

**COMMISSION OF INQUIRY INTO MONEY LAUNDERING IN BRITISH COLUMBIA**

**The Honourable Mr. Austin F. Cullen, Commissioner**

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**OPENING STATEMENT OF BRITISH COLUMBIA LOTTERY CORPORATION**

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**Counsel for British Columbia Lottery Corporation**  
William B. Smart, Q.C. and Shannon Ramsay

Hunter Litigation Chambers Law Corporation  
2100 – 1040 West Georgia Street  
Vancouver, BC V6E 4H1

Tel: (604) 891-2400

Fax (604) 647-4554

Email: [wsmart@litigationchambers.com](mailto:wsmart@litigationchambers.com)  
[sramsay@litigationchambers.com](mailto:sramsay@litigationchambers.com)

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**OPENING STATEMENT OF  
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**Introduction**

1. British Columbia Lottery Corporation (“BCLC”) is pleased to be able to participate in this public inquiry (the “Inquiry”) and, together with the other participants, to assist the Commission of Inquiry into Money Laundering in British Columbia (the “Commission”) in fulfilling its mandate.
2. As the Commission knows, gaming in British Columbia is authorized by the provincial *Gaming Control Act* (“GCA”),<sup>1</sup> and is a highly regulated industry that must be conducted by the provincial government within the confines of the federal *Criminal Code*.<sup>2</sup> BCLC, as a Crown agent, is statutorily mandated to conduct and manage gaming on behalf of the provincial government. BCLC does so within the policy framework established by the Province, and within a regulatory scheme that includes oversight by the Gaming Policy and Enforcement Branch (“GPEB”), a body that is independent from BCLC.
3. As the hearing of evidence at this Inquiry is still many months away we intend to be relatively brief in BCLC’s opening statement. There are five main points BCLC wishes to make at this time:
  - a. There is a crucial distinction between two important, but separate roles in countering potential money laundering in the gaming industry: (1) responsibility

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<sup>1</sup> *Gaming Control Act*, S.B.C. 2002, c. 14.

<sup>2</sup> *Criminal Code*, R.S.C., 1985, c. C-46.

for identifying and reporting specified transactions to the federal government's financial intelligence unit, the Financial Transactions and Reports Analysis Centre of Canada ("FINTRAC"), and for identifying and reporting certain conduct to GPEB; and (2) responsibility for the enforcement of anti-money laundering ("AML") laws. BCLC emphasises that it is BCLC's responsibility to identify and report; it is the responsibility of regulators and the police to enforce.

This distinction is central in understanding BCLC's efforts to prevent money laundering in its casinos. While BCLC collaborates with and supports regulators and police, they are ultimately the ones with the authority to detect, investigate, and seek charges against anyone suspected to be involved in money laundering and other criminal activities.

- b. BCLC believes that it has implemented effective measures to prevent money laundering in or associated with casinos in this province. The cooperation and assistance of those responsible for enforcing anti-money laundering laws – the police and regulators – has been an important element of BCLC's ability to implement these preventative measures.
- c. BCLC believes that much of what has been said publicly about its responsibility for money laundering associated with casinos is misinformed, and it welcomes this opportunity to provide to the Commission, and the public, with a more complete and accurate factual record of BCLC's past efforts to combat money laundering and its continuing efforts to do so.

- d. While BCLC has adopted a number of the recommendations from Dr. Peter German's 2018 gaming industry report,<sup>3</sup> BCLC submits, with deference to Dr. German, that his analysis contains some inaccuracies concerning BCLC's role in confronting money laundering and does not fairly or adequately state what BCLC has done to address the problem. This may be due to the fact that he sought only minimal input from key people at BCLC when preparing his report. That oversight may be the result of time constraints placed on him to complete his report, but BCLC again welcomes the opportunity to address what it perceives to be inaccuracies in Dr. German's report.
  - e. There is a significant public benefit that accrues from legalized gaming in British Columbia, and we encourage the Commission to recognize and consider this public benefit as it addresses the issues before it. In other words, when the Commission makes its recommendations we urge caution be exercised so as to not unnecessarily diminish the significant public benefit that accrues to British Columbians from gaming.
4. We will now briefly expand upon three of these points before offering some more general observations.

