

**MINISTRY OF ATTORNEY GENERAL
ANTI-MONEY LAUNDERING SECRETARIAT
BRIEFING NOTE**

PURPOSE: For DECISION of David Eby, QC
Attorney General

ISSUE:

Analysis of Dr. Peter German's recommendations related to casino reporting obligations to the Financial Transactions and Reports Analysis Centre of Canada (FinTRAC).

RECOMMENDATION:

s.13

SUMMARY:

- Dr. German recommended:
 - "That the Service Providers be responsible for completing all necessary reports to FinTRAC, including STRs [Suspicious Transaction Reports]" (Recommendation #5), and;
 - "That discussions with FinTRAC take place with the purpose of designating the Service Providers as direct reports to FinTRAC" and, failing that, "that reports from Service Providers be sent in an unaltered form to FinTRAC by BCLC [British Columbia Lottery Corporation]" (Recommendations #6).
- BCLC submitted a formal request for guidance on the operationalization of recommendations 5, 6 and 7 to FinTRAC. s.13; s.16
s.13; s.16
- GPEB is developing a request for legislation (RFL) that proposes general manager standards.
- Compliance with standards, including anti-money laundering standards, will be a condition of registration and the regulator will be able to hold SPs accountable.
- The RFL also proposes legislated requirements and corresponding offence provisions for service providers, BCLC, gaming workers and patrons that seek to address behaviours indicative of ML and deter individuals from using the proceeds of crime to gamble in BC's casinos.

BACKGROUND:*Recommendations #5 and #6:*

- Dr. German's report makes recommendations related to the casino industry's reporting requirements to FinTRAC (See Appendix A for a description and analysis of these recommendations: 5, 6, 7, 8, 9 and 11a).
- Dr. German based his recommendations on the following concerns and observations:
 - BCLC's review of Unusual Financial Transaction (UFT) alerts could cause delays in reporting to FinTRAC;
 - Current practice shifts accountability for money laundering risks away from Service Providers (SPs);
 - BCLC's review of reports could lead to over-filtering;
 - SPs are familiar with all indicators of suspicion;
 - Further review by BCLC leaves the reporting decision to a third party not present at the time of the transaction; and
 - Trained personnel and investigators within the casino could provide support to SPs.
- As stated in German's report, FinTRAC does not oppose filtering since it eliminates STRs that do not meet the threshold, however, he also states that filtering "allows a third party, not present at the time of the transaction to determine what is or is not suspicious. With trained personnel in the casinos, this should not be necessary. It can also lead to over-filtering and a delay in reporting..."

Conduct and Management:

- The PCMLTFA was amended in 2017 to clarify that casino reporting entities are the entity within a province that "conducts and manages a lottery scheme".
- Under the *Gaming Control Act* (GCA), BCLC conducts and manages gambling on behalf of the government.
- The PCMLTFA requires reporting entities, like BCLC, to maintain a comprehensive compliance program, conduct ongoing monitoring of business relationships and high-risk clients and comply with all transaction reporting requirements such as STRs and Large Cash Transactions (LCTs) (see Appendix A).
- FinTRAC is the entity that collects these reports, and which oversees compliance with the PCMLTFA.

- Similar comparisons include the Ontario Lottery and Gaming Corporation (OLG) and the Canadian banking sector. Both receive reports similar to UTFs from SPs (in the case of OLG) and branches (in the case of banks) which are reviewed and analyzed by specialized anti-money laundering staff to determine if they meet the organization's threshold of reasonable grounds to suspect possible money laundering activity before forwarding an STR to FinTRAC.

Current Reporting Process:

- Reports are initially provided to BCLC by SPs, which submit alerts in the form of a UFT for any transaction that is deemed unusual, including a concern that it may be related to the commission of an ML or terrorist financing (TF) offence.
- BCLC AML staff review each UFT, as well as all other related available information, and submit an STR to FinTRAC if reasonable grounds exist to suspect that a transaction is related to the commission of a ML/TF offence. This is a higher threshold than a UFT alert.
- BCLC must submit various reports¹ to FinTRAC within specific timeframes and in accordance with FinTRAC policy. This includes STRs which must be filed within 30 days from the date it has been determined that a transaction or series of transactions, whether attempted or completed, is related to an ML offence.²
- BCLC surpasses FinTRAC's timeline by filing STRs within 30 days of the transaction (often within a few days).

