



CONFIDENTIAL

27 December, 2012

Bryon Hodgkin
 Director, Operational Compliance
 Corporate Security and Compliance
 British Columbia Lottery Corporation
 2940 – Virtual Way
 Vancouver, B.C. V5M 0A6

Dear Bryon:

**Re: Suspicious Currency Transactions/Money Laundering –
 British Columbia Casinos**

This memorandum is further to previous correspondence between Investigations and Regional Operations Division, Gaming Policy and Enforcement Branch and Mr. Gordon Friesen, that commenced on 24 November, 2010. It should be noted that since 2007/2008 the incidents of reported Suspicious Currency Transactions (SCT) have been increasing yearly at an alarming rate.

In late 2011, GPEB's Investigations and Regional Operations Division conducted a review of SCT reporting for the period between **1 September, 2010** and **31 August, 2011**. The following results were found:

Total SCT files: 543
Total dollar amount: \$39,572,313.74

Top Three Venues:

River Rock Casino: 213 files
 Total dollar amount: \$21,703,215.00
Starlight Casino: 140 files
 Total dollar amount: \$13,540,757.00
Grand Villa Casino: 103 files
 Total dollar amount: \$2,815,470.00

- Eighty (80) different patrons bought in for over \$100,000 on at least one occasion.
- The top five patrons had suspicious currency buy-ins with a combined total of \$10,408,210.00
- Public Interest Immunity
- The vast majority of all the suspicious currency buy-ins was in \$20 dollar denominations.

It has become abundantly clear that most of these patrons are of Asian descent and are using large amounts of suspicious currency supplied by loan sharks, often operating in the vicinity of the casinos. It is known that these Asian gamblers are using suspicious currency obtained from loan sharks who we believe are obtaining the proceeds of crime from organized crime subjects or groups.

In 2011, the Minister responsible for Gaming in British Columbia commissioned Robert Kroeker to conduct a review and author a report on anti-money laundering measures in British Columbia gaming facilities. The review was also "to identify any opportunities to strengthen the existing anti-money laundering regime." The first paragraph of the Summary Review authored by Kroeker stated:

"In January 2011, a series of news reports ran on cash transactions occurring at gaming facilities in British Columbia. The media stories focused on a number of large cash transactions involving small denomination Canadian currency, typically \$20.00 bills, which occurred over the summer of 2010. In the course of these reports the media raised questions about how well gaming in the province was protected from money laundering."

Mr. Kroeker's report made several recommendations regarding suspicious currency transactions in casinos, including that British Columbia Lottery Corporation (BCLC) accept law enforcement's professional opinion that this activity is money laundering. BCLC accepted these recommendations and agreed to enhance its anti-money laundering initiatives and strategies.

A further review of SCT reports was conducted by Investigations and Regional Operations in October/November 2012. This review was for the nine (9) month period between **1 January, 2012 and 30 September, 2012**. The following results were found:

Total Money Laundering/SCT files: 794 files

Total dollar amount: \$63,971,727.00

Total dollar amount in \$20 dollar denominations: \$44,168,660.00

This represents over 70% of all suspicious cash entering casinos.

79 different patrons had SCT buy-ins at least once with \$100,000

17 different patrons had total SCT buy-ins over \$1,000,000

The top 22 patrons had SCT buy-ins totaling: \$45,812,130.00.

This represents 71% of the total dollar amount of all SCT.

The top ten patrons' SCT buy-ins generated 285 separate Gaming Control Act (GCA) Section 86 Reports from the Service Providers and BCLC.

By comparison: the top 22 patrons who generated 285 SCT reports between them, in a nine month period in 2012, is more than the total number of SCT reports generated in 2007, 2008 and 2009 and is only ten less than 2010.

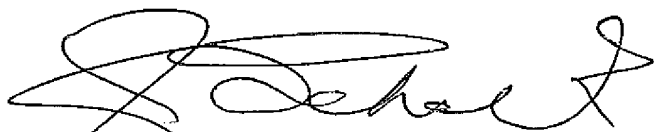
Using the previously mentioned figures from the first nine months of 2012, it is projected that the yearly totals will be:

Total Money Laundering /SCT files: 1,090 + files
Total dollar amount: \$85,300,000.00 +
Total dollar amounts in \$20 denominations: \$59,000,000.00 +

It has become routine for patrons to buy- in with suspicious currency totaling \$200,000, \$300,000, \$400,000 and on two occasions where \$500,000 and \$580,000 respectively were presented at the cash cage of a casino.

Conclusions

- The number of Section 86 GCA, Suspicious Currency reports received from the Service Providers and BCLC have almost doubled every year since 2010.
- The total dollar amount of reported suspicious currency entering British Columbia casinos continues to rise exponentially, year over year.
- The twenty (\$20) dollar bill is currently used in over 70% of all Suspicious Currency Transactions.
- All large SCT buy-ins are in Canadian currency.
- Asian males are the subject of the majority of all Section 86 GCA Suspicious Currency reports generated within Lower Mainland casinos.
- BCLC initiated several enhancements to the Player Gaming Fund Account (PGFA) in April, 2012 in order to reduce the reliance on cash in British Columbia casinos.
- A GPEB Investigations and Regional Operations Division review of 2012 indicates that enhancements to the PGFA and other measures taken to date to reduce the flow of cash into casinos **have not slowed the flow of Suspicious Currency into Lower Mainland casinos.**
- The continued significant increase of Suspicious Currency being **brought into and accepted at** several casinos in the Lower Mainland is a cause of great concern to the Investigations and Regional Operations Division. We believe that this is significantly impacting the overall integrity of gaming in British Columbia.



Joe Schalk, Senior Director
Investigations and Regional Operations
Gaming Enforcement
Gaming Policy and Enforcement Branch

CC: Larry P. Vander Graaf, Executive Director