other persons at any time with or without detection. Therefore it makes it impractical and almost impossible to actually “verify a win”.
- Only way to virtually “verify a win” would be by way of gaming chips being computerized and play with chips monitored at each table or game.
- There would also have to be VERY TIGHT control over persons entering and/or leaving any facility with chips in pockets, something that occurs in a very large way at present (One day – med. size casino had over 1.5 mil. in chips out amongst clients)
- Investigations Div. continually sees examples where supposed verified wins were paid out either in cheques or in large denomination bills pay back vs. Small bill buy-in.

- Media in January 2011 reported on where casinos have provided individuals with cheques marked “verified win” where individuals acquired cheques with chips who’s source was highly questionable and certainly not won at the venue.

3) What is a Section 86 Report?

No comment

4) What is FINTRAC and what is its role in the BC Gaming?

No comment

5) What were the conclusions of the Deloitte report on BCLC’s FINTRAC non-compliance

No comment – Audit?

6) What relevant audits do GPEB conduct on BCLC business?

No comment – Audit?

7) What is the Patron Gaming Fund?

- The PGF account was created to offer high limit players at Lower Mainland casinos a viable option to transport large sums of money to gaming facilities. The PGF account would grant the patron the ability to deposit fund, withdraw these funds for gaming at the facility, re-deposit for subsequent play or be returned to the patron. These accounts were intended for patrons who typically gamble at VIP table games frequently and would provide the patron a higher level of security in handling these large sums. Properly managed, it was intended these accounts would aid in anti money laundering efforts in BC casinos and to reduce reliance on cash in-flow and out flows to the casino.
- All money into the accounts must be by way of electronic transfer from a chartered Canadian Bank.
- No cash can come into the account and chips can be redeemed back into the account.
- There is an automatic audit trail of ALL monies in and out of the accounts.
- The PGF account allows for legitimate patrons to feel secure about their funds and not have to carry large amounts of cash in or out of the gaming venue.

- Because of the paper trail, this is NOT an appealing mechanism for those attempting to launder money in casinos or for those who are handling money with a “proceeds of crime” background.
- The PGF account enrolment is completely voluntary.
- The PGF account could help deter money laundering efforts if used by most big money players.
- The PGF account has only been very minimally used – only 84 total accounts were opened in a year and only 8 accounts were open and being used a year after implementation of the pilot project on PGF Accounts.
- Because of non or very little use of PGF accounts, there has been NO deterrence or affect on money laundering or loan sharking, in fact reported incidents of money laundering/suspicious currency transactions have risen dramatically in the past year.
- An important issue related to PGF account is it relies on verified wins money being redeposited into the account. As discussed above, there can be very little reliance on “verified win” policies being properly used. Similarly, introduction of chips to a PGF account holder, not originally belonging to him/her cannot be controlled at present time.

8) How does the role of the Investigations Division of GPEB differ from the Police of Jurisdiction?

9) What was IIGET?

- The Integrated Illegal Gaming Enforcement Team (IIGET) was created in April/2003 as a joint partnership between the RCMP and the Ministry of Public Safety and the Solicitor General under the terms of an MOU to “ensure the integrity of public gaming in British Columbia”.
- The original MOU extended for 5 years (08) and was extended for a further year (09). IIGET was disbanded 31 March 2009.
- IIGET was to be made up of a maximum of 12 RCMP personnel who were to be assisted by investigative personnel from GPEB’s Investigation Division.
- IIGET answered to a Consultative Board who determined global objectives, priorities and goals for IIGET. The Consultative Board was headed by ADM Police Services. The person in charge of IIGET was a designate NCO of the RCMP.
- Following a review of IIGET conducted in 08/09, the Consultative Board recommended IIGET be disbanded. Some of the considerations were:

s.13;s.15;s.16

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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:
 - \$67,699,427 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 where high stakes baccarat games are the predominant, if not main game of choice for these patrons.

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.

Regular and ongoing intelligence information from police sources have confirmed that loan sharks are obtaining suspicious currency from Organized Crime (OC) groups who are laundering their proceeds of crime through the use of loan sharks. Intelligence information and sources to police have indicated that 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 further information and intelligence gathered from various police agencies has confirmed that 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.

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:

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

(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". This commonly occurs and almost exclusively with "high limit" baccarat players. Historically, the River Rock was known to have some \$2.5 – \$3.5 million out of casino playing chip circulation. Recent enquiries in this regard indicate that has now increased to somewhere in the \$9 million 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 \$5,000 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.

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

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

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BRITISH COLUMBIA CASINOS
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 - \$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 where high stakes baccarat games are the predominant, if not main game of choice for these patrons.

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.

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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GPEB – AML WORKING GROUP

Client Due Diligence in BC Casinos

September 15, 2014

Private & Confidential

M MALYSH ASSOCIATES
CONSULTING INC
INVESTIGATIVE & FORENSIC ACCOUNTING

Page 205 of 315 to/à Page 235 of 315

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28 February, 2011

Mr. Gordon Friesen
Manager, Casino Security and Surveillance
BCLC Corporate Security and Compliance
British Columbia Lottery Corporation

Re: Money Laundering in British Columbia Casinos

Dear Gordon:

Further to the letter from Derek Dickson of 24 November, 2010 and the response from John Karlovcec dated 24 December, 2010 please be advised as follows.

Our correspondence made reference to the ^{s.22} case not being an isolated case and that there were then, and continue to be, an alarming increase in similar large buy-ins with small denominations by a significantly large number of patrons at various casino venues in the Province. The number of files generated by required reporting from these venues, and what could only be considered staggering quantities of cash, predominately in \$20.00 currencies, is a huge integrity of gaming issue and must be addressed. We believe it is unacceptable to simply say “that due to the fact that gaming in the province is cash based this restriction (of limiting the amount of \$20.00 denomination bills allowed to be cashed at any Casino) is unrealistic given the circumstances.” Banking establishments throughout Canada could not and would not take these amounts of small denomination bills and we do not believe Casinos should either, for the same reasons Banks will not – because these large amounts of small denomination currencies are suspicious, likely the proceeds of crime and very likely being used in the facilitation of, if not the direct laundering of those proceeds of crime. In a significant number of specific cases, the Police believe the laundering of proceeds of crime is taking place. Experts in money laundering matters in the Police community have said the same thing publicly and privately to GPEB and BCLC personnel. It must again be pointed out that even BCLC Security personnel OFTEN comment on a variety of Suspicious Currency reported issues in the venues, often making reference to the seriousness of the suspicions surrounding the passing of currency and denominations being used and also often times, even commenting on the association of that currency to known Loan Sharking activity as the source of that currency for the patron passing it at the venue. The author of the response letter, John Karlovcec, himself has been the writer of a number of those ITRAC based comments.

BCLC has repeated for many years that they have/are instituting a “rigorous anti-money laundering strategy in an effort to mitigate money laundering risk.” However, just over the past 10 months, reported incidents of Suspicious Currency Transactions and Money Laundering have more than tripled over the previous year. We believe those statistics underline the seriousness of the issue we are dealing with. These strategies appear to have been ineffective to date.

The Player Gaming Fund account (PGF account) was brought in over a year ago at the strong behest of BCLC. The stated reasons for having a PGF account were to afford “the patron the convenience and security of not having to carry large sums of cash into or out of the casino.” Two other main reasons given were; “providing a facility for patrons to manage their own cash (and by so doing) this program has a potential to reduce loan sharking at BC casinos” and “deposit money into the PGF account, the risk of money laundering is dramatically reduced.” You have stated that the PGF account is purely voluntary and the decision to utilize this option rests solely with the patron. Stopping the flow of large quantities of small denomination (\$20.00 bills) into the Casino would indirectly force a non-criminal, high limit patron to use either a certified financial institution bank draft direct or indirectly to the casino through the PGF account, to insure the integrity of funds used in gaming venues is preserved. You also state that the subject s.22 under the question as to his occupation, ‘s.22 and

s.22 There could or may be a significant difference between what a person “states” and what is real. Again, one of the principles embedded in the PGF account was similar to what Canadian Financial Institutions hold to; that being the rule of Know Your Customer. Financial Institutions do not simply go by way of what a person “states”.

Large quantities of \$20.00 bill denominations will continue to be and are at present properly reported to the various authorities as “Suspicious Currency”, both by the service provider and BCLC. Patrons using these large quantities of \$20.00 currency buy-ins may not in some, certainly not all cases, be directly involved with or themselves be criminals. Regardless of whether they win or lose all of the money they buy in with, we believe, in many cases, patrons are at very least FACILITATING the transfer of and/or the laundering of proceeds of crime. Those proceeds may have started out 2 or 3 persons or groups removed from the patron using these instruments to play in the casino. Regardless, money is being laundered. The end user, the patron, MUST STILL pay back all of the monies he/she receives in order to facilitate his buy-in with \$20.00 bills and for the person on the initial start of the facilitation process, the money is being laundered for him/her, through the use of the gaming venue.

If the flow of large quantities of small denomination cash is not stopped at the casino cash cage with those monies being refused, the integrity of gaming will continue to be jeopardized. This threat will increase into the future if something is not done. The dramatic increase in the reports as noted and the most recent media reports on these issues, underline the significance of this concern. Again, we ask that BCLC work to explore available options to find a solution to this significant threat that is constant and increasing in rapidity and volume.

Joe Schalk, Senior Director
Investigations and Regional Operations
Gaming Enforcement

CC: Sue Birge, Acting Assistant Deputy Minister and General Manager
Terry Towns, Vice President, Corporate Security and Intelligence
Larry Vander Graaf, Executive Director, Investigations and Regional Operations, Gaming Enforcement
Derek Dickson, Director of Casino Investigations, Gaming Enforcement
John Karlovcec, Assistant Manager, Casino Security and Surveillance, Corporate Security and Compliance

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23 November, 2012

**Suspicious Currency Transactions 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 have 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 ^{s.22} 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.

