

Some information has been removed in the interests of privacy, safety and corporate security

## **CORPORATE SECURITY & COMPLIANCE AML DOCUMENT**

**Prepared: September 8, 2015 for VP CS&C**

### **BACKGROUND**

In February 2014 an AML unit was created within CS&C. The original mandate was to be best in class in AML and was led by John KARLOVCEC. Focus was on analysis, staff training, compliance and enhanced customer due diligence.

In February 2015 BCLC submitted a report to RCMP (FSOC) in relation to activities pertaining to Suspicious Transaction Reports (STR's) and suspected illegal activity primarily involving one individual s 22 . No firm links were established at this time and all evidence was circumstantial.

In April 2015 BCLC and Service Providers started to get information that 2-3 illegal gaming houses were being patronized in Richmond, BC. More information started to come in July of 2015 and locations were alleged as well as a website "Vansky" being found advertising for baccarat dealers. All Intel was provided to GPEB who in turn provided this to Police.

s 22 BCLC Director for AML Ross ALDERSON was hired and was made aware of the s 22 file. ALDERSON remained Acting Senior Manager of eGaming Investigations s 22

A BCLC Casino Patron Education Protocol was finalized which involved the interviewing of Casino patrons involved in suspicious activity. This was approved by ALDERSON and Kevin SWEENEY.

s 22 a Manager of Cash Alternatives and Special projects was brought into the AML group to focus on initiatives including offering credit to VVIP players and delimiting the convenience cheque. Improvements were also made to the PGF policy.

After the AML Summit on June 4, 2015 arrangements were made for ALDERSON to meet with senior Police in July of 2015 to discuss the s 22 file and make general introductions.

s 22 ALDERSON took over leadership the proposed chip swap project for RRCR focusing on outstanding \$5K chips. The reason for the chip swap was around concerns that chips were being used to fund; illegal gaming and/or an underground economy.

On July 21 and 22, 2015 Ross ALDERSON met with FSOC and RCMP Inspector ~~Named RCMP Personnel~~ to discuss new information regarding the s 22 file. ALDERSON was advised that the investigation had uncovered that s 22 was likely linked to transnational drug trafficking and suspected to be linked to terrorist financing. ~~Named RCMP Personnel~~ stated that some of the proceeds were directly related to casino activity specifically at the River Rock Casino Resort. ALDERSON was provided with details of a "cash house" code named "Silver" in Richmond BC believed to be the illegal bank utilized for criminal activity including drug proceeds which were utilized for funding gamblers at RRCR and other Casinos.

It was further stated that funds were traced to the Richmond Costco Parking Lot and were then picked up by patrons who attended RRCR. Vehicles previously suspected as linked to s 22 were confirmed. BCLC VP CS&C was advised of the meeting shortly after.

On July 22, 2015 ALDERSON had a phone discussion with Len MEILLUER GPEB Executive Director for Compliance at GPEB and advised him to contact RCMP to discuss this new information. GPEB later responded that the GM John MAZURE and Minister for Finance Mike DE JONG were to be briefed and the provincial Government was seriously alarmed at the information.

On July 22, 2015 at approx. 1515 hrs BCLC Director AML Ross ALDERSON briefed CEO Jim LIGHTBODY, Brad DESMARAIS and VP Social Responsibility and Communications Susan DOLINSKI of the new development.

In July 27 a conference call was conducted involving:

**BCLC**

Jim D. LIGHTBODY  
Brad DESMESRAIS  
Ross ALDERSON

**GPEB**

John MAZURE,  
Len MEILLEUR  
Michele JAGGI-SMITH

**RCMP**

Named RCMP Personnel

As a result of the recent information BCLC AML and Investigations units completed an Operational Plan to interview patrons known to have confirmed cash drops offs involving s 22, or a known associate of s 22 primarily at RRCR. Police were advised.

Due to the unknown number of patrons involved a start date of June 1<sup>st</sup>, 2015 was initially used. As a result 10 individuals were identified

Subject Id	First Name	Middle Name	Last Name	DOB (YYYYMMDD)
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s 22

In addition a review of all STR's filed in 2014 resulted in the following:

☐ 345 patrons accounted for a total of 1583 STR's

☐ 14 patrons had 20 or more

☐ 23 patrons had 10-19 STR's

☐ 166 patrons had between 2-9 STR's

☐ 142 patrons had 1 STR

As a result 14 additional individuals were identified with 20 or more STR's

Subject ID	First Name	Middle Name	Last Name	Date Of Birth (YYYYMMDD)	STRs Submitted
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s 22

**Priority 1** of the Ops plan was to interview the 10 individuals at the earliest opportunity and ban all un-sourced cash. Further conditions could result depending on the result of those interviews. As of Sept 8<sup>th</sup> 2015 only 3 individuals have been interviewed.

**Priority 2** of the Ops plan was to interview the 14 individuals next to request further information around their source of funds. Further conditions could result depending on the result of those interviews. It was noted that 2 individuals had already been interviewed. As of Sept 8<sup>th</sup> 2015 no further individuals have been interviewed.

Interview plans were devised and included in the "Ops" plan.

On August 5<sup>th</sup> 2015, The list of 10 players and the conditions were circulated to all Casino service providers requesting their cooperation.

