

PROVINCE OF BRITISH COLUMBIA

# Summary Review

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Anti-Money Laundering Measures at BC  
Gaming Facilities

February 2011

## EXECUTIVE SUMMARY

In early January 2011, a series of news reports ran on cash transactions occurring at gaming facilities in British Columbia. Media stories focused on a number of large cash transactions involving small denomination Canadian currency, typically \$20 bills, that occurred over the summer of 2010. In the course of these reports, media raised questions about how well gaming in the province was protected from money laundering.

Gaming in British Columbia is operated and managed by the British Columbia Lottery Corporation (BCLC). BCLC is a Crown corporation responsible for implementing and managing anti-money laundering measures at gaming facilities throughout the province. Gaming is regulated by government through the Gaming Policy and Enforcement Branch (GPEB). The branch's mandate includes oversight of BCLC's activities, including its anti-money laundering regime.

In January 2011, the Minister of Public Safety and Solicitor General ordered a review of anti-money laundering strategies employed at B.C.'s gaming facilities. The review, conducted at a high level, was intended to determine what anti-money laundering policies, practices and strategies were in place. Additionally, the review was to identify any opportunities to strengthen the existing anti-money laundering regime.

The review found that BCLC and its operators, with oversight and guidance from GPEB, employ standard and appropriate anti-money laundering strategies. Notwithstanding these measures, opportunities to further strengthen anti-money laundering efforts were identified.

The review found four specific steps BCLC could take to improve its anti-money laundering regime.

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1. BCLC, in consultation with GPEB, should revise its buy-in/cash-out policy to allow for cash-outs to be paid by cheque, where cash-out cheques clearly and unequivocally indicate that the funds are not from gaming winnings.
2. 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.
3. BCLC holds the view that gaming losses on the part of a patron provide evidence that the patron is not involved in money laundering or other related criminal activity. This interpretation of money laundering is not consistent with that of law enforcement or regulatory authorities. BCLC should better align its corporate view and staff training on what constitutes money laundering with that of enforcement agencies and the provisions of the relevant statutes.
4. Gaming is almost entirely a cash business in B.C. This presents opportunities for organized crime. Transition from cash transactions to electronic funds transfer would strengthen the anti-money laundering regime. BCLC, in consultation with GPEB, should take the steps necessary to develop electronic funds transfer systems that maximize service delivery, create marketing opportunities, and are compliant with anti-money laundering requirements.

The review identified opportunities available to GPEB to strengthen its oversight role. The following actions would move the branch further into the realm of oversight best practices.

1. Adopting the perspective that registration, audit and enforcement/investigations lie on a compliance continuum and making sure the branch structure, including reporting relationships, supports this integrated approach.

2. Developing an annual unified registration, audit and investigations plan that sets out and co-ordinates compliance objectives and priorities for each year.
3. Formally involving the police agencies of jurisdiction, including those with specific anti-money laundering and organized crime mandates, in annual enforcement objective and priority planning.
4. Establishing more formal contacts and relationships with governance and enforcement agencies and associations in jurisdictions with large, long-standing gaming industries.

The review was conducted at a high level. More detailed information on the effectiveness of the anti-money laundering regime in place may be useful in terms of improving gaming integrity going forward. To more fully and accurately assess the potential future risk of money laundering and associated criminal activities to gaming, the Province should consider the following initiatives.

1. Creating a cross agency task force to investigate and gather intelligence on suspicious activities and transactions at B.C. gaming facilities. The task force would report out on the types and magnitude of any criminal activity it found occurring in relation to gaming facilities in B.C. This information would help guide any additional actions that may be required.
2. Engaging an independent firm with expertise in anti-money laundering strategies and compliance to conduct compliance, effectiveness and best practices review of the anti-money laundering measures currently protecting B.C.'s gaming industry.

## 1. BACKGROUND

Gaming in B.C. is regulated under the provincial *Gaming Control Act*, introduced in 2002, and by the *Criminal Code of Canada*. GPEB is an office of government established under the *Gaming Control Act*. GPEB's mandate is to regulate and provide oversight of gaming in British Columbia. Its responsibilities include ensuring the integrity of gaming operators, staff and equipment, generally through the development of gaming policy, as well as monitoring BCLC and investigating regulatory and criminal offences connected to gaming facilities. Additionally, GPEB is accountable for managing grants derived from gaming funds and responsible gaming programs.

GPEB monitors anti-money laundering strategies and other efforts to protect gaming from organized crime, primarily through its audit and investigative functions. Registration operations at GPEB also provide preventative and protective measures.

