

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
Vancouver, BC V5M 0A6

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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 Li Lin SHA 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 Mr. SHA 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 Mr. SHA between August 31, 2010 and September 29, 2010. You have listed the total buy-ins for Mr. SHA 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 SHA played at the Starlight Casino in August of this year were not included in this total.



To properly respond to your concerns, BCLC Corporate Security conducted a thorough investigation in relation to Mr. SHA's gaming play between the dates of August 31, 2010 and September 29, 2010 in an effort to determine Mr. SHA's cash win/loss position.

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Our investigation included a review of Mr. SHA's large cash transaction reports as well as Starlight Casino's internal procedural variance reports [IPVR]. As such we were able to determine the following as it relates to Mr. SHA's gaming play during the previously mentioned time frame;

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

Total Net loss - \$3,338,740

During this period Mr. SHA received one verified win cheque in the amount of \$270,000 on September 7, 2010 which he 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 Mr. SHA playing in any BC gaming facility during the month of August except for August 31, 2010. We were also not able to find record of "additional buy-ins" of \$808,000 in \$20.00 Canadian currency denominations that Mr. SHA conducted at the Starlight Casino during the month of August.

You also query why SHA 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 patrons of Asian ethnicity. Our records reveal that Mr. SHA has provided his occupation as "Owner of Coal Company/Commercial Real Estate".

He is very well known to BCLC and our Service Provider partners and has documented large cash transactions that date back to July 2006. BCLC cannot answer as to why Mr. SHA chooses not to take these \$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 SHA 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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Mr. SHA is aware of this option but to this point preferred not to utilize a PGF account for reasons only known to him. BCLC is not in a position to force Mr. SHA 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 SHA's history of play; his betting strategy; the fact he has requested only one verified cheque during the dates in question; his win/loss ratio, and the fact his occupation states he owns a coal mine and commercial real estate firm, he does not meet the criteria that would indicate he 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.

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,
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