FinTRAC Feedback:

- In response to a request from BCLC for formal guidance on delegating STR reporting to SPs in accordance with Dr. German's recommendation, FinTRAC advised that:
 - "While the option exists to put in place an agreement to have a service provider report on behalf of BCLC, FINTRAC is not in a position to support the revised process as proposed by BCLC...";
 - "... before an entity reports to FinTRAC a financial transaction pursuant to section 7 of the PCMLTFA, the transaction must meet the statutory threshold for reporting. If there is a service provider agreement in place, then the service provider can submit STRs on a reporting entity's behalf";

¹ Large Cash Transaction (LCTs), Suspicious Transaction Reports (STRs), and Casino Disbursement Reports (CDRs)

² As a result of upcoming changes to the PCMLTFA, reporting entities will be required to file STRs "as soon as practicable". No specific timeline has been given. The date these changes will go into force has not been announced.

- “This delegation however, does not make the casino service provider the reporting entity... Consequently, BCLC continues to have all the obligations under the PCMLTFA...”; and
- “... the proposed process would have a service provider submit an STR when reasonable grounds to suspect have yet to be established by BCLC, which is not in line with the statutory requirements of the PCMLTFA as it relates to the reporting of STRs.”

DISCUSSION:

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OTHER ENTITIES IMPACTED/CONSULTED:

- BCLC
- Service Providers – initial discussions with BC Gaming Industry Association
- FinTRAC

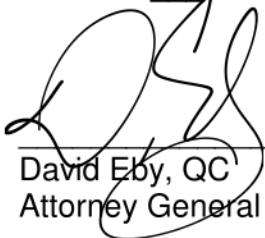


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DATE:

February 13, 2020

OPTION APPROVED



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DATE:

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Appendix A: German Recommendations: 5,6,7,8,9,11a
Appendix B: FinTRAC response letter dated May 28, 2019

APPENDIX A: German Recommendations: 5, 6, 7, 8, 9, 11a

German Recommendations		
Recommendation	Description	Preferred option implications
R5	That the Service Providers be responsible for completing all necessary reports to FinTRAC, including STRs.	<p>GPEB's implementation of a Standards-Based Regulatory model will promote Service Provider's accountability for complying with AML initiatives. It is advised that R5 not be adopted, as originally intended, at this time.</p> <p>Recommend status quo because, in current practice, Service Providers are obliged to report all unusual/suspicious financial transactions to BCLC and GPEB. BCLC investigates and, where suspicion is deemed reasonable grounds to suspect, completes and sends STRs to FinTRAC. BCLC's investigation of UFTs adds value to STR reports.</p> <p>The Joint Illegal Gaming Investigative Team (JIGIT) has access to the information in all UFT reports so an immediate investigative response is possible, if necessary. BCLC also sends copies of STRs to JIGIT and the Combined Forces Special Enforcement Unit of BC.</p>
R6	That discussions with FinTRAC take place with the purpose of designating the Service Providers as direct reports to FinTRAC, failing which that reports from Service Providers be sent in an unaltered form to FinTRAC by BCLC.	<p>It is advised that R6 not be adopted, at this time.</p> <p>Recommend status quo because the decision to designate Service Providers as reporting entities under the PCMLTFA is a decision of the Government of Canada. Having Service Providers designated as reporting entities in BC requires the Attorney General to make a compelling case to their federal counterpart to amend the PCMLTFA. This would be challenging given the 2017 change to the PCMLTFA to clarify that private Service Providers are not reporting entities.</p> <p>Currently, BCLC may be subject to compliance efforts including administrative monetary penalties up to and including \$500,000 per violation if STRs were inadequate or late, regardless of who generated the STR.</p>