BCLC is incorporated as a Crown corporation under the *Gaming Control Act*. On behalf of the Government of B.C., it conducts, manages and operates lotteries, casino gaming, community gaming and, more recently, electronic gaming offered over the Internet. The directors and chair of BCLC are appointed by the Lieutenant Governor in Council. The corporation's mission is to deliver a player-focused, high-quality, profitable gaming experience in a socially responsible manner. BCLC publicly commits to building and maintaining public trust through the values of integrity, social responsibility and respect.

Gaming services at casinos are delivered on behalf of BCLC by gaming operators under contract. BCLC bears the responsibility for implementing and managing anti-money laundering strategies at gaming facilities. This includes responsibility for reporting requirements under the *Gaming Control Act*, and the federal *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*.

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## 2. EMERGING CONCERNS

In early January 2011, a series of news stories emerged about cash transactions at B.C. gaming facilities. The stories focused on a number of large cash transactions involving small denomination Canadian currency, typically \$20 bills that occurred over the summer of 2010. While the stories acknowledged that BCLC was meeting all reporting requirements, questions arose in the media around the adequacy of anti-money laundering efforts and other measures intended to protect B.C. gaming facilities from criminal activity. Ultimately, the Minister responsible for gaming ordered a review of the anti-money laundering strategies employed at B.C.'s gaming facilities.

## 3. PURPOSE AND SCOPE OF REVIEW

The purpose of the review is to advise the Minister on specific issues related to gaming integrity in the province.

The Minister directed that a review be undertaken of the measures employed by BCLC and GPEB aimed at protecting gaming facilities from organized criminal activity. The review was conducted at a high level and was intended to determine what policies, practices and strategies were in place. Opportunities for improvement were to be identified. The scope of the review was not intended to provide an in-depth analysis of the extent to which existing policies and procedures were adhered to by BCLC or GPEB, or the robustness of GPEB's monitoring of BCLC's efforts aimed at preventing criminal activity at gaming facilities.

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#### 4. METHOD

Interviews were conducted with selected executive members and staff at BCLC. Documentation provided by BCLC germane to the review was examined. Interviews were conducted with senior government officials from GPEB, including those with overall responsibility for audit, investigations and policy. Documentation provided by GPEB was also reviewed.

A comprehensive site tour was conducted at a large gaming facility. The visit included an opportunity to discuss anti-money laundering efforts, compliance, and business impacts with two different gaming facility operators.

Senior members of the RCMP responsible for investigations involving money laundering, terrorist financing and other financial crimes were interviewed. A senior municipal police official with expertise in money laundering and organized crime investigations was consulted. Input was sought from an official from FINTRAC. An interview was conducted with an independent consultant with expertise in anti-money laundering compliance and forensic auditing in both the Canadian and international financial services sectors.

Literature on anti-money laundering strategies was reviewed as were the proceedings from a recent Canadian symposium on money laundering and the relatively recent reports prepared by the ombudsman and Deloitte & Touche LLP on the B.C. lottery system.

Recent media reports on large cash transactions at B.C. gaming facilities were collected and reviewed.

## 5. SUMMARY OF FINDINGS

### **BCLC**

This review was met with an approach on the part of BCLC that was open, helpful and straightforward. Those interviewed at BCLC were clearly focused on ensuring that gaming services were delivered in a manner that protected the integrity of gaming in the province. It was evident that BCLC understands its mandate in regard to the delivery and management of gaming. Moreover, BCLC is fully aware of its responsibility to make sure gaming is delivered in a manner that is compliant with anti-money laundering requirements and that appropriately balances gaming revenue objectives with strategies to minimize the risk of criminal activity at gaming facilities.

BCLC and its operators employ standard and appropriate anti-money laundering strategies. These measures include, among other things:

- mandatory training for all staff delivering gaming services;
- policies and procedures dealing with identifying and knowing a client;
- tracking all play that falls within reporting requirements;
- segregating and verifying gaming wins from the cash-out of funds brought into a gaming facility to buy-in;
- policies prohibiting customers from exchanging small denomination bills for large denomination bills;
- restricting the movement of gaming chips between players and gaming facilities;
- issuing cheques only in relation to verified gaming wins; and,
- reporting large or suspicious cash transactions.



While BCLC has standard anti-money laundering measures in place, opportunities exist to further strengthen current efforts.