### **The Division of Roles and Responsibilities with Respect to Money Laundering**

5. As stated, when considering the subject of money laundering it is important to recognize that there is a significant distinction between the two important but separate roles in

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<sup>3</sup> Peter M. German, QC, "Dirty Money: An Independent Review of Money Laundering in Lower Mainland Casinos conducted for the Attorney General of British Columbia", March 31, 2018.

countering potential money laundering within the gaming industry: (1) responsibility for identifying and reporting specified transactions to FINTRAC and certain conduct to GPEB; and (2) responsibility for the enforcement of anti-money laundering laws.

6. Under this division of responsibility, BCLC has a reporting role, not an enforcement role. Its responsibility is to identify and report certain transactions to FINTRAC, including suspicious transactions. BCLC's role as a reporting entity informed how BCLC initially assessed and responded to increasing amounts of cash entering British Columbia's casinos – BCLC has always consistently sought to comply with and meet its obligation to report these transactions to the appropriate entities, and has actively taken steps to encourage and support law enforcement in the performance of its enforcement role.
7. While BCLC has been diligent in its efforts to identify and report suspicious transactions to FINTRAC, BCLC's mandate and authority do not include criminal or regulatory investigation powers in relation to such transactions. For that reason, BCLC also reports all suspicious transactions to GPEB and to the RCMP for their further consideration. These are the entities with the mandate and authority to conduct criminal or regulatory investigations related to such transactions and to take enforcement action where they deem appropriate. In British Columbia, Crown counsel has the authority to decide whether or not criminal charges will be laid.

### **BCLC's Anti-Money Laundering Programming is Effective**

8. Anti-money laundering is a priority for BCLC, and it invests substantial resources to continuously monitor and improve its AML programming. Here are just some of the steps that BCLC has taken since 2012 to confront potential money laundering in British

Columbia casinos. These efforts are also summarized on BCLC's website for members of the public to review:

- In 2012, BCLC implemented policy changes to enable British Columbia casinos to offer Patron Gaming Fund ("PGF") accounts. This allows players to transfer money from their bank accounts into a separate gaming account, eliminating the need to bring cash into a casino and creating a traceable source of funds.
- In 2013, BCLC established a dedicated anti-money laundering unit. This unit was expanded in 2015 and is staffed with internationally certified AML investigators and certified intelligence analysts.
- In 2014, BCLC established an Information Sharing Agreement ("ISA") with RCMP to assist BCLC in identifying and banning certain individuals from casinos, such as those who are suspected of criminal activity, believed to constitute a public safety risk, or suspected members of organized crime groups. Since the establishment of this ISA in 2014, BCLC has leveraged information obtained through the ISA to ban more than 450 individuals from casinos across British Columbia.
- BCLC requires and supports AML training for all BCLC staff and all service provider staff in casinos so that employees know how to identify, report, and help prevent potential money laundering.
- BCLC requires casinos to clearly label all cheques as "return of funds – not gaming winnings" or as "verified win" cheques to prevent individuals from

buying-in with large amounts of cash, playing nominally, cashing out, and receiving a generic casino cheque. Clearly labelling the source of cheques reduces the risk of casino cheques being used to launder money. Unlike cash, cheques provide regulatory and law enforcement agencies with the ability to trace funds for investigative purposes.

- In late 2014, BCLC began placing certain players on sourced-cash conditions, meaning that they cannot buy-in – that is, purchase chips to gamble – with any amount of cash unless they can prove their funds were sourced from an approved financial institution or constitute confirmed prior winnings from a BCLC gaming facility.
- In 2018, BCLC implemented a receipting policy whereby anyone who attempts to buy-in with \$10,000 or more in cash (an amount recommended by Dr. German) is required to first *prove* the source of such funds. This was an even more stringent requirement than Dr. German’s interim recommendation that source of funds *declarations* be required. In addition, casinos have the discretion to ask anyone to provide the source of their funds, regardless of the amount.
- BCLC has in place a Know Your Customer process, which includes using various intelligence tools and methods to better understand its customers and their financial dealings and to assist in identifying any potential risks.
- BCLC continues to work with the provincial government on the recommendations made in Dr. Peter German’s 2018 report.

