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Source of Cash Project 2015

Project Scope:

The objective of this project is to examine the flow of suspicious cash entering the six casino venues in the Lower Mainland through the buy in process. Examine strategies to reduce dependence on cash entering the casino and reduce risk of money laundering activity thereby protecting the Integrity of Gaming.

Over the past several years suspicious cash transactions have been monitored at the six casinos in the lower mainland of British Columbia. The use of \$20 bills has been synonymous with street level illicit organized drug trafficking and other crimes by Organized Crime Groups (OCG's). Financial Institutions have specific rules concerning the handling of large transactions and those subject to this project fall outside of those standard practices. Source of cash is the standard by which financial institutions gather information relative to large cash transactions. The source of wealth is **not** the determining factor. FINTRAC identifies suspicious activity and relates to how the business relationship should be managed. An excerpt is provided;

Ongoing Monitoring of Business Relationship and Related Records

Business relationship

A business relationship is a relationship that you establish with a client to conduct financial transactions or provide services related to those transactions. For casinos, these relationships can be established within or outside of an account.

Account-based business relationship: *You are in a business relationship with a client that holds an account with you. You enter into a business relationship when a client opens an account with you. For a new or existing client that has one or more accounts, the business relationship includes all transactions and activities relating to those accounts.*

Non-account-based business relationship: *If your client does not have an account, you enter into a business relationship when you conduct two or more transactions in which you have to:*

- *ascertain the identity of the individual (see section 4); or*
- *confirm the existence of a corporation or other entity (see section 4).*

In such a case, the business relationship only includes transactions and related activities for which you have to ascertain the identity of your client. See section 4 for more information on these transactions and activities.

If you use the exception to ascertaining the identity of a client where you recognize the individual (as described in 4.2 General exceptions to client identification) in the case of a second transaction that requires you ascertain the identity of a client, you have entered into a business relationship with that client nonetheless. This is because it is the requirement to ascertain identity that triggers the business relationship.

You should determine that a business relationship has been established as soon as reasonably practicable following the second transaction requiring that the client's identity be ascertained. As a best practice, this should be done within 30 calendar days.

If you have a client without an account who conducts two or more suspicious transactions, you still enter into a business relationship with that client, even if you are unable to ascertain the identity of that client. This is because suspicious transactions require you to take reasonable measures to ascertain the identity of the client (subject to the circumstances described in section 4.4), and so two or more of these transactions will trigger a business relationship. You must treat this business relationship as high-risk, and undertake more frequent ongoing monitoring and updating of client identification information, as well as any other appropriate enhanced measures (see examples under "Ongoing monitoring" below).

A business relationship is established when two transactions that require you to ascertain the identity of your client occur within a maximum of five years from one another. If a period of five years passes from the last transaction that required you to ascertain the identity of your client, the business relationship with that client ceases in the case of non-account-based business relationships. In the case of clients who hold an account, the business relationship ceases five years after the client closes that account.

Once the business relationship is established, you must also:

- conduct ongoing monitoring of your business relationship with your client; and*
- keep a record of the measures you take to monitor your business relationship and the information you obtain as a result. See section 5.1 for a description of what information you must keep for this record.*

Ongoing monitoring

Ongoing monitoring means that you have to monitor your business relationship with a client on a periodic basis. Use your risk assessment of the client with whom you have a business relationship to determine how frequently you will monitor that business relationship. The risk assessment requires you to consider each one of your clients when assessing their risk for money-laundering and terrorist activities financing. However, an individual written assessment is not required for each client, so long as you can demonstrate that you put your client in the correct risk category, according to your policies and procedures, and risk assessment. You have to perform ongoing monitoring of each business relationship to:

- *detect suspicious transactions that have to be reported;*
- *keep client identification and the purpose and intended nature of the business relationship up to date;*
- *reassess the level of risk associated with the client's transactions and activities; and*
- *determine whether the transaction or activities are consistent with the information previously obtained about the client, including the risk assessment of the client.*

The above-listed requirements do not need to follow the same timeframe, so long as you monitor your high-risk clients more frequently and with more scrutiny than you do your low-risk clients.

In order to keep client information up to date, you may ask clients with account-based business relationships to confirm the information you have on record periodically throughout your regular interactions with them. For clients in non-account-based business relationships, you may update the information you have on record every time the client conducts a transaction that requires you to ascertain their identity.

As an example, you may choose to reassess the level of risk associated with a client's transactions and activities, and to determine whether the transactions or activities are consistent with the information you have on your client, for your low-risk clientele, every two years, while performing the same monitoring of your high-risk clients on a more frequent basis. However, depending on the circumstances of your operations, a different ongoing monitoring period for low-risk clients may be appropriate.