#### Player Buy-ins

When a player buys in with a large number of small denomination bills (usually \$20 bills), BCLC advises that its practice is to pay cash-outs in the same denominations. For example, a player buying in with \$10,000 in \$20 bills, after playing and losing \$2,000, would receive \$8,000 in \$20 bills when cashing out. This practice is intended to prevent placing proceeds of crime into the legitimate economy, and it effectively achieves that purpose.

A change in policy that would enable BCLC to cash out a patron with a cheque that clearly and unequivocally identifies funds as not being winnings would have two advantages over the current practice. First, when a cash-out cheque from BCLC is negotiated, it would give any subsequent investigator an audit trail to follow that is not currently available under the existing practice. Second, cheque issuance would reduce the security risks and vulnerabilities associated with clients leaving a casino with large sums of cash. Clearly marking cheques “not gaming winnings” would thwart any future attempts to claim the funds were derived from legal gaming activity.

While this policy change could potentially allow a money launderer to place funds in the legitimate economy, the subsequent audit trail and reduced risks associated with carrying large amounts of cash, would provide benefits that outweigh the potential negative aspects of allowing the placement.

### Reporting Obligations

BCLC's obligation is primarily a duty to report. These reporting obligations do not extend to a duty to investigate and confirm the exact provenance of cash used to buy-in. Detailed inquiries and investigation into legitimate or illegitimate sources of cash appropriately fall to various law enforcement and regulatory authorities.

BCLC takes the position that a patron is "known" when picture identification is produced, the patron states an occupation in general terms, and the patron establishes a pattern of play at a B.C. gaming facility. Where these criteria are met, BCLC concludes that cash used by the patron to buy-in at a gaming facility is legitimate and not criminally tainted. Vigilance is warranted when assessing any large cash transaction, and is particularly important in regard to transactions involving large volumes of small denomination bills.

Drawing the conclusion that a large cash transaction involves funds from legitimate sources based only upon patron identification and playing history is not consistent with best anti-money laundering practices. Conclusions and statements as to the ultimate legitimacy of cash should only be made where there is detailed, independent information verifying the source of the funds and should only be made by the enforcement agencies with a mandate to conduct these types of inquiries. BCLC's anti-money laundering efforts could be improved by ensuring 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 "known" to BCLC or the facility operator.

### Gaming Losses

BCLC views gaming losses on the part of a patron as evidence that the patron is not involved in money laundering or other related criminal activity. BCLC's rationale is that where a patron puts significant funds at risk through gaming and loses, the loss demonstrates laundering was not occurring because the patron did not achieve a financial gain or retain a significant portion of his or her initial buy-in. This view of money laundering is much narrower than the definition found in the *Criminal Code* and is not in accord with the opinion of police or regulators as to what constitutes money laundering. Moreover, this view does not recognize the inherent value, irrespective of outcome, of gaming services to a gambler. BCLC's anti-money laundering practices would be strengthened by better aligning its corporate view and staff training on what constitutes money laundering with that of enforcement agencies and the provisions of the relevant statutes.

### Electronic Funds Transfer

Today, gaming is almost entirely a cash business in B.C. This presents opportunities for organized crime. Transition from cash transactions to electronic funds transfer would present the opportunity to improve both anti-money laundering efforts and patron safety. However, implementation of electronic funds transfer presents challenges for both BCLC and GPEB.

In consultation with GPEB, BCLC introduced a Patron Gaming Fund Account program in 2010, allowing players to transfer funds from a Canadian banking institution to a gaming account for play at a gaming facility. Very few players have chosen to establish accounts. Of the accounts set up, many are dormant or have never been used. BCLC believes that the combination of a cumbersome application process, overly strict account

controls, and a perceived desire for a high degree of privacy among higher-stakes gamblers has created barriers to moving to electronic funds transfer.

While electronic funds transfer presents opportunities to strengthen anti-money laundering efforts, it can also create money laundering vulnerabilities if appropriate account controls are not put in place. With the appropriate controls, electronic funds transfer provides a better level of protection than cash transactions. While account controls are necessary to protect the integrity of gaming, it is not possible to completely eliminate any chance of money laundering and associated criminal activity. The establishment of electronic funds transfer processes should be approached through a risk-based framework under which risk is effectively managed, but beyond that, as much flexibility as possible is retained to ensure the service is useful and marketable to patrons.

A reassessment of the Patron Gaming Fund Account program from a risk-based context by BCLC and GPEB may be warranted. This work would benefit from independent advice from an expert from the financial services sector, where there is extensive experience and expertise in developing electronic funds transfer processes that maximize service delivery and marketing objectives while ensuring full anti-money laundering compliance.

