

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 Paul King JIN. 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.

On April 17, 2015 BCLC Director for AML Ross ALDERSON was hired and was made aware of the JIN file. ALDERSON remained Acting Senior Manager of eGaming Investigations until May 19, 2015.

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.

In May 2015 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 4th 2015 arrangements were made for ALDERSON to meet with senior Police in July of 2015 to discuss the JIN file and make general introductions.

On June 12th ALDERSON took over leadership the proposed chip swap project for RRRC 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 Calvin CHRUSTIE to discuss new information regarding the JIN file. ALDERSON was advised that the investigation had uncovered that JIN was likely linked to transnational drug trafficking and suspected to be linked to terrorist financing. CHRUSTIE 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 RRRC 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 JIN 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

Sean BOURRIE
Wayne RIDEOUT
Brent TAYLOR

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 JIN, or a known associate of JIN primarily at RRCR. Police were advised.

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

Subject Id	First Name	Middle Name	Last Name	DOB (YYYYMMDD)
174856	PERSONAL INFORMATION			PERSONAL INFORMATION
14033				
58336				
67404				
71603				
85666	Guo Tai		SHI	
	PERSONAL INFORMATION			

43366	PERSONAL INFORMATION
90767	
175028	
141503	

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
Redacted - FINTRAC					88
					60
					57
					38
					36
					32
					31
					28
					27
					23
					21
					21
					20
					20

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 8th 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 8th 2015 no further individuals have been interviewed.

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

On August 5th 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 7th 2015 ALDERSON met with the FSOC Operational team and further discussed the JIN file. A phone number was provided to ALDERSON that indicated several phone calls had been made to Paul JIN 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 Paul JIN, 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 indicated that GPEB had done an analysis of STR's from June 2015 and that the content of those STR's primarily had caused grave concern among the GM and ADM. The chip swap was mentioned and that caused concern over the coming days with GPEB accusing BCLC of not previously notifying them of the issue which was clearly an integrity issue.

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) Inspector Mike SERR) 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 Mike SERR 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 received by FSOC and from within iTrak. The following 36 individuals were confirmed as having received cash from the Paul JIN 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.**

SID	JIN Network
28212	BAO, Bo
140770	PERSONAL INFORMATION
99395	
31644	
52499	
58334	
170270	
43868	
88248	
133281	
663	
67404	
77247	
74341	
144809	
85666	
22868	SHA, Li Lin
11822	PERSONAL INFORMATION
71603	SHI, Guo Tai
10226	PERSONAL INFORMATION
43366	
117648	
152094	
130874	
36465	
10241	
174856	
175028	
84302	
42924	
152432	
141503	
17135	
90767	
14033	
95916	

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 JIN 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>