In the context of monitoring on a periodic basis, your monitoring will vary depending on your risk assessment of your client. As part of your ongoing monitoring obligations, you must monitor all of your business relationships, and you must monitor business relationships you consider high-risk more frequently, as well as update client identification information and adopt any other appropriate enhanced measures.

Here is a non-exhaustive list of enhanced measures you could take to mitigate the risk in cases of high-risk business relationships:

- *Obtaining additional information on the client (e.g. occupation, volume of assets, information available through public databases, Internet, etc.).*
- ***Obtaining information on the source of funds or source of wealth of the client.***
- *Obtaining information on the reasons for intended or conducted transactions.*
- ***Obtaining the approval of senior management to enter into or maintain the business relationship.***
- *Identifying patterns of transactions that need further examination.*
- ***Requiring the first payment to be carried out through an account in the client's name with a bank subject to similar client due diligence standards.***
- *Increased monitoring of transactions of higher-risk products, services and channels.*
- *Establishing more stringent thresholds for ascertaining identification.*

SCT's are generated by Service Providers working in the 24/7 surveillance rooms of each venue. There are six casinos reporting SCT's to GPEB Compliance.

Collaboration with GPEB's stakeholders will continue to be a viable source of assistance to this project. Stakeholders in this project are:

BCLC

Richmond RCMP, Coquitlam RCMP, Burnaby RCMP, Langley RCMP, Vancouver Police Department, and Delta Police Department.

Criminal Intelligence Section British Columbia/Yukon (CISBC/YT)

RCMP Federal Serious Organized Crime Section (FEDSOC)

Combined Forces Special Enforcement Unit (CFSEU)

Desired outcome:

To fully understand the source and use of suspicious cash, cash reduction strategies employed and the result of such strategies.

Assist GPEB management through accurate relevant information to formulate meaningful decision based strategies to assist in the reduction of suspicious cash entering the gaming industry reducing the threat to the integrity of gaming.

Current Status:

September 30,2015

In June 2015, BCLC AML Group introduced a strategy to interview a number of high risk players that had been identified through their efforts in analyzing Suspicious Transaction reports to Fintrac as compiled by their investigators on site.

Some of these players were new; some were well known and established high level players who had been presenting large volumes of cash for some time.

The interviews were limited in understanding where the cash originated. Some intelligence was obtained to suggest that the cash was obtained from local persons however not adequately identified as to the source.

In July the number of transactions increased to over \$20 million. Bclc interviews continued and a marked reduction in transactions was noted in August. GPEB has only received indication of ten individuals targeted for this interview process by Bclc and the list does not include others that are continuing to buy in at high levels with similar circumstances surrounding their activities. Bclc has compiled a list of 31 identified players that are suspect in the origin of the cash they bring to the casinos. This has had an impact on the volume of cash being presented consisting of \$20 bills. It has not however impacted on the service provider identifying the cash as the oddity in the process and other high level players not identified by Bclc and their list are still being allowed to present large volumes of suspicious cash.

This will continue to be monitored as the year unfolds.

UPDATE: October 23, 2015.

A recent file, generated by information received from the BCLC, indicated that High Level Players were gaming off site of any of the LMD Casino's at a private location. These location(s) were being run by others suspected to be known and unknown to GPEB and the Police of Jurisdiction. The inference was that the players were allowed to gamble without presenting cash and if they won they would be supplied with s.15 to cover their winnings. Through coordinated efforts the RCMP/VPD integrated Federal Serious Organized Crime Section became involved as the result of other information along with information imparted by GPEB which culminated in a search of an address in Richmond suspected of being operated as a common gaming house on October 15. Some evidence of the house being used for these purposes was found upon search and the POJ investigation is continuing.

For approximately three days October 15, 16 and 17 there were no reported Suspicious Cash Transactions at any LMD casino. On October 18 however three

SCT's were reported with in excess of \$835,000.00 being presented at the River Rock alone using primarily \$20 bills wrapped in elastic bands. The focus remains to be on the player identity and not on the source of cash which is clearly being accepted even though it is wrapped and bundled in a manner that is synonymous with not being from a legitimate financial source.

Update: November 10, 2015

As a result of the BCLC initiative to interview and restrict an identified group of players buying in with suspicious amounts of cash certain player's have been observed at the tables playing with chips that appear to have been produced or at the very most provided to them by others. Often times the other players are presenting cash amounts similar to that of the restricted player's but for unknown reasons are not restricted themselves. The following is the comments made regarding a restricted player's actions involving another player allowing him to use his chips.

Itrak 20150058226 refers.

On gaming date November 08, 2015 management was informed that S.22 on the sanction list was playing with S.22 chips on MDB 28. S.2 was approached with the help of S.22 and re-informed of the sanctions placed on him by BCLC. no further actions taken at this time as both players have registered SID's and are known associates, and S.2 has ceased play with S.22 chips.

Byron Nakatsu
GPEB 18587
Gaming Manager

Conclusion & results.