		BCLC continues to generate STRs from information provided by Service Providers and obtained by additional investigation.
R7	That BCLC provide Corporate STRs if its files contain relevant information not contained within an STR from a Service Provider.	<p>R7 is dependent on the adoption of recommendations 5 and 6.</p> <p>BCLC already uses all relevant information at its disposal when generating STRs and may generate STRs even if no UFT is submitted by a Service Provider. This includes information provided by Service Providers as well as corporate-level data. To report directly to FinTRAC, Service Providers, at considerable cost, would have to duplicate some customer due diligence and intelligence functions now provided by BCLC to provide the information needed to complete an initial STR.</p>
R8	That Service Providers develop the necessary capacity to assess risk and perform due diligence on suspicious transactions.	<p>R8 is dependent on the adoption of recommendations 5 and 6. However, as BC shifts to a Standards-Based Regulatory model for gambling, Service Providers will be responsible for meeting desired outcomes established by GPEB. In this regard, Service Providers may need to develop new internal processes to meet GPEB's AML standards.</p> <p>BCLC performs due diligence on patrons who engage in unusual financial transactions or otherwise merit enhanced risk assessment. BCLC has information sharing agreements with law enforcement agencies; Service Providers, as private companies, may not be able to obtain such agreements. Requiring Service Providers to develop due diligence capacity would entail significant duplication and inefficiency. Service Providers have expressed concerns around this proposed responsibility because of its cost and liability.</p>
R9	That Service Providers copy STRs to BCLC, the Regulator (and the DPU), and the RCMP.	<p>R9 is dependent on the adoption of recommendations 5 and 6.</p> <p>Currently, Service Providers send GPEB a report under GCA s. 86(2) after witnessing an unusual financial transaction. GPEB has virtual access to Service Providers' UFT reports to BCLC. BCLC forwards</p>

		STRs to JIGIT (which has RCMP and GPEB representation), and GIG will be reviewing these in their weekly meetings.
R11a	That UFT and SCT reports be eliminated.	<p>R11a is dependent on the adoption of recommendations 5 and 6.</p> <p>Service Providers will continue to send UFT reports to BCLC for review. The threshold for Service Providers to file a UFT is significantly lower than the threshold for BCLC to file an STR to FINTRAC. This ensures BCLC and GPEB are notified of any potentially suspicious activity.</p>

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**MINISTRY OF ATTORNEY GENERAL
GAMING POLICY AND ENFORCEMENT BRANCH
BRIEFING NOTE**

PURPOSE: For INFORMATION of David Eby, QC,
Attorney General

ISSUE: 2019 Strategic Intelligence Report (SIR)

SUMMARY:

- Implemented in July 2019, the Gaming Intelligence Unit (GIU) is a collaborative effort between the Gaming Policy and Enforcement Branch (GPEB) and the Joint Illegal Gaming Investigation Team (JIGIT) to gather and analyze intelligence on illegal gaming.
- The GIU disseminates intelligence analysis and investigations through regularly scheduled reports to GPEB/JIGIT investigators, management, and government with an awareness of criminal involvement in the gaming industry. The GIU will produce quarterly intelligence reports, actionable intelligence reports, and situational awareness bulletins.
- The GIU's first annual SIR (Appendix A) provides an assessment of existing AML controls (e.g. Source of Funds Declaration (SOFD), current and emerging threats and intelligence gaps. Notably, the report:
 - Underlines the success of existing AML controls - for example, the BC Lottery Corporation (BCLC) data shows that a 72% decrease in Suspicious Transaction Report submissions to FINTRAC and an 88% reduction in their value since the introduction of the SOFD.
 - Demonstrates how the GIU has established itself as a conduit for information sharing and collaboration amongst different law enforcement agencies.
 - Identifies threats to the integrity of gambling, including the vulnerability of BC's casinos to international organized crime. The GIU continues to work with other law enforcement agencies in monitoring and investigating emerging threats.
- In addition to ongoing collaboration and information sharing among partner agencies, the SIR is one tool to facilitate improved situational awareness among stakeholders. GPEB also continues to work collaboratively with stakeholders (e.g. BCLC, service providers) and internally to address money laundering vulnerabilities in the gambling sector, both through individual efforts and collaborative endeavours.

BACKGROUND:

- The creation of the GIU in July 2019 has allowed law enforcement agencies and GPEB to work more collaboratively and cohesively in pursuing investigations in situations that affect the integrity of gaming.
- The mandate of the GIU is to provide a quality, dedicated, integrated, and coordinated multi-jurisdictional intelligence approach to illegal gaming in BC, with an emphasis on transnational organized crime networks and money laundering. One way the GIU will accomplish this mandate is by producing regularly scheduled, target focussed reports (e.g., the SIR) that will assist JIGIT and GPEB investigators and management and, by extension, the Province to be more aware of current trends and possible threats.
- The GIU's first SIR reflects outcomes from September 2016 to September 2019 and is a continuation of the work done by GPEB's Intelligence Unit and their 2016 intelligence

report. The SIR is intended to provide stakeholders with a common understanding of the challenges and risks of the current situation.

