

December 24, 2010



Mr. Derek Dickson

Director Casino Investigations, LMD

Gaming Policy and Enforcement branch

Gaming Enforcement

Ministry of Public Safety and Solicitor General

2940 Virtual Way
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Re: Money Laundering in British Columbia Casinos

Dear Derek,

This letter is in response to your correspondence dated November 24, 2010 wherein you expressed a concern in relation to "a dramatic increase in the amount of small denomination Canadian currency used for large buy-ins by LCT patrons with Lower Mainland Casinos." You further state that although there have been numerous similar suspicious currency transactions one particular LCT patron by the name of s 22 illustrates the magnitude of the situation. BCLC further recognizes that GPEB as well as the RCMP are very concerned about the potential money laundering by s 22 in British Columbia casinos.

BCLC Corporate Security is very sensitive to potential money laundering risk in all of our gaming establishments. As such BCLC has instituted a rigorous anti-money laundering strategy in an effort to mitigate money laundering risk in all of our BC gaming facilities. This strategy includes but is not limited to enhanced BCLC Policy and Procedures, comprehensive anti-money laundering training for service provider employees and strict adherence to Fintrac reporting guidelines as they relate to the Proceeds of Crime [Money Laundering] Terrorist Financing Act.

We have taken the opportunity to review your correspondence, specifically all of the cash transactions you provided to us that were conducted by s 22 between s 22 and s 22. You have listed the total buy-ins for s 22 during this period as being \$3,111,040. \$2,657,940 were in \$20.00 Canadian denominations with an additional amount of \$808,000 in \$20 denominations that s 22 played at the Starlight Casino in s 22 of this year were not included in this total.

To properly respond to your concerns, BCLC Corporate Security conducted a s 15(1), s 22



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s 15(1), s 22

As such we were able to determine the following as it relates to s 15(1), s 22

Total Buy-ins - \$3,681,320

Total Net loss - \$3,338,740

During this period s 22 received one verified win cheque in the amount of \$270,000 on s 22 which s 22 subsequently brought back into the Casino and used to buy-in for table game play the next day.

Our investigation further revealed that we have no record of s 22 playing in any BC gaming facility during the month of s 22 except for s 22. We were also not able to find record of "additional buy-ins" of \$808,000 in \$20.00 Canadian currency denominations that s 22 conducted at the Starlight Casino during the month of s 22.

You also query why s 22 has not taken the \$20.00 bills to a banking facility.

As you are well aware, gambling in British Columbia gaming facilities is cash based business. Our experience has been that this is amplified even more when it involves s 22, s 22

s 22

documented large cash transactions that date back to s 22 . s 22

\$20.00 denomination

currency bills to a banking facility. The \$20.00 bill is the most widely utilized form of currency in Canada.

You then query why s 22 is not forced by the Service Provider and BCLC to use the PGF account.

Patron Gaming Funds Accounts were first introduced approximately a year ago as a pilot project subsequent to GPEB scrutiny and approval. The purpose behind the patron gaming fund account is to provide our patrons a viable customer service that gives them the option of depositing funds into a Casino account. The PGF account allow for deposit and withdrawal of funds based on adherence to strict BCLC Policies and Procedures that have been sanctioned by GPEB. Participation in the PGF Account program is purely voluntary. The decision of whether or not to utilize this option rests solely with the patron.



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s 22

BCLC is not in a position to force s 22

into utilizing a PGF account.

As part of our anti-money laundering strategy, BCLC recognizes and ensures that large cash transactions as previously outlined in your correspondence are reported in a timely manner as per Fintrac guidelines and Federal legislation. BCLC further ensures that Section 86 reports are submitted to GPEB and that copies of our suspicious financial reports are forwarded to both GPEB as well as the RCMP Integrated Proceeds of Crime Unit for whatever action they choose to take from a Policing perspective.

It is our opinion that based on s 22 history of play, s 22 betting strategy; the fact s 22 has requested only one verified cheque during the dates in question; s 22 s 15(1) and the fact s 22 occupation states s 22

s 22 does not meet the criteria that would indicate s 22 is actively laundering money in British Columbia casinos.

The other recommendation posed by you would be to restrict the amount of \$20.00 denomination bills allowed by a patron to bring into a Casino at \$10,000. Due to fact gaming in the province is cash based this restriction is unrealistic given the circumstances.