## **GPEB**

Senior management at GPEB demonstrated a professional and informed approach to gaming integrity. They have a strong understanding of their roles and responsibilities as regulator, but at the same time remain attuned to the legitimate goals and interests of the industry and stakeholders. GPEB's approach to this review was open and fully co-operative. They brought forward a number of suggestions and showed a keen commitment to improving gaming integrity on a continuing basis.

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A number of organizational and policy changes at GPEB have been implemented since 2007 in response to a report of the B.C. ombudsman and an audit conducted by Deloitte & Touche on the retail lottery systems. While these reports focused on lotteries, as opposed to casino operations, there were changes that benefited all of GPEB's operations and improved gaming integrity generally. Nonetheless, areas remain where further gains can be made.

There is a strong sense of investigative independence on the part of the Investigations Division within GPEB. This helps to maintain the required degree of separation between policy and enforcement functions in the branch. Having said this, the Investigations Division's perspective on independence may be overly broad. The Investigations Division exhibits some reluctance in participating in branch corporate functions, such as strategic planning and setting annual business objectives, due to concerns that participation in these activities may unduly influence its enforcement role. GPEB's oversight role, including investigations, and its ability to prevent, detect and respond to money laundering concerns may be further optimized by:

1. Adopting the perspective that registration, audit and enforcement/investigations lie on a compliance continuum and making sure the branch structure, including reporting relationships, supports this integrated approach.
2. Strengthening gaming oversight by developing an annual unified registration, audit and investigations plan that sets out and co-ordinates compliance objectives and priorities for the year.
3. Formally involving the police agencies of jurisdiction, including those with specific anti-money laundering and organized crime mandates, in annual enforcement objective and priority planning.

GPEB is a member of the Canadian Partnership for Responsible Gaming, the Canadian Association of Gaming Regulators, and the North American Horse Racing Association. GPEB's anti-money laundering efforts would benefit from and be strengthened through more extensive and formal contact with gaming regulatory, enforcement and governance bodies from other jurisdictions, especially those from outside of Canada with long-standing gaming industries. Establishing formal contacts, relationships and partnerships with governance and enforcement agencies in jurisdictions with large gaming industries would be of particular benefit in keeping informed of developing trends and best practices.

## **POLICE**

As is the case with most areas of enforcement, multiple layers of jurisdiction and responsibility exist when it comes to the investigation and prosecution of offences at gaming facilities. Investigation of money laundering offences is primarily a federal responsibility falling to the RCMP Proceeds of Crime sections, whereas gaming operations and oversight are provincial matters. Additionally, criminal activity not directly related to money laundering is the responsibility of both GPEB and the police agency of jurisdiction where a gaming facility is located. GPEB's authority and mandate to investigate criminal offences is more limited than that of police agencies. For instance, GPEB does not have the authorities required to conduct investigations that necessitate the carrying of firearms, require surveillance to be conducted, or call for the interception of private communications. Investigations involving these requirements and techniques must be led by police agencies.

Currently there are no formal links between the GPEB Investigations Division, the RCMP Proceeds of Crime Section or police agencies of jurisdiction. However, the Investigations Division does enjoy strong informal links with police. Despite this, it will remain difficult to assure an appropriate level of response to, and investigation of,

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criminal offences related to gaming, including money laundering, without a formal agreement or arrangement of some form between the province (GPEB) and the police agencies with jurisdiction. Without these changes, money laundering and other serious criminal activity suspected at gaming facilities will rarely rise sufficiently in priority to warrant police investigation.

## 6. CONCLUSIONS AND FUTURE DIRECTIONS

This review took a high-level look at the anti-money laundering policies, practices, and strategies in place at B.C. gaming facilities. The review found that BCLC, in terms of policies and procedures, has a strong anti-money laundering regime in place. Further, it was determined that GPEB has the required level of anti-money laundering expertise and is capable of discharging its responsibility to provide oversight as it relates to anti-money laundering and associated criminal activities at gaming facilities. Despite the strength and adequacy of the measures in place, opportunities to close gaps, further minimize vulnerabilities and strengthen anti-money laundering strategies exist and have been identified above. Efforts to close the identified gaps will move BCLC and GPEB further into the realm of best practices.