It was also during this time that GPEB began sharing SCT information with the RCMP, Integrated Proceeds of Crime Unit (IPOC).

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.

s.22 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^{s.22}

2012 Overview

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 projected 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.

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 continue 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.
- s.22 are responsible for a large majority of all SCT reports generated within Lower Mainland casinos. They refuse to use the Player Gaming Fund Account to bring cash into the casinos legitimately.
- BCLC initiated several enhancements to the Player Gaming Fund Account in April, 2012, to lessen amounts of cash entering casinos. The results of this review indicate that it has not slowed the flow of suspicious cash into the Lower Mainland casinos.

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

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Know your limit, play within it.

21 October, 2014

GPEB files INV-82343, 82634 and 82737
BCLC cases 01800515, 01811408 and 01810119

Mr. Kevin Sweeney
Director, Compliance and Investigations
Corporate Security and Compliance Division
British Columbia Lottery Corporation
2940 Virtual Way
Vancouver, B.C. V5M 0A6

Dear Mr. Sweeney:

This letter refers to my previous correspondence of 08 September, 2014 and your subsequent response dated 19 September, 2014.

I don't believe there is a need to further comment on or review the circumstances of the last three cases we have each referenced in our previous correspondence. I believe, suffice to say, the documentation on these files for both of our agencies speak for themselves.

In your letter of 19 September, you state that BCLC "take our responsibilities seriously and in no way would ever intentionally fail to comply with our requirements under the Gaming Control Act." We believe BCLC is failing in its reporting requirements in the interpretation of when to report, as clearly laid out in the Roles and Responsibilities document of March, 2008.

It appears BCLC is interpreting the "requirement to report" to situations only when BCLC have determined that an actual offence has been committed under the Criminal Code or Gaming Control Act. As early as 2002, BCLC and other gaming service providers were provided with clear guidelines and direction in letters from the Assistant Deputy Minister of the time, as to what interpretation of reporting requirements actually meant under the provisions of Sec. 86(2) GCA. Those interpretations were again clearly spelled out and agreed to by both BCLC and GPEB in the Key Regulatory Responsibilities and Their Application to the British Columbia Lottery Corporation document of March, 2008 (known and referred to as the Key Roles and Responsibilities document; document and covering letter attached), following the Ombudsman Report of May, 2007. In her report, the Ombudsman was highly critical of BCLC's non-reporting; in particular of lottery retail improprieties to GPEB and also highly critical of GPEB's failure to regulate and enforce reporting compliance by BCLC.

Several important aspects of the Key Roles and Responsibilities document of March, 2008 as they apply to reporting by BCLC will be highlighted for your attention. Highlighted portions of the various parts of that document are identified by the writer for specific attention.

- *“The Gaming Policy and Enforcement Branch is responsible for the overall integrity and regulation of gaming and horse racing in British Columbia. This includes gaming conducted, managed and/or operated by the British Columbia Lottery Corporation.”*
- *“As an agent of the Crown, the Corporation conducts, manages and operates all provincial gaming in the province.....including lotteries.” (This does NOT include investigation of) (Introduction – P. 1)*
- *“Under the Gaming Control Act, the Branch is responsible for the overall integrity of gaming and horse racing, a term not defined in the Act. The Branch defines impacts on the integrity of gaming to include all actions, incidents or things which could or may (either actually or by way of perception) corrupt the gaming and/or horse racing industries, or any portions of them, or bring the reputation of, or public confidence in, those industries into disrepute.” (bottom of P. 1)*
- *“The Branch ensures the integrity of gaming by investigating, or assisting law enforcement agencies in the investigation of, complaints or allegations of criminal or regulatory wrongdoing in provincial gaming in the province. This includes:*
 - *Investigating complaints and allegations of wrongdoing in provincial gaming in the province.....*
 - *Conducting all investigations in relation to allegations of wrongdoing, including investigations involving licensees and registrants.” (Investigating Allegations of Wrongdoing – P.10)*
- *“As delegated by the General Manager, the Investigations Division is solely responsible for all investigations conducted under section 81 of the Act.”(Authority – P. 10)*
- *Section 27(3)(a) of the Act authorizes the Branch to conduct investigations respecting the integrity of all gaming, including provincial gaming.” (Authority – P. 10)*
- *“All Investigations Division investigators appointed under section 81 of the Act are:*
 - *Delegated the authority to request, under section 86(1) of the Act, information, records, or things from the Corporation that are deemed to be relevant to an investigation.*
 - *Under section 86(1) of the Act, the Corporation must provide to the Investigations Division any information, records or things requested by the Investigators.....*
 - *Under section 86(2) of the Act, the Corporation must notify the Investigations Division immediately about any conduct, activity or incident which potentially involves or involved:*
 - *The commission of an offence under a provision of the Criminal Code...*
 - *The commission of an offence under the Act.....*
 - *Under section 87, the Corporation and its officers and employees:*
 - *Must not obstruct or interfere with an investigation.....*
 - *Must not withhold or refuse to produce any information, record or thing that is requested.....” (Authority – P. 10 and 11)*
- *“The Corporation must immediately notify the Investigations Division of any suspicious conduct, activity or incident that occurs in relations to provincial gaming that may involve:*
 - *The commission of an offence under the provisions of the Criminal Code that is relevant to, or may impact the integrity of gaming;*
 - *A contravention of the Gaming Control Act or related regulations that is relevant to, or may impact the integrity of gaming; or*

- Any other matter that is relevant to, or may impact the integrity of gaming.
(Implications for the British Columbia Lottery Corporation – P. 11 and 12)
- British Columbia Lottery Corporation Section 86 Reporting Requirements – (Appendix B – Section 86 Reporting by BCLC – P. 15)

The Key Roles and Responsibilities document fully and specifically outlines the reporting requirements and simply helps clarify the full scope and intent of the GCA. These reporting requirements apply to ALL service providers and were specifically reinforced through this document to BCLC.

GPEB has forwarded several pieces of correspondence over the past number of months concerning BCLC's failure to report without delay as required under Sec. 86 GCA. In the case of the incidents that were drawn to your attention, information available at the time of the complaint or soon after BCLC security investigators made some preliminary checks, at very least cast suspicion or concern about possible wrongdoing and yet the matter was not reported to GPEB. In some cases, the ability to gather valuable evidence that may have aided further investigation, identification of a suspect and/or prosecution of a wrongdoer was lost because the matter had not been reported to GPEB without delay.

Contrary to the commentary in your latest correspondence, reporting any real or suspicious activity without delay is a legal requirement, is confidential, does not misrepresent or in any way affect anyone's "reputation" and it enhances the overall integrity of gaming and the image for the public and anyone connected to gaming in the Province.

As noted in previous correspondence, it is expected that BCLC provide Sec. 86 Notification Reports concerning any real or suspected criminal or GCA wrongdoing allegations without delay and not only after BCLC security personnel have attempted to investigate and/or attempted to determine if an actual criminal or GCA offence has taken place. The reporting without delay allows GPEB, as the regulatory investigative body, to properly assess the weight and scope of the information or complaint. This is consistent with government's intent of regulatory oversight of gaming in British Columbia. It is GPEB's function and mandate, sometimes in conjunction with the Police of Jurisdiction, to conduct those investigations into possible or alleged wrongdoing and/or integrity of gaming issues, to determine if an offence has taken place and/or proceed accordingly. The issue here is legally reporting without delay any matter that may impact the integrity of gaming.

Thank you in advance for your anticipated future cooperation in complying with the reporting requirements clearly spelled out for both of our organizations.

Yours truly,

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

Cc: Larry Vander Graaf, Executive Director

Investigations and Regional Operations Division

Brad Desmarais, VP Corporate Security & Compliance
British Columbia Lottery Corporation

Encl: Key Regulatory Responsibilities and their Application to the British Columbia Lottery Corporation and accompanying letter cover letter from ADM, Gaming Policy and Enforcement, dated 26 March, 2008.

Key Regulatory Responsibilities and their Application to the British Columbia Lottery Corporation

Introduction

The Gaming Policy and Enforcement Branch is responsible for the overall integrity and regulation of gaming and horse racing in British Columbia. This includes all provincial gaming conducted, managed and/or operated by the British Columbia Lottery Corporation.

As an agent of the Crown, the Corporation conducts, manages and operates all provincial gaming in the province, including commercial casinos, bingo halls, community gaming centres and lotteries.

Purpose of Document

The purpose of this document is to clarify, for each of four primary areas of the Branch's responsibilities:

- The responsibilities of the Branch with respect to provincial gaming;
- The authority under which the Branch carries out its responsibilities with respect to provincial gaming (including broad authorities under the Gaming Control Act and specific direction from the Solicitor General in response to the recent reviews conducted by the British Columbia Ombudsman and Deloitte & Touche); and
- The implications for, and what the Branch needs from, the Corporation in order for the Branch to fulfill its responsibilities with respect to provincial gaming.

The four areas of Branch responsibility which are addressed include:

- Registering companies and people;
- Certifying lottery schemes and gaming supplies;
- Auditing for compliance with provincial requirements; and
- Investigating allegations of wrongdoing.

Roles, responsibilities and obligations reflected in this document will be updated if and as necessary.

Under the Gaming Control Act, the Branch is responsible for the overall integrity of gaming and horse racing, a term not defined in the Act. The Branch defines impacts on the integrity of gaming to include all actions, incidents or things which could or may (either actually or by way of perception) corrupt the gaming and/or horse racing industries, or any portions of them, or bring the reputation of, or public confidence in, those industries into disrepute.