A completed Audit by GP Audit supports the investigation to date and can be viewed on TRIM file that has been created to house this project along with the various compiled Spreadsheets and Audit reports.

Suspicious Cash Transactions are continuing to be monitored by GPEB Investigations.

Spreadsheets are maintained in two categories.

All reported suspicious cash transactions between 10,000.00 and 50,000.00 at all venues.

All reported suspicious cash transactions over 50,000.00 of all denominations.

All Chip and or Cash passes as they relate to reported suspicious actions.

As noted below some distinct changes have occurred to date. The overall cash being entered into the cash cages has diminished significantly while the incidence of reporting has escalated. January 2015 to February 22 total of reported 86's – amounted to 18,854,000.00 (of these 120 were over 50K involving 20's and 17 under 50K at the River Rock)

Total reported 86's for same period 2015 - 200

January 2016 to February 22 reported 86's over 50K – amounted to 7,947,000.00 (76 86's)

January 2016 to February 22 reported 86's under 50K – amounted to 6,682,000.00 (370 86's)

Total reported 86's for 2016 – 446

Continued monitoring of the above three identified area will continue to be of investigation concern as will a monitoring of any LCT escalation that has yet to be reviewed. (planning stages)

Further individual patron investigation is underway with s.15 These patron's have surfaced through the ongoing SCT monitoring and progress will be updated periodically. This project is to investigate individuals that may be of concern to the detriment of the Integrity of Gaming. Although there has been a significant reduction in the amount of suspicious cash in large quantities of small denominations ie; \$20bills, the reduction is primarily attributed to the sanctions place on the specified list of individuals identified by BCLC's AML group and interviewed. This group is no longer active at the casino. However there remains significant amounts of suspicious cash still entering the casino by others that were not part of the identified group.

It appears that the individual is still the target of the AML group (KYC and source of wealth) and not the cash that has clearly been established as not being obtained through accepted financial means. Individuals are still being allowed to enter with copious quantities of \$20 bills without triggering an alarm.

The new focus of s.15 will center on the KYC aspect along with source of cash.

Moving forward as a result of the Suspicious Cash that has been tracked entering the casino and the suspected use of casino chips outside in illegitimate gaming houses in and around the lower mainland a new focus has been taken by Government.

Recently in April 2016 the Minister of Finance announced the forming of a Joint Integrated Gaming Enforcement Team mad up of police of jurisdiction and GPEB members operating under the Combined Forces Special Enforcement Unit housed with the RCMP E Division HQ in Surrey.

This concludes the Project file attached.

K. R. Ackles #936

GPEB



Print and Close

Cancel

Gaming Information and Services

[Know your Inv# \(gaming info\)...](#)

Occurrence Details

[Help](#)

Submission Information

* Status:	Created	Occurrence #:	86857
Assigned To:	KAckles	* File Created:	Yes
Bring Forward Date:	30-Dec-2015	File #:	92060
* Source Type:	Section 86 - Manual	Form Date:	03-Jul-2015
* Region:	Lower Mainland	* Received Date:	03-Jul-2015
* Type:	General		

Complainant / Submitted By

ID Tag #:

* Name	ID Tag #	Service Provider
GPEB - BURNABY		

Occurrence Location

Site Location:	Site Location Other:	Occurrence Date/Time:
	ALL LOWER MAINLAND CASINOS	7: AM

Occurrence Details

Synopsis:

CASINO SOURCE OF CASH PROJECT- ALL LOWERMAINLAND CASINO'S

Occurrence:

Details:

Section 86 Web Subjects

Subject Type	Name	Address Type	Address
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Subjects

Subject Type:	Subject Name	Address	Phone #
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Counterfeit Details

Counterfeit Serial #:

Denomination:

Police Details

Police Called:

Police Force Name:

Investigating Officer Name:

Police File #:

Badge #:

IRIMS #:

I-Trak #:

Exhibit Details

* Exhibit Type:

Other Description:

* # of Exhibits:

* Total Value:

Seized:

Forfeit:

\$

All Exhibits Disposed:

Supporting Documents

* Type:

* Attach:

Browse...

Related Files

* File #:

Related Occurrences

File #

Occurrence #

Source Type

Created

Status

File Statistics

Scored By:

GPEB

Category:

UALG - Casino

Cleared:

Administrative

Alternate Resolution

Charge CC

Charge GCA

Fines Levied

Intelligence

Other

Police Assistance

Restitution Ordered

Unfounded

Violation Ticket

Warning - Verbal

Warning - Written

(I) Warning - Written/Verbal

Offence:

Assault

Cheat At Play

Code of Conduct

Counterfeit

Fraud

G.C.A.

Loan Sharking

Minors

Money Laundering (SCT's)

X Other

Prohibited

Prohibited - VSE

Theft

Threats

Complainant Notified:

Yes

Print and Close

Cancel

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.