BCLC intends to remain vigilant and sensitive to potential money laundering in our Casinos. Anti-money laundering programs and patron risk management protocols are continually reviewed and refreshed. This is an ongoing process dedicated to identify, action and report to the authorities any and all incidents of suspected money laundering. BCLC enjoys a close relationship to the RCMP Proceeds of Crime Unit and files reports of suspected money laundering to them on a continuous basis.

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BCLC is all too aware of its responsibilities in maintaining the integrity of gaming in the province and will remain vigilant to any level of criminality revealing itself in our Casinos.

s 22

Sincerely,

John Karlovcec

Assistant Manager

Casino Security and Surveillance

BCLC Corporate Security and Compliance

CC:

Derek Sturko, Assistant Deputy Minister and General Manager

Terry Towns, Vice president, Corporate Security and Compliance

Larry Vander Graaf, Executive Director, Investigations and Regional Operations,
Gaming Enforcement

Joe Schalk, Senior Director, Investigations and Regional Director, Gaming
Enforcement



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Mr. Gordon Friesen
Manager, Casino Security and Surveillance
British Columbia Lottery Corporation
10760 Shellbridge Way
Richmond, B.C. V6X 3P8

November 24th, 2010

Re: Money Laundering in Casinos

Dear Gord,

Recently we have begun to see a dramatic increase in the amounts of small denomination Canadian currency used for large buy-ins by LCT patrons within Lower Mainland Casinos. Although there have been numerous similar suspicious currency transactions, one particular LCT patrons play over a 4 week period at the Starlight Casino illustrates the magnitude of this situation. This Division, the Branch, and the RCMP are very concerned about the potential money laundering by patron ^{s.22} in BC casinos.

10-08-31

^{s.22} Buys in with \$200,000 in Canadian currency, \$198,000 of which is in \$20 denominations.

10-09-01

^{s.2} buys in with \$100,000 in Canadian currency, \$94,000 of which is in \$20 denominations.

10-09-01

^{s.2} buys in with \$190,000 in Canadian currency, all in \$20 denominations.

10-09-01

^{s.2} buys in with \$200,000 in Canadian currency, all in \$20 denominations.

10-09-02

^{s.2} buys in with \$100,000 in Canadian currency, all in \$20 denominations.

10-09-03

^{s.2} buys in for \$150,000 in Canadian currency, all in \$20 denominations.

10-09-03

^{s.2} buys in for \$250,020 in Canadian currency, \$227,020 which is in \$20 denominations.

10-09-04

^{s.2} buys in for \$100,000 in Canadian currency, all in \$20 denominations.

10-09-06

^{s.2} buys in for \$200,000 in Canadian currency, the denominations are not known.

10-09-08

^{s.2} buys in for \$158,000 in Canadian currency, all in \$20 denominations.

10-09-09

s.22 buys in for \$200,000 in Canadian currency, all in \$20 denominations.

10-09-10

s.22 buys in for \$100,000 in Canadian currency, all in \$20 denominations

10-09-11

s.22 buys in for \$200,000 in Canadian currency, all in \$20 denominations

10-09-13

s.22 buys in for \$43,000 in Canadian currency, \$40,000 was in \$20 denominations.

10-09-14

s.22 buys in for \$150,000 in Canadian currency, all in \$20 denominations.

10-09-16

s.22 buys in for \$150,000 in Canadian currency, \$62,000 was in \$20 denominations.

10-09-20

s.22 produces and loses \$280,000 in chips. He leaves the casino and returns to buy in 24 minutes later for \$60,000 in Canadian currency, all in \$100 denominations.

10-09-21

s.22 loses \$260,000 in chips and \$70,000 in Canadian currency, denominations are not known.

s.22 was met by a vehicle in front of the casino and takes an object from the trunk and returns to the casino. s.22 buys in for an additional \$325,000 in chips, which he eventually loses.

10-09-25

s.22 buys in for \$200,020 in Canadian currency, all in \$20 denominations.

10-09-26

s.22 buys in for \$150,000 in Canadian currency, all in \$20 denominations.

10-09-29

s.22 buys in for \$140,000 in Canadian currency, \$138,900 of which was in \$20 denominations.