Circumstances set out by BCLC in a series of Section 86 (of the *Gaming Control Act*) Reports, Large Cash Transaction Reports, and Suspicious Transaction Reports completed between May and September 2010, and reported upon in the media, have given rise to questions about cash transactions occurring at B.C. gaming facilities. Further inquiry would assist in confirming the exact nature of these transactions, thereby alleviating any residual concern and more clearly pointing the way to additional action that may be required in regard to serious criminal offences. The following steps will provide the additional information needed in relation to the cash transactions in question and will

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contribute to strengthening and maintaining gaming integrity in the province on a continuing basis:

1. Creating a cross-agency task force to investigate and gather intelligence on suspicious activities and transactions at B.C. gaming facilities. The task force would report out on the types and magnitude of any criminal activity it found occurring in relation to gaming facilities in B.C. This information would help to guide any additional actions that may be required.
2. Engaging an independent firm with expertise in anti-money laundering strategies and compliance to conduct an anti-money laundering compliance and best practices review. The review would assess existing BCLC and GPEB measures to assure that anti-money laundering practices at B.C. gaming facilities are compliant with anti-money laundering legislation and regulations, provide advice on how to go beyond regulatory compliance to meet financial sector best practices and, provide advice on how to improve the service quality, marketability and security of electronic funds transfer.

The information gleaned from the independent audit and task force will allow for further recommendations, if needed, to the Minister on gaming integrity.



**Gajda, Gail SG:EX**

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**From:** Coleman.MLA, Rich [Rich.Coleman.MLA@leg.bc.ca]  
**Sent:** Thursday, January 6, 2011 9:35 AM  
**To:** Minister, SG SG:EX  
**Subject:** FW: What are you doing to prevent this?

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**From:** s.22  
**Sent:** January-05-11 7:38 PM  
**To:** Coleman.MLA, Rich  
**Subject:** What are you doing to prevent this?

## Gambling chips a currency for criminals: RCMP

Last Updated: Wednesday, January 5, 2011 | 7:10 PM PT Comments8Recommend8  
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February 23, 2011

s.22

E-mail: s.22

Dear s.22

Thank you for your January 5, 2011 e-mail regarding a recent media article on illegal activity involving the use of gambling chips at casinos.

Money laundering is a world-wide issue for organizations that deal with large sums of cash. The provincial government works with national and international agencies to reduce the illegal flow of money and continually adapts its methods to thwart it.

Criminals may attempt to "launder" cash from illegal activities by buying chips at a casino, playing casino games, cashing out their chips and requesting a cheque that represents 'legitimate' winnings. The policies of the British Columbia Lottery Corporation, responsible for the conduct and management of casino gaming, do not permit the issuance of cheques for anything other than fully verified wins, nor may patrons exchange small denomination bills for large denomination bills, a money laundering technique known as refining.

As required by federal law, players are required to prove their identity before they can make a cash transaction greater than \$10,000. All large cash transactions are reported to FINTRAC, Canada's financial intelligence unit. As well, all suspicious transactions of any amount are reported and investigated by the Gaming Policy and Enforcement Branch and/or the police of jurisdiction.

Despite what is being reported in the media, there are a number of checks and balances in place to deter criminal activity in British Columbia casinos. The Province continues to work closely with the RCMP, police of jurisdiction and FINTRAC to further strengthen existing policies and practices regarding cash transactions in gaming facilities.

Thank you again for writing.

Sincerely yours,

*Original signed by:*

Rich Coleman  
Solicitor General

# 455141

**Morton, Amanda N AG:EX**

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**From:** s.22  
**Sent:** Friday, January 7, 2011 2:56 AM  
**To:** Minister, AG AG:EX  
**Subject:** Money laundering at BC Casinos

To the Honorable Barry Penner QC  
BC legislature  
Victoria, BC

What is the government of BC doing to prevent the blatant use of BC Casinos as bases for money laundering of drug money? Please suggest to the Premier and BC government ways to prevent such practices. Such as a cash limit on gambling transactions that will require bank transactions to be mandatory for amounts over \$500.

Expedience is essential to avoid  
any implication of complicity in this affair.