- The SIR combines intelligence resources from GPEB and JIGIT to provide a strategic review of potential threats to the integrity of gaming. This SIR identified:
 - Incidents supporting the belief that there is a significant number of organized crime groups utilizing vulnerabilities in gaming, specifically casinos, to launder their proceeds of crime in BC (see Appendix B);
 - Intelligence gaps and challenges that law enforcement agencies face as they continue to investigate organized crime groups, highlighting the importance of an integrated intelligence body dedicated to the management of information/incidents pertaining to gaming and/or money laundering activities, and;
 - Initiatives that law enforcement agencies have developed and implemented to promote a more cohesive and collaborative working environment, including the role of the GIU in furthering the coordination of intelligence.
- There are also several efforts underway to mitigate or further define identified risks, including establishing relationships with national and international partners, creating working groups, and formalizing collaboration efforts (see Appendix C). For example:
 - The GIU has developed relationships with international organizations to improve situational awareness and to share best practise and lessons learned.
 - GPEB and BCLC have established a committee that will, on an ongoing basis, look at emerging money laundering risks and, through analysis and collaboration, develop solutions for addressing issues within anti-money laundering framework.
 - GPEB and the GIU are working to update an existing information sharing agreement to include all police in BC to ensure GPEB and police can share information and better work together, when appropriate.
- The GIU, in concert with other AML efforts, such as the SOFD \$10,000 limit, is strengthening BC's AML framework and helping to ensure a more robust response to threats to the integrity of gaming.

OTHER MINISTRIES IMPACTED/CONSULTED:

- The SIR is a collaborative effort between GPEB and the RCMP. GPEB, the RCMP, and BCLC collaborate to address the threats and risks outlined in the SIR.

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Attachment(s)

Appendix A – 2019 Strategic Intelligence Report
Appendix B – Money Laundering Threat Examples
Appendix C – Anti-Money Laundering Efforts

Appendix A

2019 Strategic Intelligence Report

See accompanying attachment.

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Appendix C

Anti-Money Laundering Efforts

In addition to the initiatives mentioned in the Strategic Intelligence Report (SIR), Gaming Policy and Enforcement Branch (GPEB), Joint Illegal Gaming Investigation Team (JIGIT), and other stakeholders continue to collaborate on a range of AML measures.

Below is a list of some of the efforts that GPEB and JIGIT are currently engaged in, including establishing relationships with national and international partners, creating working groups, and formalizing collaboration efforts.

Relationships

- The Gaming Intelligence Unit (GIU) has built relationships with provincial gambling regulators and service providers to facilitate information sharing and situational awareness across Canada. The GIU has relationships with the Alberta Lottery and Gaming Corporation as well as the Ontario Provincial Police and Ontario Lottery and Gaming Corporation; the GIU plans to expand its relationships across Canada to include other provincial partners.
- The GIU has established connections with several international intelligence groups; for example, the International Association of Law Enforcement Intelligence Units and the [American] National Gambling Intelligence Sharing Group. Involvement with international intelligence groups provides the GIU with improved situational awareness and allows opportunities for information sharing on best practices and lessons learned with a wide variety of partners.
- The GIU is building a relationship with the Australian Criminal Intelligence Commission, which is currently building something like the GIU. Australia is seeing a similar use of money laundering methodology as is being employed in BC. Through their connection in Australia, the GIU also intends to establish a relationship with New Zealand.

Working Groups

- GPEB has established an Anti-Money Laundering (AML) Vulnerabilities Working Group which is identifying and analyzing potential vulnerabilities in the existing AML framework. This working group is internal to GPEB and will continue to operate in the long term to ensure the regulator is responsive to the ever-evolving AML situation as it relates to gambling in BC.
- GPEB and BCLC have jointly created the Anti-Money Laundering Risk Management Committee which provides an opportunity for GPEB and BCLC to work collaboratively together to understand and the risks posted by potential vulnerabilities in the current AML framework and to work together to develop solutions.
- JIGIT is chairing a Money Laundering Working Group with membership from all police of jurisdiction in the Lower Mainland.
- GPEB and JIGIT are participating on the BC-Canada Real Estate Working Group which is seeing to identify information sharing opportunities between provincial regulators and law enforcement to further support AML efforts that go beyond just the gaming sector.