REGISTERING COMPANIES AND PEOPLE

The Branch ensures the integrity of companies and people involved in BC's gaming industry by registering gaming services providers and gaming workers. This includes:

- Registering all gaming services providers and gaming workers to ensure their integrity in advance of becoming involved in provincial gaming;
- Registering all appointees and employees of the Corporation as gaming workers to ensure their suitability in advance of their appointment or employment;
- As part of the approval process, reviewing ownership, lease agreements, sources of proposed financing involving new locations and relocations of gaming venues;
- Reviewing proposed changes in directors, officers, partners or associates, or the intended acquisition or disposition of shares or securities, or proposed changes in ownership or financing; and approve or deny the intended changes before the proposed changes are finalized;
- Ensuring ongoing suitability of registrants by conducting further background investigations or inquiries;
- Monitoring compliance with conditions of registration, including organizational and financial reporting obligations under Part 8 of the Act; and
- Maintaining a registry of gaming services providers and gaming workers.

Authority

- The General Manager has delegated responsibility for the registration of gaming services providers and gaming personnel to the Executive Director of Registration and Certification pursuant to section 24(3) of the Act. The Executive Director also fulfills the role of Registrar and certifies evidence as required under section 103(2)(a) of the Act.
- As delegated by the General Manager, the Registration and Certification Division has sole authority for conducting background investigations of registrants and applicants for registration pursuant to section 80(1) of the Act.
- Under section 81 of the Act, the General Manager may designate any Branch employee as an Investigator for the purposes of Part 9 of the Act.
- Under section 80(2) of the Act, an Investigator has all the powers and duties that an Inspector has under section 79 of the Act.
- All Registration and Certification Division Investigators are authorized to conduct background investigations pursuant to section 80(1) of the Act.
- The Minister has appointed all Investigators of the Registration and Certification Division, including the Executive Director, as Special Provincial Constables under section 9 of the Police Act.
- Under section 55, it is a condition precedent to the appointment or employment that the prospective appointee or employee must undergo a background investigation to ascertain the suitability of the person for appointment or employment by the Corporation. The registration of all Corporation appointees and employees must be renewed every 5 years.
- Under section 56(1) of the Act, the Branch must maintain a registry of all registered gaming services providers and gaming workers.

- Under section 56(3) of the Act, the Branch may attach conditions to registrations.
- Under section 86(1), the Corporation must provide Registration and Certification Division Inspectors or Investigators with any information, records or things requested by the Inspector or Investigator.
- Under section 87 of the Act, the Corporation and its officers and employees:
 - Must submit to an investigation or inspection conducted by the Registration and Certification Division;
 - Must not obstruct or interfere with an investigation or inspection conducted by the Registration and Certification Division; and
 - Must not withhold or refuse to produce any information, record or thing that is requested by an Investigator or Inspector.
- Under section 96 of the Act, the Corporation can not employ or engage a person unless they are appropriately registered with the Branch.
- Under section 35 of the Gaming Control Regulation, it is a condition of registration that all Corporation officials and employees must, depending on their duties, wear, display or produce for inspection, their official gaming worker registration card.

Implications for the British Columbia Lottery Corporation

1. For the purposes of conducting, managing and/or operating provincial gaming, the Corporation may only enter into agreements with registered gaming services providers for gaming services defined under section 1 of the Act and section 3 of the Regulation.
2. Prior to completion of any agreement for the provision of gaming services with respect to the Corporation's conduct, management and/or operation of provincial gaming, the Corporation must ensure that all gaming services providers and lottery retailers have been appropriately registered with the Branch.
3. The Corporation must ensure that all officials and employees that are appointed or employed by the Corporation are appropriately registered by the Branch.
4. All Corporation employees must immediately report to the Registration and Certification Division any conflicts of interest or potential conflicts of interest that could possibly impact their roles and responsibilities as Corporation employees in accordance with the General Manager's directive of April 16, 2007.
5. In general, the Corporation must ensure that all Corporation employees wear or display a GPEB approved BCLC identification card at all times in a manner clearly visible to the public. This card must display the GPEB registration number and date of expiry as provided in the Certificate of Registration. An employee's card must be replaced every time that employee renews their registration. A card must not be issued to any person who does not hold a valid GPEB registration.

Despite the above, Corporation employees whose duties pertain to security or surveillance at gaming facilities are exempted from wearing an identification card while they are working in a gaming facility. However, such employees must produce their identification card for inspection at the request of a Branch Inspector or Investigator and wear their card at other material times.

6. The Corporation must submit to the Branch, within 30 days after the expiry of a month in which one or more officials or employees cease employment or appointment with the Corporation:
 - a) A list of those former officials and employees for that month, and
 - b) The official gaming worker identification cards of those former officials and employees.
7. The Corporation must maintain an up-to-date listing of all Lottery Operations Agreement holders and advise the Registration and Certification Division, on a weekly basis, of any cancellations, additions, or modifications to the agreements.
8. The Corporation must maintain an up-to-date listing of all Casino, Bingo or Community Gaming Centre Operational Services Agreements and advise the Registration and Certification Division, within two (2) business days, of signing a final version of any cancellations, additions, or modifications to the agreements.

CERTIFYING LOTTERY SCHEMES AND GAMING SUPPLIES

The Minister of Public Safety and Solicitor General has sole authority for approving new lottery schemes in BC and the Branch supports the Minister in this activity. The Branch certifies, and ensures the technical integrity of, lottery schemes, gaming equipment and gaming supplies in BC's gaming industry. This includes:

- Establishing Technical Gaming Standards applicable to electronic gaming equipment and non-electronic gaming supplies approved for use in BC.
- Certifying and approving the integrity of all lottery schemes before they can be used in provincial gaming, including Internet gaming;
- Certifying and approving all electronic and non-electronic gaming equipment before it can be used in provincial gaming, including Internet gaming; and
- Certifying and approving all electronic and non-electronic gaming supplies before they can be used in provincial gaming, including gaming conducted over the Internet.

Authority

- The General Manager has delegated responsibility for certification and compliance respecting the technical integrity of gaming equipment, gaming supplies and lottery schemes used in provincial gaming to the Executive Director of Registration and Certification pursuant to section 24(3) of the Act.
- Under section 81 of the Act, the General Manager may designate any Branch employee as an Investigator for the purposes of Part 9 of the Act.
- The Minister has appointed all Investigators of the Registration and Certification Division, including the Executive Director, as Special Provincial Constables under section 9 of the Police Act.
- Under section 75(1) of the Act, the Corporation can not use, or permit the use of, gaming equipment in connection with a lottery scheme unless the Branch has issued a certificate of technical integrity.
- Under section 75(2) of the Act, the Corporation must advise the Branch if any gaming equipment has been repaired, altered or upgraded or has malfunctioned, and the Corporation must not use the gaming equipment until the use has been approved in writing.
- As per the General Manager's Directive dated March 14, 2007, the Corporation must ensure all gaming supplies used in conjunction with a lottery scheme have been approved in writing by the Branch, and advise the Branch if any such supplies have been found to be defective. Gaming supplies that have been repaired or altered must be further approved in writing by the Branch.
- Gaming equipment is defined under section 74 of the Act.
- Gaming supplies are defined in section 1(1) of the Act, and sections 6 and 7 of the Regulation.
- Under section 86(1), the Corporation must provide Registration and Certification Division Inspectors or Investigators with any information, records or things requested by the Inspector or Investigator.

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- Under section 87 of the Act, the Corporation and its officers and employees:
 - Must submit to an investigation or inspection conducted by the Registration and Certification Division;
 - Must not obstruct or interfere with an investigation or inspection conducted by the Registration and Certification Division; and
 - Must not withhold or refuse to produce any information, record or thing that is requested by an Investigator or Inspector.

Implications for the British Columbia Lottery Corporation

1. Prior to conducting and managing any new or modified lottery scheme, the Corporation must ensure that the technical integrity of the new or modified lottery scheme has been approved in writing by the Executive Director of Registration and Certification.

If supported by the Corporation, a company wanting to provide gaming equipment or gaming supplies to BCLC may request a limited approval for testing by BCLC under a GPEB limited review application process. Details of the conditions and limitations of the limited review application are outlined in see Appendix A.
2. Prior to using gaming supplies in the conduct and management of a lottery scheme, the Corporation must ensure that the technical integrity of the gaming supplies has been approved, either individually or according to the type of gaming supply, in writing by the Executive Director of Registration and Certification.
3. The Corporation must immediately advise the Executive Director of Registration and Certification in writing if any gaming supplies used in lottery schemes have been altered, upgraded or repaired, or have been found defective in manufacture or design, and the Corporation must not use such gaming supplies after any alteration, upgrade or repair, until the further use has been approved in writing by the Executive Director of Registration and Certification. For clarity, specific conditions for reporting are articulated in the technical standards outlined for each machine. Generally, the Branch must be notified when a significant alteration, upgrade, or repair occurs, or when a significant defect is found in the manufacture or design of a lottery scheme.
4. The Corporation must permit Branch Inspectors, Investigators, and registered technical personnel contracted by the Branch, to enter and inspect any area of the business premises of the Corporation where:
 - Provincial gaming is conducted, managed and/or operated by the Corporation; and
 - Gaming equipment and/or gaming supplies used in the conduct, management, operation or presentation of gaming are operated, conducted, stored or tested.
5. The Corporation must permit Branch Inspectors, Investigators, and registered technical personnel contracted by the Branch, to access and inspect, audit and examine any written, electronic or computerized information, documents, records or things in possession of the Corporation which the Inspectors or Investigators determine are necessary to carry out their responsibilities.

6. The Corporation must permit Branch Inspectors and Investigators to immediately remove or copy any information, documents, records or things from the Corporation for technical integrity purposes.