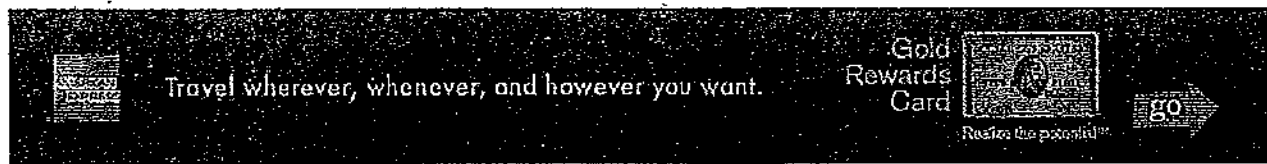
<http://www.cbc.ca/canada/british-columbia/story/2011/01/06/bc-casinos-money-laundering-edgewater.html#>

Thank you for your prompt actions  
in dealing with this matter.

s.22

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January 6, 2011

## Suspicious B.C. casino dealings 'raise questions'

By CBC News  
CBC News

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February 23, 2011

s.22

E-mail: s.22

Dear <sup>s.22</sup>

My colleague, the Honourable Barry Penner, QC, Minister of Aboriginal Relations and Reconciliation and Attorney General, has asked me to respond to your January 7, 2011 letter regarding a recent media article on money laundering at casinos.

Money laundering is world-wide issue for organizations that deal with large sums of cash. The provincial government works with national and international agencies to reduce the illegal flow of money and continually adapts its methods to thwart it.

Criminals may attempt to "launder" cash from illegal activities by buying chips at a casino, playing casino games, cashing out their chips and requesting a cheque that represents 'legitimate' winnings. The policies of the British Columbia Lottery Corporation, responsible for the conduct and management of casino gaming, do not permit the issuance of cheques for anything other than fully verified wins, nor may patrons exchange small denomination bills for large denomination bills, a money laundering technique known as refining.

As required by federal law, players are required to prove their identity before they can make a cash transaction greater than \$10,000. All large cash transactions are reported to FINTRAC, Canada's financial intelligence unit. As well, all suspicious transactions of any amount are reported and investigated by the Gaming Policy and Enforcement Branch and/or the police.

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Despite what is being reported in the media, there are a number of checks and balances in place to deter criminal activity in British Columbia casinos. The Province continues to work closely with the police and FINTRAC to further strengthen existing policies and practices regarding cash transactions in gaming facilities.

A review is currently underway with the British Columbia Lottery Corporation, the Gaming Policy and Enforcement Branch, RCMP and other stakeholders to identify areas for improvement with regard to the handling of cash transactions. The findings of this review will be made public.

Sincerely yours,

*Original signed by:*

Rich Coleman  
Solicitor General

pc: The Honourable Barry Penner, QC

455220



Hon. Rich Coleman  
 Minister of Public Safety and Solicitor General  
 Room 236 Parliament Buildings  
 Victoria, BC V8V 1X4

Dear Mr. Coleman,

I would like to express my concern regarding recent media reports of suspicious gaming transactions, totalling some \$8 million, taking place over a 3 month period in 2010 at two Lottery Corporation casinos in British Columbia. I find it amazing that your government and the Lottery Corporation were not on top of this situation from the beginning and took action forthright to deal with it/curb it.

Of serious concern is why did it take the news media to expose these suspicious transactions at casinos before you took action? Surely it is suspicious for example when a person enters the River Rock Casino with a duffle bag stuffed with \$420,000 worth of \$20 dollar bills and cashes it in for gaming chips. The same thing went on at the Starlight Casino in New Westminster. Why wasn't your Government and the Lottery corporation on top of this situation right from the get go and taken action to end it? Why does it take the media to expose it and you to belatedly take action? This suggests to me that gaming enforcement is wilfully lacking in our Province's casinos.

All of these suspicious transactions make it clear to me that organized crime is part and parcel of our province's casino operations and a serious problem at that. Why is there not a police presence right in our casinos to deal immediately and effectively with any suspicious gaming activity? In the province of Ontario, for example, there are plain clothes police in each casino, at the ready to deal with any suspicious gaming activity. Why can't we adopt the same procedure in our province?

These recent suspicious money transactions also points to the folly of your decision in 2009 to disband the RCMP's integrated illegal gaming enforcement unit. Its demise makes one wonder if your government is really committed to meaningful illegal gaming investigations.

In conclusion, I am very concerned that organized crime has established a deep foothold in our Province's casinos. It is clear to me that they are being targeted by organized crime groups looking to launder drug money. Strong, determined action, enforcement and leadership, now lacking, are needed to combat it.

Thank you for your time and consideration of this letter.

Yours truly,  
 s.22

cc. Hon. Bill Routley, MLA Cowichan Valley  
 cc. Hon. Shane Simpson, MLA Vancouver-Hastings  
 cc. Hon. Vicki Huntington, MLA Delta South

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Dear <sup>s.22</sup>

Thank you for your January 11, 2011 letter regarding your concerns about suspicious cash transactions at British Columbia casinos.