Formalized Collaboration

- This work was conducted through the GPEB led Enhanced Enforcement Response Steering Committee, a collaborative involving Gaming Service Providers, BCLC, and municipal, provincial, and federal Law Enforcement.
 - GPEB is developing Standard Operating Procedures with police and service providers to ensure coordinated casino response to offences that are reportable to the regulator (e.g., under s. 86 of the *Gaming Control Act*) and to provide a real-time response to potential suspicious transactions and criminal/quasi-criminal events that would primarily be police responsibility. The Standard Operating Procedures will outline such things as expectations of all agencies, protocol for notification, etc.
 - GPEB and the GIU are working to re-draft an existing information sharing agreement. The current agreement is between GPEB and the RCMP; the new agreement will expand to include all other police agencies in BC to improve the ability of law enforcement and GPEB to work together.

Other Initiatives

- The Gaming Intelligence Group (GIG) is a collaborative initiative between GPEB, JIGIT, and BCLC which enhances the current AML regime. GIG members meet for weekly teleconference calls and monthly face-to-face meetings to share information, assess unusual or suspicious transactions, and establish investigative plans when transactions require enhanced due diligence.
- JIGIT created a public/private partnership known as Project ATHENA to allow routine information sharing on money laundering threats. Partners include BCLC, GPEB, six banks, FINTRAC, Canada Revenue Agency, the Law Society of BC, and RCMP National Headquarters. Project ATHENA has expanded to include sub-groups that will provide insight into real estate, high value goods dealers, and the luxury vehicle market; investigators are currently approaching applicable stakeholders to join these sub-groups. The work of this group has already had a positive impact on AML: several banks have amended internal protocols and procedures to ensure account holder information is noted on the body of their bank drafts, which aids in account holder verification by gaming service providers when the bank draft is used to buy-in at a casino.
- GPEB has established an internal dashboard program that compiles information from multiple available sources and allows data to be pulled from the program using keyword searches. The program also allows certain statistics to be pulled by casino, by patron, etc. This program supports situational awareness and is an effective tool for GPEB Investigators to ensure they are intelligence led in their deployment.
- The GIU is working with Combined Forces Special Enforcement Unit (CFSEU) Media to develop a money laundering and loan sharking public education campaign which will inform the public of the harms related to money laundering and loan sharing. The current intention is for this information campaign to be launched in BC casinos.

**MINISTRY OF ATTORNEY GENERAL
GAMING POLICY AND ENFORCEMENT BRANCH
BRIEFING NOTE**

PURPOSE: For INFORMATION for David Eby, QC
Attorney General

ISSUE: 2020 Online Problem Gambling Prevalence Study

SUMMARY:

- In 2015, the Province released its Plan for Public Health and Gambling (the Plan), which outlined 21 commitments to be met by the Gaming Policy and Enforcement Branch (GPEB) and the British Columbia Lottery Corporation (BCLC).
- Commitment 21 of the Plan was that “GPEB and BCLC undertake research to estimate online gambling prevalence and problem gambling prevalence among online players in British Columbia”.¹
- To fulfill this commitment, GPEB and BCLC collaborated in the development of a study to examine online problem gambling prevalence in B.C.
- Funding for this research is being drawn from the voluntary self-exclusion illegal winnings fund.
- The final report is expected by March 2020.

BACKGROUND:

- To meet the final joint commitment under the Plan for Public Health and Gambling, GPEB and BCLC collaborated on the development of an online problem gambling study.
- Literature on online gambling suggests that participation has a correlation to problem gambling severity; however, there is little research to understand whether this is a causal relationship.
- The study will specifically provide estimates of gambling and problem gambling prevalence in British Columbia, with an emphasis on players engaging online, and will determine public awareness of provincially offered prevention, outreach, clinical, in-casino, and online support.
- Understanding gambling participation, awareness of supports, and problem gambling prevalence will help inform the development of effective policies and programs related to responsible and problem gambling.
- As the study is the first of its kind to be conducted in British Columbia, the vendor incorporated the learnings of studies conducted in other jurisdictions to ensure the present study met the expectations of both BCLC and GPEB. This involved engaging experts in online problem gambling survey design and a review of recent online problem gambling study approaches, as well as the drafting of a revised framework and several draft questionnaires.

¹ <https://www2.gov.bc.ca/assets/gov/sports-recreation-arts-and-culture/gambling/gambling-in-bc/reports/plan-rg-ppPublic-health-and-gambling-2015.pdf>

- Previous research studies for gambling and problem gambling in B.C. have been developed based on land-based gambling, largely not considering the recent emergence of online gambling and engaging people through online surveys. Therefore, the 2020 study is being delivered completely online.
- Ipsos will provide a final report on the prevalence findings, to be delivered in March 2020.
- Funding for this study is being drawn from the voluntary self-exclusion illegal winnings fund, which is held by BCLC.

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