In the week proceeding July 27 the ED from GPEB among others attended RCMP HQ and discussed their role in gaming in the province and that they had asked for more involvement in the current Police Investigation. ALDERSON received information that senior Police had directed their operational staff to deal with GPEB rather than BCLC. Comments were made that there had been unwillingness by BCLC leadership to address in, what was in the Police eyes, clear acceptance of huge volumes of cash which "one could reasonably suspect were likely proceeds of crime."

However on invitation August 7<sup>th</sup> 2015 ALDERSON met with the FSOC Operational team and further discussed the s 22 file. A phone number was provided to ALDERSON that indicated several phone calls had been made to s 22 originating from the Grand Villa Casino in June 2015. ALDERSON stated he would attempt to covertly uncover the owner of the phone. (That was unsuccessful)

ALDERSON was shown preliminary analysis conducted by FSOC analysts linking approx. 19 individuals (Casino patrons) stated to be associated to s 22, primarily as recipients of cash believed to be proceeds of crime. FSOC confirmed they would provide BCLC with more detailed analysis once more work had been done on it.

On August 21, 2015 Kevin SWEENEY and Ross ALDERSON met with Len MEILLEUR in Victoria to discuss Section 86 reporting. The current AML climate was discussed and MEILLEUR s 13(1)

On August 28, 2015 BCLC were advised by GPEB that they would be conducting an audit into BCLC's STR and UFT reporting practices.

On September 7, 2015 GPEB requested BCLC (who had received a request from RCMP (FSOC) **Named RCMP Personnel** postpone the chip swap as it "would impede the current Police Investigation" ALDERSON agreed and the chip swap was postponed.

On September 8, 2015 ALDERSON spoke to Inspector **Named RCMP Personnel** and it was agreed that lines of communication would be kept open due to the operational impact on both organizations. It was discussed that BCLC was committed to doing the right thing and that was eliminating "dirty money" from the gaming industry.

Analysis was conducted by the BCLC AML Operational Analysis Unit on the information s 16 and from within s 15(1). The following 36 individuals were confirmed as having received cash from the s 22 network in the last 6 months. Some of the individuals on this list have been interviewed, are scheduled for interview, are VSE or banned. Some have not been active for some time but **all these players should be interviewed around source of funds and be banned from using un-sourced cash.**



## **CONSIDERATIONS**

BCLC needs to consider the potential fall-out from the current Casino AML climate. Specifically, if it becomes public knowledge that there are connections to Casinos and proceeds of crime. It is widely known within Government, Law enforcement, Casino industry that there is a "police investigation" and chances of a leak are high.

GPEB have been recipients of complete STR information for a number of years however it appears their executive level are now only aware of the content of those STR's. With the recent regime change in the Investigations and Compliance Divisions of GPEB this may be rationale why previous information (STRs ) had not filtered up to the right people in government.

GPEB are now scrutinizing BCLC's policies and practices around AML, likely in anticipation that a criminal investigation will uncover a criminal element directly linked to BC Casinos. This is could be an opportunity to deflect any criticism of the current government on to the agency that conducts and manages gaming in BC.

There should be concern that BCLC and SP Management will be accused of "willful blindness." Sources have told me that law enforcement and Government (GPEB) "are distancing themselves from BCLC" for this reason, and in the result of any political back lash BCLC may be heavily criticized for not doing more over a number of years. This is regardless of the fact that BCLC were the original complainant in the whole<sup>s</sup> 22 investigation, have driven all the AML programs and have had successful AML audits.

From BCLC investigative interviews conducted with VVIP players so far BCLC has been able to determine that for a number of players they readily admit to not knowing the source of their cash, and that they pay back in suspicious circumstances using suspicious methods with little or no interest. This would indicate transnational money laundering rather than loan sharking. Although cash is still the main instrument of choice for the VVIP players or "whales" it will not be acceptable in the public eye if more player due diligence is not taken around receiving cash.

There are likely people involved in the regulated BC Gaming Industry that are involved in facilitating proceeds of crime for players.

## **RECOMMENDATIONS**

- Having service providers ask and document players for Source of Funds for all cash deposits at an agreed upon threshold. (I recommend \$20K although that can be determined by the denomination submitted.)
- Banning all players from using un-sourced cash that have confirmed links to criminality.

- An acceptance by BCLC that underground banking involving money and Chinese Nationals is suspicious and is likely not legal regardless of the original source of funds.  
(1)
- BCLC Investigations conducting more interviews with patrons involved in suspicious transaction reports based on a more aggressive criteria. Eg: number of STR's, actual STR circumstances.
- Terminating business relationships when it is warranted.
- A broader understanding at Executive Level of transnational money laundering
- Continue to reinforce to Government that an agency equipped to investigate criminal activity in Gaming is required. That includes one with the ability to track, investigate, and prosecute on proceeds of crime.

## SUMMARY

BCLC needs to get ahead of any potential media and public Backlash  
BCLC have been driving AML initiatives for several years and this is well documented. However we could and should be doing more. That will no doubt impact revenue, and could have a significant impact on revenue. However we must get ahead of anything that may detrimentally impact the Casino Industry. It is also the right thing to do.

(1) <http://www.antimoneylaunderinglaw.com/2015/08/structuring-how-moving-funds-from-china-to-vancouver-is-exactly-how-columbian-drug-lords-move-their-money.html>