My ministry regulates all gaming in the province, ensures the integrity of gaming companies, people and equipment, and investigates allegations of wrongdoing. This includes regulatory oversight of the British Columbia Lottery Corporation (BCLC). BCLC is responsible for the conduct and management of provincial gaming and all related operational decisions.

The provincial government is committed to ensuring that all reports of real or suspected illegal gambling are reviewed and where appropriate, investigated by local police authorities, often in partnership with gaming enforcement investigators and the RCMP.

Money laundering is a world-wide issue for organizations that deal with large sums of cash. The Province works with national and international agencies to reduce the illegal flow of money and continually adapts its methods to thwart it.

Despite what is being reported in the media, there are a number of checks and balances in place to deter criminal activity in British Columbia casinos. The Province continues to work closely with the RCMP, local police authorities and FINTRAC, Canada's financial intelligence unit, to further strengthen existing policies and practices regarding cash transactions in gaming facilities.

.../2

As required by federal law, players are required to prove their identity before they can make cash transactions greater than \$10,000. All large cash transactions are reported to FINTRAC. As well, all suspicious transactions of any amount are reported, and investigated by my ministry and/or local police authorities.

A review is currently underway with the BCLC, my ministry, RCMP, and other stakeholders, to identify areas for improvement with regard to the handling of cash transactions.

Sincerely yours,

*Original signed by:*

Rich Coleman  
Solicitor General

455287

January 11, 2011

Colin Hansen, MLA  
Deputy Premier  
Province of British Columbia  
Room 153  
Parliament Buildings  
Victoria, BC  
V8V 1X4

Email: colin.hansen.mla@leg.bc.ca

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Dear Colin Hansen:

I am dismayed by the lack of judgement and skills demonstrated by your government.

The waterfall of crises at the hands of your Liberal party's administration leads me to the conclusion that your government has cheated B.C. voters and taxpayers. Through your activities; we have lost benefits that rightfully belong to the community.

The last straw – which no doubt would cause former premier W.A.C Bennett to spin in his grave - is the recent revelation that lottery proceeds have been funnelled back to B.C. casino operators, while B.C. citizens and community groups are starved of their deserved funding.

Apart from your government's refunding casino revenue back into the hands of casino operators, which appears to breach NAFTA rules, as a voter and taxpayer I find it offensive that the entire casino operators *social licence to operate* has been undermined by your administration.

The inadequate response by Rich Coleman, MLA, in the issue of reporting elusive financial transactions in casinos, discredits our provincial reputation and integrity.

I have spent many years of my professional life attempting to convince sceptical colleagues and clients that the city of Vancouver and the province of British Columbia were endowed with a fair and transparent financial system. I believe that my effort has been wasted.

The financial community within and beyond North America already is aware of the flood of drug profits that originate and circulate in British Columbia. The same financial community is aware that casino transactions are a traditional route for money laundering. Yet your administration condones the mock shock and horror assertions by Rich Coleman and obsequious spokesmen for River Rock Casino (aptly named Blank) that criminal elements might dare to stoop so low.

In my opinion, in addition to questionable roles played by Liberal party participants in the sale of B.C. Rail, and the duplicitous behaviour of the Liberal cabinet in instigating the HST, your administration leaves me, my family and many of my colleagues and neighbours with the belief that your administration is incapable of taking reasonable and prudent steps to prevent money laundering. Instead, you present existing and prospective investors with the image of an inept and waffling administration.

While there may be a future role for your party in a B.C. government, you and your present Liberal party colleagues have shown yourselves to be inadequate in serving as accountable, transparent, trustworthy representatives of B.C. voters.

Yours truly,

(Original signed by)

s.22

cc: Rich Coleman, MLA

s.22

**Gajda, Gail SG:EX**

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**From:** Coleman.MLA, Rich [Rich.Coleman.MLA@leg.bc.ca]  
**Sent:** Tuesday, January 11, 2011 4:29 PM  
**To:** Minister, SG SG:EX  
**Subject:** FW: Casino Matters  
**Attachments:** hansen3c.pdf

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**From:** s.22  
**Sent:** January-11-11 8:05 AM  
**To:** Coleman.MLA, Rich  
**Subject:** Casino Matters

Rich Coleman, MLA  
#130-7888 200th Street,  
Langley, BC  
V2Y 3J4

Copy of letter sent to Colin Hansen.