The Branch will provide the Corporation with a receipt for any records or things removed. In principle, the Branch will ensure that the Corporation retains copies or originals of any materials which the Branch removes. However, if the volume of material is so large that such an effort is unreasonable, the Branch will ensure the Corporation receives copies as soon as practicable.

7. Upon written or verbal request, the Corporation must immediately, or as soon as available, provide any information, documents, records or things an Inspector or Investigator deems necessary to ensure the technical integrity of gaming equipment. The Corporation may request a time extension in extenuating circumstances.

AUDITING FOR COMPLIANCE WITH PROVINCIAL REQUIREMENTS

The Branch conducts regular and periodic inspections, audits or investigative audits (generally referred to as audits) of all provincial gaming to ensure compliance with all applicable legislation, regulation, public interest standards and directives. These audits are developed in the context of a risk management framework and acceptable risk tolerances for both the Branch and the industry. This work includes:

- Establishing and maintaining an audit framework, audit and inspection standards, and policies and procedures for all gaming operations and the use of provincial gaming revenues;
- Verifying all provincial gaming is conducted in compliance with gaming legislation, directives, public interest standards, policies and procedures;
- Verifying service providers and the Corporation comply with all audit and compliance requirements;
- Subjecting all commercial gaming sites to routine audits and, as necessary, random and/or occasional audits;
- Subjecting the Corporation to routine audits and, as necessary, random and/or occasional audits concerning its conduct, management and operation of all forms of provincial gaming and its management of provincial gaming revenues as they impact Branch responsibilities;
- Reviewing and monitoring the Corporation's compliance regime. This includes, but is not limited to the Corporation's:
 - Internal audit programs;
 - Operational gaming audit programs; and
 - Quality assurance programs.
- Responding to complaints from:
 - The public, regarding activities that may compromise the integrity of gaming; and
 - The Corporation, pertaining to non-compliance by a service provider.

Authority

- The General Manager has delegated responsibility for conducting audits of provincial gaming, including provincial gaming conducted, managed and operated by the Corporation, to the Executive Director of Audit and Compliance pursuant to section 24(3) of the Act.
- Section 27(3)(c) of the Act authorizes the Branch to make inquiries into any matter that effects or could reasonably effect the integrity of gaming.
- Under section 78(1) of the Act, Audit and Compliance Division Auditors are designated as Inspectors for the purposes of Part 9.
- The powers and duties of an Inspector are set out under section 79(1) of the Act.
- Under section 86(1), the Corporation must provide Auditors or Inspectors with any information, records or things requested by the auditor.

- Under section 87 of the Act, the Corporation and its officers and employees:
 - Must submit to an audit or inspection conducted by the Audit and Compliance Division;
 - Must not obstruct or interfere with an audit or inspection conducted by the Audit and Compliance Division; and
 - Must not withhold or refuse to produce any information, record, or thing that is requested by an auditor or Inspector.

Implications for the British Columbia Lottery Corporation

1. The Corporation must permit Branch Auditors or Inspectors to enter and inspect any area of the business premises of the Corporation where:
 - Provincial gaming is conducted, managed and/or operated by the Corporation; and,
 - Gaming equipment and/or gaming supplies used in the conduct, management, operation or presentation of gaming are operated, conducted, stored or tested.
2. The Corporation must permit Branch Auditors or Inspectors to access and inspect, audit and examine any written, electronic or computerized information, documents, records or things in possession of the Corporation which the Auditors or Inspectors determine are necessary to carry out their responsibilities.
3. The Corporation must permit Branch Auditors or Inspectors to immediately remove or copy any information, documents, records or things from the Corporation for audit/inspection purposes.

The Branch will provide the Corporation with a receipt for any records or things removed. In principle, the Branch will ensure that the Corporation retains copies or originals of any materials which the Branch removes. However, if the volume of material is so large that such an effort is unreasonable, the Branch will ensure the Corporation receives copies as soon as practicable.

4. Upon written or verbal request, the Corporation must immediately, or as soon as available, provide any information, documents, records or things an Auditor or Inspector deems necessary for the purposes of an audit or inspection. The Corporation may request a time extension in extenuating circumstances.

INVESTIGATING ALLEGATIONS OF WRONGDOING

The Branch ensures the integrity of gaming by investigating, or assisting law enforcement agencies in the investigation of, complaints or allegations of criminal or regulatory wrongdoing in provincial gaming in the province. This includes:

- Investigating complaints and allegations of wrongdoing in provincial gaming in the province for the purpose of prosecution and/or administrative hearings;
- Conducting investigations in relation to allegations of wrongdoing internal to the Corporation;
- Conducting all investigations in relation to allegations of wrongdoing, including investigations involving licensees and registrants.
- Investigating and/or assisting law enforcement agencies in investigating illegal gambling activity;
- Ensuring all complainants are advised of the outcome of complaints in a timely manner to enhance public confidence in the integrity of gaming;
- Gathering and maintaining intelligence concerning the extent, type, and nature of unlawful activity in gaming and horse racing; and
- Identifying trends in unlawful gaming activity by tracking complaints and allegations.

Authority

- Pursuant to section 24(3) of the Act, the General Manager has delegated sole authority to the Executive Director, Investigations and Regional Operations Division (Investigations Division), to:
 - Independently direct confidential investigations in relation to Criminal Code and Act offences including any other matter that may affect the integrity of gaming;
 - Exercise the discretion, under section 85 of the Act, to place a gaming site under video surveillance as part of an investigation under section 81(2); and
 - Certify evidence as required under section 103(2)(a) of the Act.
- As delegated by the General Manager, the Investigations Division is solely responsible for all investigations conducted under section 81 of the Act.
- Section 27(3)(a) of the Act authorizes the Branch to conduct investigations respecting the integrity of all gaming, including provincial gaming.
- Under section 81 of the Act, the General Manager may designate any Branch employee as an Investigator for the purposes of Part 9 of the Act.
- Under section 80(2) of the Act, an Investigator has all the powers and duties that an Inspector has under section 79 of the Act.
- All Investigations Division Investigators appointed under section 81 of the Act are:
 - Authorized to conduct investigations for the administration and enforcement of the Act and have all the powers and duties that an Inspector has under section 79; and
 - Delegated the authority to request, under section 86(1) of the Act, information, records, or things from the Corporation that are deemed to be relevant to an investigation.

- The Minister has appointed all Investigators of the Investigations Division, including the Executive Director, as Special Provincial Constables under section 9 of the Police Act. For this purpose, Investigators are empowered to enforce the Criminal Code and all Provincial Statutes of BC to the extent necessary.
- Under section 81(4) of the Act, the Branch must report to the Corporation the results of investigations, if the investigation is undertaken at the request of the Corporation, or if the General Manager deems it appropriate.
- Under section 86(1) of the Act, the Corporation must provide to the Investigations Division any information, records or things requested by the Investigators that are relevant to an investigation.
- Under section 86(2) of the Act, the Corporation must notify the Investigations Division immediately about any conduct, activity or incident which potentially involves or involved:
 - The commission of an offence under a provision of the Criminal Code that is relevant to gaming; or
 - The commission of an offence under the Act or the regulations.
- Under section 87, the Corporation and its officers and employees:
 - Must submit to an investigation conducted by the Investigations Division;
 - Must not obstruct or interfere with an investigation conducted by the Investigations Division; and
 - Must not withhold or refuse to produce any information, record or thing that is requested by an Investigator or Inspector.

Implications for the British Columbia Lottery Corporation

1. The Corporation must permit Investigations Division Investigators to enter and inspect any area of the business premises of the Corporation where:
 - Provincial gaming is conducted, managed and or operated by the Corporation; and
 - Gaming equipment and/or gaming supplies used in the conduct, management, operation, or presentation of gaming are operated, conducted stored or tested.
2. The Corporation must permit Investigations Division Investigators to access and inspect and examine any written, electronic, or computerized information, documents, records or things in possession of the Corporation which the Investigators determine are necessary to carry out their responsibilities.
3. Upon written or verbal request, the Corporation must immediately, or within two (2) business days, provide any information, documents, records or things an Investigations Division Investigator deems necessary for the purposes of an inspection or investigation. The Corporation may request a time extension in extenuating circumstances and the Branch will consider operational issues and respond to such requests on a case by case basis.
4. The Corporation must permit Investigations Division Investigators to immediately remove or copy any information, documents, records or things from the Corporation for investigation purposes.

The Investigations Division Investigators will provide the Corporation with a receipt for any records or things removed. In principle, the Branch will ensure that the Corporation retains copies or originals of any materials which the Branch removes. However, if the volume of material is so large that such an effort is unreasonable, the Branch will ensure the Corporation receives copies as soon as practicable.

5. The Corporation must immediately notify the Investigations Division of any suspicious conduct, activity or incident that occurs in relation to provincial gaming that may involve:
 - a) The commission of an offence under the provisions of the Criminal Code that is relevant to, or may impact the integrity of, gaming;
 - b) A contravention to the Gaming Control Act or related regulations that is relevant to, or may impact the integrity of, gaming; or
 - c) Any other matter that is relevant to, or may impact the integrity of, gaming.

For further clarification, see Appendix B attached.

6. The Corporation must immediately notify the Investigations Division of all known wins or multiple wins by retailers (including retail managers and employees), regardless of size or situation, as soon as the Corporation is aware of such an instance occurring. The Corporation must report all such known wins or multiple wins in a way that is consistent with, and preferably using, section 86 reports.

The Branch will review each file concerning a win or multiple win by a retailer/retailer employee received from the Corporation and will, where appropriate and/or necessary, conduct an independent investigation.

The Corporation is not required to hold in abeyance any prize payouts of retailer or retailer employee wins reported to the Investigations Division unless otherwise notified by the Division.

