



The Best Place on Earth

*Know your limit, play within it.*

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 Karlovcec dated 24 December, 2010 please be advised as follows.


Our correspondence made reference to the Li Lin SHA 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. We believe it is unacceptable to simply say "that due to the fact that gaming in the province is cash based this restriction (of limiting the amount of \$20.00 denomination bills allowed to be cashed at any Casino) is unrealistic given the circumstances." 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. It must again be pointed out that even BCLC Security personnel OFTEN comment on a variety of Suspicious Currency reported issues in the venues, often making reference to the seriousness of the suspicions surrounding the passing of currency and denominations being used and also often times, even commenting on the association of that currency to known Loan Sharking activity as the source of that currency for the patron passing it at the venue. The author of the response letter, John Karlovcec, himself has been the writer of a number of those ITRAC based comments.

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. The stated reasons for having a PGF account were to afford "the patron the convenience and security of not having to carry large sums of cash into or out of the casino." Two other main reasons given were; "providing a facility for patrons to manage their own cash (and by so doing) this program has a potential to reduce loan sharking at BC casinos" and "deposit money into the PGF account, the risk of money laundering is dramatically reduced." You have stated that the PGF account is purely voluntary and the decision to utilize this option rests solely with the patron. 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. You also state that the subject Sha, under the question as to his occupation, "states he owns a coal mine and commercial real estate firm." 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.



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