Yours truly

s.22

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February 23, 2011

s.22

E-mail: s.22

Dear s.22

Thank you for your January 11, 2011 letter regarding casino revenue and money laundering.

The British Columbia Lottery Corporation (BCLC) is responsible for the conduct and management of provincial gaming, and all related operational decisions. BCLC's mandate is to offer high quality gaming facilities to meet market demand. Facility development commission payments have been in place for over a decade and are based on the financial performance of each facility. They help operators meet high standards with regard to casino security and design, which in turn helps ensure the integrity of gaming.

With regard to money laundering, this is a world-wide issue for organizations that deal with large sums of cash. The Province works with national and international agencies to reduce the illegal flow of money and continually adapts its methods to thwart it.

As required by federal law, players are required to prove their identity before they can make a cash transaction greater than \$10,000. All large cash transactions are reported to FINTRAC, Canada's financial intelligence unit. As well, all suspicious transactions of any amount are reported and investigated by my ministry's Gaming Policy and Enforcement Branch and/or the police of jurisdiction.

Despite what is being reported in the media, there are a number of checks and balances in place to deter criminal activity in British Columbia casinos. The Province continues to work closely with the RCMP, police of jurisdiction and FINTRAC to further strengthen existing policies and practices regarding cash transactions in gaming facilities.

Thank you again for writing.

Sincerely yours,

*Original signed by:*

Rich Coleman  
Solicitor General

455143

**Vermaning, Tiny SG:EX**

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**From:** Coleman.MLA, Rich [Rich.Coleman.MLA@leg.bc.ca]  
**Sent:** Monday, January 17, 2011 1:58 PM  
**To:** Minister, SG SG:EX  
**Subject:** FW: Casino Money Laundering

-----Original Message-----

**From:** s.22  
**Sent:** January-16-11 10:10 PM  
**To:** Coleman.MLA, Rich  
**Subject:** Casino Money Laundering

Mr Coleman,

I am writing to express my concern with the management of BC casinos which allows for the possibility of money laundering. The examples provided recently by the CBC are truly upsetting and unacceptable.

Its not just that this is occurring that is so disgusting, there are more troubling aspects to this situation. First is the obvious observation that this kind of activity has always been a part of the gambling industry and should have been fully anticipated in BC and precluded through management practices. Second is that comments in the media and by your government suggest that simply some adjustments in management practices are required, when it seems clear that staff are COMPLICIT in allowing this to happen. I cannot help but think that there is a bigger story here.

I would like to know what you propose to do to ensure that the cause of the possible tolerance of money laundering is completely precluded from the government of the people of British Columbia's gambling program.

Thank you in advance for your response.

s.22

<b>RECEIVED</b>	
MINISTER OF PUBLIC SAFETY AND SOLICITOR GENERAL	
JAN 17 2011	
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<input type="checkbox"/> ATTN FILE	FILE <input type="checkbox"/> INFORMATION <input type="checkbox"/>

February 23, 2011

s.22

E-mail: s.22 \_\_\_\_\_

Dear s.22

Thank you for your January 16, 2011 e-mail regarding a recent media article on money laundering at casinos.

Money laundering is world-wide issue for organizations that deal with large sums of cash. The provincial government works with national and international agencies to reduce the illegal flow of money and continually adapts its methods to thwart it.

Criminals may attempt to "launder" cash from illegal activities by buying chips at a casino, playing casino games, cashing out their chips and requesting a cheque that represents 'legitimate' winnings. The policies of the British Columbia Lottery Corporation, responsible for the conduct and management of casino gaming, do not permit the issuance of cheques for anything other than fully verified wins, nor may patrons exchange small denomination bills for large denomination bills, a money laundering technique known as refining.

As required by federal law, players are required to prove their identity before they can make a cash transaction greater than \$10,000. All large cash transactions are reported to FINTRAC, Canada's financial intelligence unit. As well, all suspicious transactions of any amount are reported and investigated by the Gaming Policy and Enforcement Branch and/or the police.

Despite what is being reported in the media, there are a number of checks and balances in place to deter criminal activity in British Columbia casinos. The Province continues to work closely with the police and FINTRAC to further strengthen existing policies and practices regarding cash transactions in gaming facilities.

.../2



s.22

Page 2

A review is currently underway with the British Columbia Lottery Corporation, the Gaming Policy and Enforcement Branch, RCMP and other stakeholders to identify areas for improvement with regard to the handling of cash transactions. The findings of this review will be made public.

Sincerely yours,

*Original signed by:*

Rich Coleman  
Solicitor General

455270