7. Upon notification by the Investigations Division, the Corporation must hold in abeyance any compliance reviews¹ (including all wins by retailer managers and employees) on any matter under review or investigation by the Investigations Division until notified by the Investigations Division that its review or investigation has been completed.

The Investigations Division will notify the Corporation when the review or investigation is concluded and of its findings.

8. All lottery retailers are legally obligated to report any suspicious conduct, activity or incident that occurs in relation to provincial gaming directly to the Investigations Division through the applicable section 86 reporting process outlined by the Investigations Division.

The Corporation must ensure all BCLC Hot Line customer service staff members direct any calls they receive from retailers or retail employees that pertain to suspicious conduct, activities or incidents to the Investigations Division (including through GPEB's toll-free number, available for retailers to report suspicious conduct, activity or incidents).

¹ For the purposes of this document, any review or investigation undertaken by the Corporation's Security Department is referred to as "compliance reviews."

The Corporation has committed to work with the Branch to develop a coordinated approach to enhance lottery retailer compliance with reporting requirements. This approach will include, but is not limited to, contributing to the development of communication plans, disseminating information related to GPEB and relevant GPEB programs through its sales network, and participating in periodic evaluations of retailer compliance and retailer knowledge of their roles and responsibilities.

The Investigations Division will develop processes for receiving reports of suspicious conduct, activities or incidents from retailer including a toll-free number, email and Internet reporting functions.

9. The Corporation must provide monthly written reports to the Investigations Division which itemizes all reports submitted by the Corporation to the Investigations Division under section 86 of the Act.

The Investigations Division will reconcile the monthly report to ensure completeness and accuracy of the receipt and contents of the reports from the Corporation, and will notify the Corporation of any discrepancies.

The Investigations Division will provide periodic feedback to the Corporation, in relation to any deficiencies noted with respect to the section 86 reports and related information, records, or things provided by the Corporation under section 86(1) of the Act.

APPENDIX A – LIMITED REVIEW APPLICATION PROCESS

Limited Review Application Process for Companies Seeking to Contract with the British Columbia Lottery Corporation

If supported by the Corporation, a company wanting to provide gaming equipment or gaming supplies to BCLC may request a limited approval for testing by BCLC under a GPEB limited review application process.

This process will not replace GPEB's current due diligence requirement consisting of a full and thorough background investigation of all applicants for registration.

Under this process:

- Applicants submitting an Initial Review Application(s) will authorize GPEB to conduct criminal record, financial and related jurisdictional checks to assess suitability for Limited Approval to supply gaming products for testing purposes. There will be no charge for this application;
- The gaming equipment or supply under consideration must be independently tested and issued a Certificate of Technical Integrity by GPEB prior to operating in a live environment;
- The testing period under this process would be limited to 90 days. However, the Corporation may request to have this testing period extended and consideration for such requests will be addressed on a case-by-case basis;
- The applicant company is not permitted to sell, lease, licence or otherwise distribute their products in British Columbia under this form of approval;
- All normal operating controls, policies and procedures for gaming equipment must be in place (as if the equipment were being used under regular circumstances); and
- GPEB would audit the operation of the equipment (as if the equipment were being used under regular circumstances).

APPENDIX B – SECTION 86 REPORTING BY BCLC

British Columbia Lottery Corporation Section 86 Reporting Requirements

Section 86(2) of the Gaming Control Act requires the British Columbia Lottery Corporation to notify the Gaming Policy and Enforcement Branch Investigations and Regional Operations Division without delay, about any conduct, activity or incident occurring in connection with a lottery scheme or horse racing, (including incidents at a gaming facility or in relation to any of the Corporation's lottery products) that may be considered contrary to the Criminal Code of Canada, the Act or Gaming Control Regulations, or that may affect the integrity of gaming or horse racing. This includes, but is not limited to:

- a. Cheating at play;
- b. Theft affecting the integrity of the game (e.g., thefts from the house or by a gaming worker);
- c. Theft of lottery products from a lottery retailer;
- d. Any theft or wrongdoing in relation to lottery products, gaming equipment or gaming supplies from the Corporation; inventory before the lottery product is distributed to lottery retailers;
- e. Prize claims by an individual with an alleged stolen lottery ticket;
- f. Fraud;
- g. Any suspicious or alleged fraud or theft by a lottery retailer/retail employee;
- h. Any forgery of any lottery tickets;
- i. Money laundering;
- j. Persons suspected of passing counterfeit currency;
- k. Loan sharking;
- l. Robbery;
- m. Assault;
- n. Threats against, or intimidation of gaming employees;
- o. All lottery retailer lottery wins or lottery retailer employee lottery wins;
- p. All suspensions, revocations, or cancellations of Lottery Operator Agreements with lottery retailers;
- q. Unauthorized lottery schemes;
- r. Unauthorized gaming by minors;
- s. Unregistered gaming workers; and
- t. Unregistered service providers.

The Corporation need not report incidents already reflected in section 86 reports forwarded to the Investigations and Regional Operations Division by service providers and lottery retailers (and copied to the Corporation).

A M L STATS

	Apr. 1-Jun. 30 2012	Jul. 1-Sep. 30 2012	Oct. 1-Dec. 31 2012	Jan. 1-Mar. 31 2013	Apr. 1, 2012 to Mar. 31, 2013	Apr. 1-Jun. 30 2013	Jul. 1-Sep. 30 2013	Oct. 1-Dec. 31 2013	Jan. 1-Mar. 31 2014	Apr. 1, 2013 to Mar. 31, 2014	Pct Change FY 2012/13 to 2013/14
TOTAL SCT FILES	243	329	256	231	1,059	300	301	383	376	1,360	28.4%
\$20 BILL SUBTOTAL	\$ 11,271,160	\$ 15,841,710	\$ 13,600,010	\$ 12,390,800	\$ 53,103,680	\$ 17,743,990	\$ 18,406,045	\$ 24,267,170	\$ 29,301,462	\$ 89,718,667	68.9%
Pct \$20s of Total	75%	62%	65%	60%	64%	74%	67%	82%	78%	76%	17.3%
TOTAL SCT VALUE	\$ 15,095,522	\$ 25,628,075	\$ 21,049,360	\$ 20,596,120	\$ 82,369,077	\$ 23,820,017	\$ 27,591,841	\$ 29,774,075	\$ 37,418,402	\$ 118,604,335	44.0%

As of April 10, 2014

Data Qualifiers

1. The total number of SCT files shown reflects the number of investigations for which dollar values and identities were found through investigations by Investigations and Regional Operations LMD.
2. The data contained in this report may vary when compared with previous reports produced by Investigations and Regional Operations Division, Gaming Policy and Enforcement Branch.
- Where variances occur, the report produced at the latest date will reflect the most current data available.

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

REPORT OF

CONFIDENTIAL

This document is the property of the Investigation Division, Gaming Policy and Enforcement Branch, is confidential and shall not be disclosed or divulged, in whole or in part without prior consent of the writer.

Suspicious Cash Transactions/ Money Laundering

File Review

River Rock Casino

Date of Report: February 22nd, 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 (5weeks) between January 13th, 2012 and February 17th was selected. This time frame captured the period before,

during and after Chinese New Year that began on January 23rd, 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 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 and certainly the shared opinions of Police personnel involved in Proceeds of Crime investigations, 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, s.22 , 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 s.22 , 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 s.22 is involved in are reported as a SCT. s.22 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

SCT / SUSPECTED MONEY LAUNDERING STATISTICS

	Apr. 1-Jun. 30 2012	Jul. 1-Sep. 30 2012	Oct. 1-Dec. 31 2012	Jan. 1-Mar. 31 2013	Apr. 1, 2012 to Mar. 31, 2013	Apr. 1-Jun. 30 2013	Jul. 1-Sep. 30 2013	Oct. 1-Dec. 31 2013	Jan. 1-Mar. 31 2014	Apr. 1, 2013 to Mar. 31, 2014	Pct Change FY 2012/13 to 2013/14	Apr. 1-Jun. 30 2014	Jul. 1-Sep. 30 2014
TOTAL SCT FILES	243	329	256	231	1,059	300	301	383	398	1,382	30.5%	427	449
\$20 BILL SUBTOTAL	\$ 11,271,160	\$ 15,841,710	\$ 13,600,010	\$ 12,390,800	\$ 53,103,680	\$ 17,743,990	\$ 18,406,045	\$ 24,267,170	\$ 29,377,042	\$ 89,794,247	69.1%	\$ 31,959,950	\$ 35,670,980
Pct \$20s of Total	75%	62%	65%	60%	64%	74%	67%	82%	78%	76%	17.3%	70%	75%
TOTAL SCT VALUE	\$ 15,095,522	\$ 25,628,075	\$ 21,049,360	\$ 20,596,120	\$ 82,369,077	\$ 23,820,017	\$ 27,591,841	\$ 29,774,075	\$ 37,545,877	\$ 118,731,810	44.1%	\$ 45,376,605	\$ 47,514,460

Data Measure	Apr. 1-Sep. 30 2012	Apr. 1-Sep. 30 2013	Increase from 2012 to 2013	Pct Incr from 2012 to 2013	Apr. 1-Sep. 30 2014	Increase from 2013 to 2014	Pct Incr from 2013 to 2014	Project 2014/15	Project % Incr 2014/15
Total SCT Files	572	601	29	5.1%	876	275	45.8%	1,752	26.8%
\$20 Bill Subtotal	\$ 27,112,870	\$ 36,150,035	\$ 9,037,165	33.3%	\$ 67,630,930	\$ 31,480,895	87.1%	\$ 135,261,860	50.6%
Total SCT VALUE	\$ 40,723,597	\$ 51,411,858	\$ 10,688,261	26.2%	\$ 92,891,065	\$ 41,479,207	80.7%	\$ 185,782,130	56.5%

As of October 20, 2014

Data Qualifiers

1. The total number of SCT files shown reflects the number of investigations for which dollar values and identities were found through investigations by Investigations and Regional Operations LMD.
2. The data contained in this report may vary when compared with previous reports produced by Investigations and Regional Operations Division, Gaming Policy and Enforcement Branch.
Where variances occur, the report produced at the latest date will reflect the most current data available.