The total buy-ins for s.22 during this period are \$3,111,040, of which \$2,657,940 are in \$20 denomination. This total does not include any buy-ins he had with value chips. Not included in these total are s.22 buy-ins for his play at the Starlight Casino in August, which totaled \$808,000 in Canadian currency, all in \$20 denominations. That would bring his two month total buy-ins consisting of \$20 denominations to \$3,465,940.

As previously noted, s.22 is not an isolated case and we have seen numerous similar large buy-ins with small denominations at numerous casino venues in the province. It typically involves well known LCT patrons that play baccarat and arrive with cash as a buy-in. Two questions that arise from this example; Why are these \$20 denominations not being taken to a banking facility by s.22 Why isn't s.2 using the PGF account or being forced by the service provider and BCLC to use the PGF account?

Senior Director Joe Schalk and the writer met recently with the Officer In Charge, RCMP Integrated Proceeds of Crime Unit (IPOC), and they are well aware of this issue and are seriously concerned that the casinos are being used as a method to launder large sums of money for organized crime groups. s.15,s.16

s.15,s.16

Both the service providers and BCLC are, in this instance, meeting the reporting requirements that are legally placed on them by FINTRAC. They are also meeting the requirements of GPEB in relation to Section 86 (real or suspected criminal activity) of the Gaming Control Act, as well as advising IPOC of these suspicious cash transactions. However, although identifying the suspicious nature of these transactions and complying with the legal requirements to report suspicious criminal activity (money laundering) to the police and regulatory agencies you continue to allow the service providers to take these large amounts of \$20 denominations in duffle bags, paper bags, etc. to be used for gambling in the casinos. BCLC is responsible for the conduct and managing of casino gaming in British Columbia through standard operating procedures and we believe, at a minimum, as a good corporate citizen you should re-assess your corporate responsibility in allowing these large amounts of \$20 denominations to enter the casino gaming environment. A restriction of allowing a maximum of \$10,000 in \$20 denominations could remedy the situation.

The conduct and manage mandate of BCLC has a direct correlation to maintaining the integrity of gaming in the province. We believe that BCLC needs to seek solutions to the obvious, and increasing, money laundering that is occurring, particularly involving the flood of small denomination currency, within BC casinos.

Sincerely,

Derek Dickson
 Director, Casino Investigations, LMD
 Gaming Policy and Enforcement Branch
 Gaming Enforcement
 Ministry of Public Safety and Solicitor General

CC: Derek Sturko, Assistant Deputy Minister and General Manager
 Terry Towns, Vice President, Corporate Security and Compliance
 Larry Vander Graaf, Executive Director, Investigations and Regional Operations, Gaming Enforcement
 Joe Schalk, Senior Director, Investigations and Regional Director LMD, Gaming Enforcement

Page 04 to/à Page 07

Withheld pursuant to/removed as

s.15



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28 February, 2011

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

Re: Money Laundering in British Columbia Casinos

Dear Gordon:

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

Our correspondence made reference to the s.22 case not being an isolated case and that there were then, and continue to be, an alarming increase in similar large buy-ins with small denominations by a significantly large number of patrons at various casino venues in the Province. The number of files generated by required reporting from these venues, and what could only be considered staggering quantities of cash, predominately in \$20.00 currencies, is a huge integrity of gaming issue and must be addressed. s.13
s.13

s.13 Banking establishments throughout Canada could not and would not take these amounts of small denomination bills and we do not believe Casinos should either, for the same reasons Banks will not – because these large amounts of small denomination currencies are suspicious, likely the proceeds of crime and very likely being used in the facilitation of, if not the direct laundering of those proceeds of crime. In a significant number of specific cases, the Police believe the laundering of proceeds of crime is taking place. Experts in money laundering matters in the Police community have said the same thing publicly and privately to GPEB and BCLC personnel. s.15
s.15

**Ministry of
Public Safety and
Solicitor General**

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

The Player Gaming Fund account (PGF account) was brought in over a year ago at the strong behest of BCLC. s.13,s.15

s.13,s.15

s.13,s.15


Stopping the flow of large quantities of small denomination (\$20.00 bills) into the Casino would indirectly force a non-criminal, high limit patron to use either a certified financial institution bank draft direct or indirectly to the casino through the PGF account, to insure the integrity of funds used in gaming venues is preserved. s.15,s.22

s.15,s.22
s.15,s.22

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

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

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


Joe Schalk, Senior Director
Investigations and Regional Operations
Gaming Enforcement

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