

To: Michael Graydon [Personal Information]
From: Scott, Douglas S MEM:EX
Sent: Fri 2013-01-18 12:57:40 AM
Subject: RE: GPEB letter - Privileged and Confidential

Hi Mike,

Thank you for this email. As you know I have reviewed the letter that is the subject of your message. This afternoon I spoke to Larry Vander Graaf regarding your concerns as well as mine.

By way of this email, I want you to know that I regret this communication from our office. As I discussed with Larry, my greatest concern is that our correspondence on this and indeed all matters should be constructive and move issues forward. I recognize that this letter may have given your office the impression that it was accusatory in nature, and I want to assure you that GPEB recognizes that the AML issue is a joint responsibility that we must work on together to resolve. Further, I also note that BCLC has undertaken everything that we have asked and agreed to as part of the comprehensive AML strategy.

As you are likely aware, Bill McCrea is preparing a report on the efficacy of our joint AML efforts to date. I hope this will be a valuable base from which we consider the next phase of our AML response. I expect to have that report by the beginning of March. Bill will continue to be in communication with your team during its preparation.

During our discussion, Larry emphasized that correspondence such as the letter in question have gone back and forth between GPEB Investigations and BCLC Security for years. I do believe Larry did not think this letter was outside past practice, and thereby misunderstood the potential implications – including on important relationships between our organizations. No malice was intended to be sure. That said, communications of this type will stop going forward, and I look forward to expanding constructive formal and informal discussions to tackle this critical issue.

Feel free to have your office respond directly to the letter of December 27th if you wish, however, no response is required or expected.

Regards,

Doug

Douglas S. Scott
Assistant Deputy Minister
Gaming Policy and Enforcement Branch
Ministry of Energy and Mines

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Know your limit, play within it.



Please consider the environment before printing this e-mail

From: Michael Graydon [mailto:Personal Information]
Sent: Monday, January 7, 2013 12:17 PM
To: Scott, Douglas S MEM:EX
Subject: GPEB letter - Privileged and Confidential

Hi Doug:

Please find attached a letter directed to Bryon Hodgkin from Joe Schalk which I was very surprised and disappointed to receive given the work we have undertaken over the past year.

Mr. Schalk has made a number of statistical comparisons and drawn conclusions from them that, in my opinion, are not only without foundation and simply erroneous, but could be perceived as inflammatory and offensive. He has also inferred that all STRs are money laundering files, which of course is not correct.

In the first paragraph on page 2, it seems obvious that certain provocative statements are personal opinion and are not supported by fact or proper analysis. To the contrary, BCLC has worked closely with numerous enforcement departments and units to ensure organized crime is not associated to BC casinos and such statements undermines both BCLC and GPEB's efforts. In my opinion, the depiction of Asians is also very risky, particularly to set out such a characterization in a permanent record which is now held in the files of two public bodies.

By way of further example, on page three he has made the statement that it has "become routine" for patrons to buy in with currency totalling \$200 to \$400 thousand and on two occasions \$500 and \$580 thousand. Although these amounts are large, given the limited number of transactions, they are not routine. In addition, all of these transactions are reviewed and reported on as per the legislation and regulations.

BCLC is required to report on all suspicious activity and clearly we are reporting via Suspicious Transaction Reports (STR's) as supported by statistics in GPEB's letter. The increase in the number of reports is not totally reflective of increased activity as it also reflects the changes to reporting requirements as well as additional training relating to reporting of STRs.

In addition, we are collecting information, including occupation, of all large cash buy ins and disbursements and reporting to Fintrac. The information collected by BCLC is also analyzed by Fintrac and passed on to enforcement agencies. We are also actively working with law enforcement to deter and ban organized crime members and activities from BC gaming facilities. In addition we are working closely with GPEB to reduce the flow of cash to gaming facilities. These efforts have resulted in total non-street cash used in casinos since April 1, 2012 in the amount of \$911,555,058.00

Lastly, the closing comments and assertions on page three are opinion and are not supported by fact or proper analysis.

BCLC and Service Providers make substantial efforts to provide information and assistance to GEPB and other law enforcement agencies to ensure we are compliant with legislation and are acting responsibly. I would be remiss if I did not state that we have made huge collective progress with our Service Providers on the AML front but this type of unsophisticated analysis and assertions based on opinion by GPEB Investigations and Regional Operations will only negatively impacted our efforts and GPEB's reputation. We understand and respect that you are the regulator, but a collaborative approach is both possible and beneficial in maintaining the integrity of gaming.

Sorry to start off the year on this foot but it is important to address this. Regards, Michael

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