June 1st to June 30th, 2014: 165 total SCT files; \$12,617, 720 in \$20 bills; total SCT value \$18,705,700 (67.5 %). This was by far the largest single month total for SCTs ever.

July 1st to September 30th, 2014: 449 total SCT files; \$35,670,980 in \$20 bills; total SCT value \$47,514,460 (75 %). This was the largest quarter total for SCTs ever.

ANTI MONEY LAUNDERING SURVEY

RECAP OF RESPONSES FROM OTHER JURISDICTIONS

ANTI MONEY LAUNDERING - SURVEY ON OTHER JURISDICTIONS

QUESTIONS:

Cash:

- Does your jurisdiction have stipulated reporting requirements by the venue to a regulator on wrongdoing occurring within gaming/a venue?

s.16

- Do your venues accept/take in 20K?, 50K?, 100K? over 100K in small cash denominations? (\$20.00 bills)

s.16

- If yes, what due diligence/information do you get from patron?

s.16

- Do you call/involve regulator or Police when this happens?

s.16

- Are enforcement/regulator/Police on site?

s.16

- How do patrons get large sums of money into venues in order to facilitate their play?

s.16

s.16

- Do you report/who do you report LCT and SCT's to?

s.16

- If there is a SCT, who/when/why/what decision is made to involve authorities?

s.16

Chips:

- Are value chips allowed to be taken out/brought into your venues?

s.16

- Are value chips allowed to be exchanged between patrons within the venue?

s.16

- Are patrons given cheques from the venue (verified win or other) when value chips cashed out with patron leaving venue?

s.16

- Are distinctions made between verified win cheques and/or cheques for cash out only

s.16

Credit:

- Are any form of wire transfers allowed/provided into or out of venues?

s.16

- If so, are they allowed from any foreign jurisdictions, Canadian jurisdictions only, American jurisdictions only, other?

s.16

- Are banks available or on the properties of Casino/gaming venues?

s.16

- Is Global Cash or other like opportunity to get cash available in the venue?

s.16

- Are personal cheques taken by venue from the patron?

s.16

- Is there any kind of credit allowed to be extended to patrons? Any limit?

s.16

- Do you use Player Gaming Cards for any purpose – how used?

s.16

Procedures:

- What policies/procedures are in place for the handling/reporting of large volumes of small denomination bills (\$20.'s) within your venues? (CSOP's, Audits, Regulator)

s.16

- What policies/procedures are in place to the handling/reporting of chips within your venues? (CSOP's, Audits, Regulator)

s.16

- What policies/procedures are in place to handle/control and reporting of credit/wire transfer within your venues? (CSOP's, Audits, Regulator)

s.16

- If you have/regulate E-Gaming, what AML procedures/policies are in place?

s.16

Additional Notes

SYNOPSIS
ANTI MONEY LAUNDERING WORKING GROUP

Background

- Sep/Oct 2010 – FOI request on SCT in BC Casinos
- Early January/2011 – Release of information in media – reporting \$8 million in SCT in casinos (predominately \$20.00 bills) occurring in Summer 2010
- Sol. Gen. Coleman makes public statement – source of funds/wealthy patrons legitimately involved in gaming
- Minister Coleman orders review of AML strategies employed in gaming in BC – what policies, practices and strategies were in place – how could AML practices be strengthened

-
- Rob Kroeker, Director of Provincial Civil Forfeiture Unit – commissioned to do review of Anti-Money Laundering Measures at BC Gaming Facilities.
 - Review completed/reported on end February/2011?? – released to public until July.
 - Review Report gave following recommendations:

BCLC

- 1) Allow cash outs by using “not from gaming winnings” cheques
- 2) Adopt policy to diligently scrutinize all buy-ins for SCT
- 3) Align corporate view/training – what constitutes money laundering with that of enforcement (FINTRAC/Police/GPEB)
- 4) Develop steps to electronic fund transfer monies into PGFA which is compliant with AML requirements

GPEB

- 1) Adopt strategy that Audit/Registration/Investigations have supported integrated approach to oversight/compliance of AML practices
- 2) Develop annual unified plan (a/n units) setting out coordinated compliance objectives and priorities each year

General

- 1) Establish standing Senior Officials Committee on Gaming Integrity chaired by ADM Police Services and to include: CEO BCLC, ADM GPEB, Sr. Police officials(Vancouver/RCMP/Civil Forfeiture/Justice)
- 2) Create Cross Agency Task Force to gather intelligence and investigate SCT in BC casinos and report to Senior Officials Committee
- 3) Engage an independent firm with expertise in ML strategies and compliance to conduct best practices review of AML measures currently in BC gaming
(NAVIGANT – report Feb 29/2012)

GPEB's Anti-Money Laundering Working Group

- Made up of Chair – Bill McRae, ADM Doug Scott, Risk Management (1), ED Policy and (1), ED Audit and (2), ED Registration and (3), Director, Responsible Gaming (1), and ED Investigations and (2) (Joe & Derek)
- First met –early August/2011 – worked toward main goal of Working Group – “Stop money laundering in gaming by moving from a cash based industry as quickly as possible and scrutinizing remaining cash for appropriate action.” Further “ this shift will respect or enhance responsible gaming practices and the health of the industry”
- “Numerous” meetings – starting with weekly/then bi-weekly and including “Blue Sky” meetings
- Looked at what BCLC was doing/where they should go
- Looked at what GPEB doing/where they should go
- **REAL GOAL** – Drastically reduce the use of cash as the main source of exchange in transactions at casinos in British Columbia.

Initial Considerations:

- 1) Allow PGF accounts to be opened/replenished with a wider variety of financial instruments including: **
 - Certified, personal and casino cheques, money orders
 - Bank drafts, credit and debit cards
- 2) Allow international funds transfer from banks in USA and other international centres (Shanghai, Macau, Bangkok, Cayman Islands) that have Canadian sister bank affiliates (ie: Hong Kong Bank) into branches of Canadian Banks then into PGF or directly into PGF from International Bank and return money to same banks where money came from.
- 3) Allow patrons to have PGF account money transfer back to their bank account in DIFFERENT bank than where it came from. **
- 4) Accept EFT's from other Canadian financial institutions sources ie: credit unions and/or any other Canadian banking source. **
- 5) Deposits from banks/verified win cheques into PGF account on same day. **
- 6) Issuance of "safety cheques" stamped "Not verified win, Return of Funds Only". These can also be used as buy-ins at tables/cash cages.
- 7) If patron cashing out \$10 k or more, offer to open and deposit into PGFA.
- 8) Extend credit to patrons who qualify, to maximum threshold of \$100 k
- 9) Offer high limit players "VIP Card" that can be loaded with funds to pre-determined limit (extending credit based on banking info, etc.)
- 10) Use of "Trust Cash" or Global cash – purchase of chips on line and/or use of credit/debit card to get cash from terminal/person on site (for service fee)

** - "Quick Wins" – little concern/discussion and changes implemented

Other Considerations/Concerns:

s.13

Anti - Money Laundering Changes Made to Date

- **Lots** of suggestions/proposals from BCLC
- NAVIGANT did review/report on **BCLC compliance** of PCMLTFA (Proceeds of Crime(Money Laundering) and Terrorist Financing Act)
- Instituted easier access to PGF account from banks and other means/removed \$10,000 minimum limit
- Use of debit cards through debit machines/buy-in with cheques from Canadian casinos on first party basis allowed.
- Issuance of “safety cheques” to limit of \$5,000.
- Cheque Hold Payment/Marker – on site to cleared patrons who have had “due diligence” done by service provider.
- Credit card machines at casinos – Global Cash machines at most casinos
- “Return of Funds” cheques now being issued for “non verified wins”.
- More “due diligence” on patrons being done by Service Provider in submission of LCT or STR to FINTRAC?? ie: ID, employment, residence

Changes Still Being Considered:

s.13

NOT Happening:

s.13

J. Schalk, Nov. 30/12

As Defined in the Gaming Control Act (GCA):

GPEB is responsible for the overall integrity and regulation of gaming and horse racing in British Columbia. This also includes **oversight of the British Columbia Lottery Corporation (BCLC)** and all provincial gaming conducted, managed and/or operated by BCLC.

BCLC, as an agent of the Crown [Crown Corporation], conducts, manages and operates all provincial gaming in the province, including commercial casinos, bingo halls, community gaming centres and lotteries, through contracts with service providers, e.g. Great Canadian Casino, Gateway Casinos, Lake City Casino.

The areas of GPEB responsibility include:

1. Investigating all allegations of wrongdoing in gaming [GPEB Investigations and Regional Operations Division, Gaming Enforcement - Investigators, all are **Special Provincial Constables** and are located in 4 Regional Offices in Victoria, Burnaby, Kelowna and Prince George];
2. Registering all gaming service providers, service suppliers, gaming workers (registrants) and companies;
3. Certifying lottery schemes and gaming supplies [GPEB Registration and Certification Division – 27 FTEs in Victoria]. Registration Division (GPEB) **has the legal authority to administer sanctions to Registrants for violations of terms and conditions of registration;**
4. Licensing all legal lottery schemes in the province [Licensing and Grants Division – 23 FTEs in Victoria];
5. Auditing for compliance with provincial requirements [GPEB Audit and Compliance Division – 28 FTE Auditors in 4 Regional Offices in Victoria, Burnaby, Kelowna and Prince George];

Investigating Allegations of Wrongdoing

GPEB **Investigations and Regional Operations, Gaming Enforcement** has the legal authority to ensure the integrity of gaming by investigating, and/or assisting law enforcement agencies in the investigation of, complaints or allegations of criminal or regulatory wrongdoing in provincial gaming in the province. This includes:

- **Investigating complaints and allegations of wrongdoing** in provincial gaming in the province for the purpose of prosecution and/or administrative hearings;
- **Conducting investigations in relation to allegations of wrongdoing** internal to the BC Lottery Corporation;
- Conducting all investigations in relation to allegations of wrongdoing, including investigations involving licensees and registrants (**Post Registration and Licensing Investigations**);
- **Investigating and/or assisting law enforcement agencies in investigating illegal gambling activity;**
- **Gathering and maintaining intelligence** concerning the extent, type, and nature of unlawful activity in gaming and horse racing; and
- **Identifying trends in unlawful gaming activity** by tracking complaints and allegations and referring and assisting police of jurisdiction.