## **Public Benefits from Legalized Gaming in British Columbia**

9. Millions of dollars of revenue flow from gaming to the government of this province every year to be used for the benefit of British Columbians – this totalled \$1.4 billion in the 2018/2019 fiscal year. The public benefit to be gained from gaming funds is one of the reasons why, in the late 1990s, the government of the day expanded gaming in this province and permitted the introduction of slot machines in casinos.
10. Gaming funds, like all government revenues, support a variety of important community and infrastructure programs. Additionally, the provincial government earmarks some gaming funds specifically for charitable, sports, and arts organizations, and it shares a percentage of casino revenue directly with local governments that host casinos. Those local governments, in turn, use the money to benefit their communities.
11. The reach of these funds is significant and cannot be understated. It is in the public interest to keep gaming revenue within local facilities that are operated in a socially responsible manner, rather than sending British Columbia residents and non-residents alike elsewhere for their gaming entertainment.
12. Accordingly, we respectfully urge the Commission to recognize and consider the important public benefits that flow from responsible gaming in this province as it addresses the issue of money laundering in the gaming industry.
13. That said, BCLC's focus on revenue growth has never been intended to be at the expense of sustainable gaming conducted in a socially responsible manner. BCLC takes seriously its responsibility to enhance the positive social benefits of gaming while minimizing the potentially negative aspects or consequences. Money laundering is contrary to BCLC's



mission, vision, and values, and has no place in gaming in this province. That is why BCLC has invested significant resources and efforts into its AML unit, and continues to do so today.

### **Some General Observations**

14. BCLC observes that tackling money laundering associated with the gaming sector, and more generally in society, is a complex issue because it is an international problem involving sophisticated organized crime with global reach. As was said some years ago by the Attorney General of Great Britain: “Crime has become as global as banking”. The same can be said today about money laundering in particular.
15. BCLC suggests that money laundering in this province is not an industry-specific problem that can be resolved with only industry-specific solutions. It requires broader solutions, because eliminating money laundering associated with any one sector does not address the underlying cause of the problem – it simply moves the problem elsewhere. That is why a holistic, cross-sector, and cross-jurisdictional approach is required.
16. Similarly, prevention of money laundering cannot be the responsibility of one entity alone. It requires a coordinated effort among all entities who play a role in monitoring, investigating, and taking action against potential criminal activity – from those responsible for monitoring and reporting, such as BCLC, to those responsible for enforcement, such as regulators, police and, ultimately, Crown counsel.
17. It is also essential that the solutions to money laundering remain flexible, so that anti-money laundering efforts can adapt quickly and effectively to the evolving money laundering efforts of organized crime. This requires adopting a risk-based approach and

avoiding prescriptive rules that criminals will quickly learn and develop ways to work around.

18. BCLC welcomes the opportunity this Inquiry presents for an objective and thorough review of the extent, growth, evolution, and methods of money laundering in British Columbia.
19. We know much more today about money laundering and the methods and means by which it occurs than we did even a decade ago. This enhanced knowledge and awareness applies not just to the gaming industry but also to other sectors in our society, including financial institutions, real estate, and the legal and accounting professions. Our understanding of money laundering has evolved not just in British Columbia and Canada, but worldwide, and we suggest that caution should be exercised when assessing past events through the lens of what we know today about money laundering.
20. Finally, BCLC acknowledges and appreciates the efforts the Commission has taken to date to speak with BCLC employees and learn about BCLC's anti-money laundering efforts. To that end, BCLC has cooperated and will continue to cooperate with Commission counsel in providing witnesses, documents, and other information as requested.
21. BCLC looks forward to Commissioner Cullen, with the assistance of his capable counsel, developing meaningful and effective recommendations that will enhance the ability of all relevant parties to address money laundering and associated criminality in British Columbia. While BCLC appreciates the Commission's intention to meet the deadlines established under its Terms of Reference – BCLC also seeks a timely resolution of this

process – BCLC is confident that endeavouring to meet these ambitious deadlines will not come at the expense of investing the time and attention needed to thoroughly understand and address the complexities of the topic before the Commission.

ALL OF WHICH IS RESPECTFULLY SUBMITTED

Dated at Vancouver, British Columbia this 23<sup>rd</sup> day of February, 2020.



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Counsel for British Columbia Lottery Corporation  
**William B. Smart, Q.C. and Shannon Ramsay**  
Hunter Litigation Chambers Law Corporation