Authority

- Pursuant to section 24(3) of the GCA, the General Manager has delegated sole authority to the Executive Director, Investigations and Regional Operations Division, Gaming Enforcement to:

- Independently direct confidential investigations in relation to Criminal Code and GCA offences including any other matter that may affect the integrity of gaming;
 - Exercise the discretion, under section 85 of the GCA, to place a gaming site under video surveillance as part of an investigation under section 81(2); and
 - Certify evidence as required under section 103(2)(a) of the GCA.
- As delegated by the General Manager, Investigations and Regional Operations, Gaming Enforcement is solely responsible for all investigations conducted under section 81 of the GCA.
 - Section 27(3)(a) of the GCA authorizes GPEB to conduct investigations respecting the integrity of all gaming, including provincial gaming.
 - The Minister has appointed all Investigators in Investigations and Regional Operations, Gaming Enforcement, including the Executive Director, as **Special Provincial Constables (SPC) under section 9 of the Police Act.** For this purpose, **Investigators are empowered to enforce the Criminal Code and all Provincial Statutes of BC to the extent necessary.**
 - SPCs have on-site internal authorized access to **CPIC, JUSTIN, BC Online and are awaiting access to PRIME/IQT.**
 - Under section 86(1) of the GCA, BCLC must provide to Gaming Enforcement any information, records or things requested by the Investigators that are relevant to an investigation.
 - Under section 86(2) of the GCA, BCLC and gaming service providers (Registrants) must notify Gaming Enforcement immediately about any conduct, activity or incident which potentially involves or involved:
 - The commission of an offence under a provision of the Criminal Code that is relevant to gaming; or
 - The commission of an offence under the GCA or the Regulations.
 - Under GCA section 87, the BCLC and gaming service providers (Registrants) and its officers and employees:
 - Must submit to an investigation conducted by Gaming Enforcement;
 - Must not obstruct or interfere with an investigation conducted by Gaming Enforcement; and
 - Must not withhold or refuse to produce any information, record or thing that is requested by an Investigator or Inspector.

Notification – BCLC and Registrant Section 86 Reporting Requirements

Section 86(2) of the GCA requires **BCLC and registrants including but not limited to: casinos, community gaming centres, bingo halls, lottery kiosks, retail stores and locations that sell lottery products, horse racing venues, online lottery schemes**

to notify GPEB Investigations and Regional Operations, Gaming Enforcement without delay, about any conduct, activity or incident that may be considered contrary to the Criminal Code of Canada, the Gaming Control Act or Gaming Control Regulations, or that may affect the integrity of gaming or horse racing.

This includes, but is not limited to:

Cheating at play; theft affecting the integrity of the game (e.g. thefts from the house or by a gaming worker); theft of lottery products from a lottery retailer; any theft or wrongdoing in relation to lottery products, gaming equipment or gaming supplies from the Corporation; inventory before the lottery product is distributed to lottery retailers; prize claims by an individual with an alleged stolen lottery ticket; fraud; any suspicious or alleged fraud or theft by a lottery retailer/retail employee; any forgery of any lottery tickets; money laundering; persons suspected of passing counterfeit currency; loan sharking; robbery; assault; threats against, or intimidation of gaming employees; all lottery retailer lottery wins or lottery retailer employee lottery wins; all suspensions, revocations, or cancellations of Lottery Operator Agreements with lottery retailers; unauthorized lottery schemes; unauthorized gaming by minors; unregistered gaming workers; and unregistered service providers.

GPEB Investigations and Regional Operations, Gaming Enforcement Regional Offices

Larry Vander Graaf, Executive Director

Lower Mainland Regional Office (Burnaby)

Senior Director, Investigations and Regional Director LMD: Joe Schalk (604) 660-0271

Director, Casino Investigations: Derek Dickson (604) 660-0299

Director, Lottery Investigations: Bill Mulcahy (604) 660-0278

Manager, Horse Racing Investigations: Colin Burrows (604) 660-0459

Island Regional Office (Victoria)

Regional Director: Peter Werner (250) 356-5248

Director, Forensic Investigations: Al Giesbrecht (250) 356-5550

Interior Regional Office (Kelowna)

Regional Director: Barry Halpenny (250) 861-5518

North Regional Office (Prince George)

Regional Director: Bob Chamberlain (250) 612-4131

January 31, 2011

CONFIDENTIAL

To: McCrea, Bill J EMNG:EX
Subject: Re: AML Working Group Consideration

Bill:

LAS VEGAS REVIEW-JOURNAL

Posted date April 8, 2014 - 1:42pm **Updated** April 8, 2014 - 3:39pm

Casinos shudder over possible federal requirement to divulge source of high rollers' gambling funds

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Howard Stutz

writes the weekly column Inside Gaming, reflecting what is happening in the industry. It appears Sunday and Wednesday in Business. Follow him on Twitter: @howardstutz

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By HOWARD STUTZ

LAS VEGAS REVIEW-JOURNAL

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Obviously, the report a couple of weeks ago from the Gaming Summit and now this speech at the Global Gaming Expo has garnered a LOT OF ATTENTION and is being taken very seriously. When FinCEN Director Jennifer Shasky Calvery "told an audience at the Global Gaming Expo in Las Vegas that casinos could be subjected to the same requirements as banks and other businesses." And "Every financial institution, casinos included, should be concerned about its reputation," she said during a speech at the Sands Expo and Convention Center. "Integrity goes a long way." And "This is a serious issue that could radically alter the way that casinos do business," AGA President Geoff Freeman said in the statement.

I believe this should be an encouragement for BC to become a leader in this regard as well.

Again, my thoughts and for consideration as part of the AML Working Group.

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

ph: (off) 604-660-0271
(cel) 604-833-3691
Fax: 604-660-2030

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

REPORT OF

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**Money Laundering
River Rock Casino**

Date of Report: November 14th, 2011

BACKGROUND:

Between October 17th and October 26th, 2011 a s.22 bought in on 13 occasions at the River Rock Casino for a total of **\$1,819,880**, of which **\$1,378,500 was in 20 dollar denominations**. The money was transported in a variety of bags and was all packaged in \$10,000 bricks wrapped in two elastic bands.

INVESTIGATION:

s.22 is a s.22 resident of the s.22 He arrived at the River Rock Casino commencing on October 17th, 2011, and over the next 10 days made numerous large cash buy-ins with small denominations.

The following is a detailed review of s.22 ; suspicious buy-ins:

Narrative of Events:

October 17, 2011

- 15:27 – A white s.22 arrived at the RRCR. s.22 was the passenger in the vehicle and was observed carrying a bag. The unidentified s.22 male was the driver of the vehicle.
- 15:29 – Both subjects enter the VIP Room together. s.22 enters the private cash cage.
- 15:31 – s.22 emptied the contents of the bag onto the counter. His buy-in was for \$199,980.00, consisting entirely of \$20.00 bills. {9999 x \$20.00}.
- 15:57 – s.22 received his value chips at MDB 17. {\$5,000 x 5, \$1,000 x 9, \$25 x 3, and \$5 x 1}. He played Baccarat at a level consistent with his buy-in.

October 18, 2011

- 10:52 – A dark coloured vehicle arrived at the RRCR. No further details of the vehicle could be determined. s.22 was in the front passenger seat. Two other s.22 males were also in the vehicle. s.22 exited the vehicle carrying a red bag, and could be seen speaking on his phone before entering the VIP Room. All three went together to the VIP Room.
- 10:55 – s.22 entered the private cash cage alone. He emptied the contents of the bag onto the counter. His buy-in was for \$100,000.00. It consisted entirely of bundles of \$20.00 bills {5,000 x \$20}.
- 11:14 – s.22 received his value chips at MDB 17. {20 x \$5,000}. The two s.22 males were at the table with him and shortly thereafter, they were joined by another s.22 male. They all watched as s.22 played high stakes Baccarat consistent with his buy-in.
- Surveillance did not capture s.22 departure from the RRCR.

October 18, 2011

- 13:06 – s.22 arrived as the passenger in a s.22 being driven by an s.22 male.. Both subjects went to the VIP Room, s.22 was carrying a black bag.
- 13:09 – Both s.22 and the male entered the private cash cage. s.22 emptied the contents of the bag onto the counter. His buy-in was for \$100,000.00 and consisted entirely of \$20.00 bills {5,000 x \$20}
- 13:25 – s.22 received his value chips at MDB 17 and played high stakes Baccarat consistent with his buy-in. His play was watched by two other s.22 males.
- Surveillance did not capture s.22 departure from the RRCR.

October 18, 2011

- 14:27 - s.22 arrived as the passenger in a s.22 that was being driven by an s.22 male. Both subjects went to the VIP Room, s.22 was carrying a red bag and the male carried two black bags.
- 14:29 – Both subjects entered the private cash cage. s.22 emptied the contents of his bag onto the cash counter. His buy-in was for a further \$100,000.00. The denominations of the bills were as follows: {2975 x \$20, 84 x \$50, 363 x \$100}
- s.22 went to MDB while his most recent buy-in was being counted. Two s.22 males were at the table watching as s.22 produced some chips and resumed gaming.
- 14:46 – s.22 received his value chips at the table. {20 x \$5,000} and continued to play high stakes Baccarat.

October 20, 2011

- 15:29 – s.22 arrived as the passenger in a s.22, being driven by an s.22 male. The male removed two black bags and one gray shopping bag from the vehicle. He passed the gray bag to s.22. They proceeded to the VIP Room together.
- 15:32 – They both entered the private cash cage and s.22 emptied the contents of the bag onto the counter. His buy-in was for \$100,000. The denominations of the bills were as follows: {2500 x \$20, 42 X \$50, and 479 x \$100}. They both then went to MDB 17. s.22 produced a stack of \$5,000 chips and began to play while two s.22 males watched.
- 15:46 – s.22 received his value chips {20 x \$5,000} and continued play.
- They subsequently left the casino in a group in a s.22. At conclusion of play s.22 was in possession of about \$450,000.00 in value chips and about \$9,000.00 in cash.

October 21, 2011

- 21:06 – s.22 emerged from the West tower elevator carrying a white plastic bag and with a black bag over his shoulder. He was accompanied by three s.22 males.
- 21:07 – s.22 and his entourage arrived at the VIP Room together. s.22 then entered the private cash cage alone.

- 21:08 – s.22 removed cash from the white plastic bag onto the counter. A few moments later one of the males entered the room and passed an unknown object to s.22 then left the room. s.22 then removed more cash from the black shoulder bag. His buy-in was for a total of \$69,960.00. {3453 x \$20, 4 x \$50, and 7 x \$100 bills}.
- 21:22 – s.22 received his value chips at MDB 17 as follows: {13 x \$5,000, 4 x \$1,000, 1 x \$500, 4 x \$100, 2 x \$25, and 2 x \$5}. s.22 played at a level consistent with his buy-in while the three males watched.

October 22, 2011

- 09:32 – s.22 and an s.22 male emerged from the elevators from the West lobby hotel rooms. s.22 was carrying a large brown shopping bag. Both went to the VIP Room.
- 09:35 – s.22 went into the private cash cage alone. He emptied the contents of the bag onto the counter. The buy-in was for \$100,000.00 and consisted entirely of bundles of \$20.00 bills.
- s.22 went with the male to MDB 27 and while his buy-in was being counted he produced a further \$5,000.00 which again, consisted entirely \$20.00 bills and began to play without waiting for his \$100,000.00 buy-in while the male watched without playing.
- 10:10 – s.22 had lost all of his chips. Accompanied by the male they both went to the buffet in the VIP Room while another s.22 male returned to the West hotel tower.
- 10:15 – The male returned from the hotel and passed what appeared to be \$100,000.00 in value chips to s.22

October 25, 2011

- 13:34 – s.22 arrived in the South lot as the passenger in a s.22 driven by an s.22. The particulars of the vehicle could not be determined. s.22 emerged from the vehicle carrying a black plastic bag.
- 13:37 – Both subjects went directly to the VIP Room. s.22 alone went into the private cash cage and emptied the contents of the bag onto the counter. His buy-in was for \$200,000.00. The bills consisted primarily but not entirely of \$20.00 bills. The denominations were as follows: {1,000 x \$100 and 5,000 x \$20}. There was a split delivery of value chips and two delivery slips created for this transaction.
- 13:52 – s.22 received \$100,000.00 in value chips at MDB 17. {20 x \$5,000}
- 14:01 – received a second delivery of \$100,000.00. {20 x \$5,000}. s.22 proceeded to play Baccarat at a high stakes level.

October 25, 2011

- 19:01 – s.22 and an s.22 male arrived at the valet parking area. s.22 was driving.
- 19:02 – Both subjects exited the vehicle. s.22 was carrying a plastic bag. Both s.22 and the male went directly to the VIP Room.
- 19:04 – s.22 went into the private cash cage and emptied the contents of the bag onto the counter. The buy-in was for \$99,980.00 and consisted entirely of \$20.00 bills. {4999 x \$20}.
- 19:24 – s.22 received his value chips at MDB 17 and resumed playing at a high stakes level.

October 26, 2011

- 02:14 – s.22 and an s.22 male are observed returning to the RRCCR in a s.22 s.22 Both subjects exit the vehicle. The male has a black bag which he passed to s.22 subsequently passed the carry bag back to the male.
- 02:16 – Both subjects went directly to the VIP Room.
- 02:17 – s.22 and the male enter the private cash cage. s.22 emptied the contents of the bag onto the counter. The buy-in was for \$149,980.00 and consisted entirely of bundles of \$20.00 bills. {7499 x \$20.00}.
- s.22 received his value chips at MDB 17. {29 x \$5,000, 4 x \$1,000, 1 x \$500, 4 x \$100, and 1 x \$5}. He resumed playing at a high stakes level.

October 26, 2011

- 04:05 – s.22 left the casino with an s.22 male in a s.22
- 04:17 – return to the casino. s.22 exits the vehicle with a blue plastic bag while the male parked the s.22 near the main hotel entrance.
- 04:20 – Both subjects went directly to the VIP Room.
- 04:23 – s.22 entered the private cash cage and partially emptied the bag. His buy-in was for \$99,980.00. {60 x \$50.00 and 968 x \$100.00}
- 04:34 – s.22 received his value chips at MDB 17. {19 x \$5,000, 4 x \$1,000, 1 x \$500, and 3 x \$100} and resumed playing at a high stakes level.
- 05:07 – s.22 returned to the private cash cage and emptied the bag of the remainder of the contents. This buy-in was for \$100,000.00. The denominations of the bills were as follows: {2500 x \$20.00 and 500 x \$100.00}.
- 05:20 – s.22 received his value chips at MDB 17 and continued playing high stakes Baccarat.

October 26, 2011

- 15:28 – s.22 and two s.22 males were observed returning to the casino in a s.22 exits the vehicle carrying a bag.
- 15:32 – All subjects went directly to the VIP Room.
- 15:33 – s.22 went into the private cash cage and emptied the contents onto the cash counter. The buy-in was for \$200,000.00 and consisted entirely of \$20.00 bills. {10,000 x \$20.00}
- 15:39 – s.22 resumed playing at a high stakes level.

October 26, 2011

- 19:17 – s.22 and an s.22 male emerged from the elevator bank that services the West hotel tower.
- 19:20 – s.22 entered the private cash cage and emptied the contents of the bag onto the counter. This buy-in was for \$200,000.00 and consisted entirely of \$20.00 bills {10,000 x \$20.00}
- s.22 received his value chips at MDB 17. {40 x \$5,000} and resumed playing high stakes Baccarat.

s.22 first came to the attention of the Investigations Division on November 7th, 2010, when he bought in at the River Rock Casino for \$199,910 primarily in 20 dollar denominations. (GPEB 35947) On that same date s.22 opened a Players Gaming Fund Account (PGF) with a \$300,000 verified win cheque from the River Rock Casino. Over the next two days s.22 depleted the PGF of all funds, however the PGF remained open. When s.22 arrived at the River Rock Casino on October 17th, 2011, and bought in with the first of the \$1,819,880 in small denominations, he still had an active and available PGF for him to wire transfer money from a Canadian bank. This option was not chosen by s.22

Internet inquiries indicate that s.22
s.22
Kong Stock Exchange.

This company is traded on the Hong

CONCLUSIONS:

s.22 is a s.22 male who reportedly is the s.22
s.22 Limited background checks fail to identify s.22 as having a criminal background. He however is knowingly using loan sharks and is being used by loan sharks and organized crime to at very least, facilitate the laundering of large amounts of small denomination cash through his play at

a Lower Mainland casino. The access to the large quantities of cash involved, in small denominations,, how the cash is packaged and delivered to the casino are all indicative of the laundering of the proceeds of crime on a very large scale.

This is yet another example of criminals utilizing casinos in British Columbia to launder significant sums of money, utilizing s.22. This concern has been raised on numerous occasions in the past by the Investigations Division. To date, any anti-money laundering strategies deployed by BCLC or the service providers have had little or no impact on the number of reported suspicious cash transactions (SCT's). As a matter of fact, the numbers of SCT's reported to GPEB and the amounts of suspicious small denomination cash, particularly 20 dollar bills, entering BC casinos continues to increase.

No procedural concerns were identified through this investigation.

Prepared by:	Approved by:
Derek Dickson, Director Casino Investigations	
<i>Original Signed</i>	

FORWARD: 14 November, 2011

To: Executive Director, Investigations and Regional Operations, GPEB

The noted Report of Findings is self explanatory. Our concerns are again clearly identified. The report outlines another example of one individual's cash buy-ins at a local casino over the course of 10 days and 13 separate buy-ins. Again the predominant currency denomination is \$20.00 bills, almost 1.4 million dollars of a total of just over 1.8 million dollars in buy-ins.

In this report, it is also noted that in 2010, this subject DID AVAIL himself of and use the Player Gaming Fund Account (PGFA) so he certainly is aware of it and how it could be used. On these occasions he did not avail himself of the PGFA.

These ongoing reported SCT notifications by way of the required Sec. 86 reports from service providers continue to increase in number and in the first 7 months of this fiscal year, we have accumulated almost as many reports as were received for the entire fiscal year 2010/2011. There is no question that the total amount of SCT monies is increasing on an equivalent level.

A copy of this report is being provided for your information and possible dissemination as you see fit. The RCMP IPOC Section have been provided a copy of this report as part of our ongoing reporting of SCT activity responsibility.

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