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Anti-Money Laundering in BC Gaming

Measuring Performance Progress

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Executive Summary

As a result of concern that money laundering was occurring in British Columbia gaming facilities the Gaming Policy and Enforcement Branch (GPEB) and the British Columbia Lottery Corporation (BCLC) embarked on an initiative to stop this activity. The strategy statement, which has framed the anti-money laundering (AML) activities, is that:

The gaming industry will prevent money laundering in gaming by moving from a cash based industry as quickly as possible and scrutinizing the remaining cash for appropriate action. This shift will respect or enhance our responsible gambling practices and the health of the industry.

Both GPEB and BCLC have initiated working groups to create solutions for this industry challenge. Alternatives to carrying cash into gaming facilities have been developed and implemented, in this current fiscal year. Progress has been made with new enhancements being introduced to the industry that allow patrons to safely obtain gaming funds inside the facilities. These funds are already vetted through financial services industry AML diligence. At this point approximately 70% of all gaming funds are obtained from within the casino and Community Gaming Centre facilities.

Even with the progress that has been made, through alternative cash initiatives, there have been increased levels of suspicious currency transactions during the same time period. These buy-ins, with cash from outside of gaming facilities, challenge the AML goal.

This report provides discussion of the existing success in AML initiatives and the challenges of outside cash that continues to enter gaming facilities. It describes the next planned enhancements for availability of funds inside facilities. And, it sets out a phased approach to accelerate the strategy through the next fiscal year.

Commented [BD1]: I'm not so sure about this. In my opinion I think it's premature to suggest that large cash transactions challenge the AML goal. I don't think we've conclusively proved that Casinos are used for money laundering. We should be regarding the spending of funds derived from the proceeds of crime different than "money laundering". In any event, in light of recent revelations of the degree of in-bound flight of capital from Pacific Asia countries, a significant amount of which appears to be currency, we need to re-evaluate our thinking with respect to cash. There is no doubt that reduction in cash use is desirable, but there are a number of business and public safety reasons to justify it, not just AML. I think it's important to emphasize that. Additionally (as mentioned later in this report) the bar for identifying a particular transaction as "suspicious" has continually been lowered over the past few years as well as an "if in doubt, report it" mentality ingrained into BCLC and service provider staff will result in an increase in reporting.

BACKGROUND

In 2011, the Province conducted a review "Anti-Money Laundering Efforts at BC Gaming Facilities" to determine what anti-money laundering (AML) policies, practices and strategies were currently in place and to identify opportunities to strengthen the existing anti-money laundering regime. The published review included recommendations to both the British Columbia Lottery Corporation (BCLC) and the Gaming Policy and Enforcement Branch (GPEB) for opportunities to further strengthen anti-money laundering efforts.

Following this report, GPEB and BCLC developed a comprehensive anti-money laundering strategy to implement changes in the cash based business. Prior to establishing the new AML strategy funds for gaming have been available inside the facilities, through limited options. Beyond those options cash has to be brought into gaming venues from outside the facilities. The focus of the AML strategy is a phased approach of prevention, through providing alternatives to bringing in cash from outside gaming facilities, and, working to bring about a decline in suspicious transactions that are typical of money laundering.

An anti-money laundering cross-divisional working group (AML x-dwg) was established in GPEB to develop AML solutions and assess proposals from BCLC and the industry. At the outset GPEB's Assistant Deputy Minister met with Service Provider CEO's and the President & CEO of the BC Lottery Corporation to set an approach for this initiative. BCLC established an industry working group, which included themselves as the operator of gaming, service providers who manage and run the gaming facilities and GPEB as the regulator of gaming. The industry AML working group meets regularly to review progress and develop new strategies.

GPEB's strategy statement was developed, which has framed activities of the AML x-dwg and the industry working group.

The gaming industry will prevent money laundering in gaming by moving from a cash based industry as quickly as possible and scrutinizing the remaining cash for appropriate action. This shift will respect or enhance our responsible gambling practices and the health of the industry.

This anti-money laundering strategy provides a framework for stakeholders in the gaming industry to align with each other in achieving mutual objectives to stop money laundering in the British Columbia gaming industry. Through creating innovative solutions and implementing these with rigorous policies and procedures the goal will be achieved.

AML PERFORMANCE MEASURES

The performance measure established for the Ministry of Energy, Mines and Natural Gas 2013/14 - 2015/16 Service Plan is to "Enhance access to funds in gaming facilities." The measure tracks the strategy of providing a suite of options to access funds in casinos and Community Gaming Centers. This has a baseline of two options in 2011/12, to obtain funds inside gaming facilities, and expands on that in future years. The performance measure also commits to producing this AML evaluation report and to adjust the strategy/implementation as appropriate.

The other element for measuring performance of the AML initiative is tracking the change in suspicious currency transactions (SCT) in gaming facilities. Especially those SCT's that can be associated with understood money laundering typologies.

This report provides discussion and measurements of the progress being made to achieve the goals set out in the Service Plan and in examining trends in SCT's. The baseline for the new options began April 1, 2012.

Commented [BD2]: Again, I am unaware of any authoritative analysis been undertaken with respect to the use of currency in Casinos – particularly regarding source of funds. A properly structured analysis done by qualified professionals may result in a change in perception. The underlying popular theme seems to be "large amounts of currency = money laundering" which may be inaccurate. There may be many other legitimate reasons why certain patrons favour the use of currency – even in high volumes.

Commented [BD3]: This won't prevent money laundering in the classic sense. Currency accounts for a very small proportion of the monetary instruments used to launder the proceeds of crime in the global context. Laundering is more about process than instrument. I continue to believe casinos are an exceedingly inefficient and risky way to launder the proceeds of crime.

Commented [BD4]: I'm not sure we are seeing SCTs that can be associated with classic ML typologies. At worst I think we may see some proceeds of crime used to gamble.

FINANCIAL BACKGROUND

The context for conducting financial analysis is the gross revenue of casinos and community gaming centres, and total gaming industry revenue in the province. The revenue figures for the past two fiscal years are.

	FY 2010/11	FY 2011/12
Casino	\$1,339,272,000	\$1,350,749,000
Community Gaming	\$277,036,000	\$289,286,000
CASINO & COMMUNITY REVENUE	\$1,616,308,000	\$1,640,035,000
TOTAL GAMING REVENUE	\$2,678,700,000	\$2,701,400,000

2011/12 AML Measures Baseline

Before engaging in new initiatives the two options available to obtain funds inside gaming facilities were Automated Teller Machines (ATM's) and the Patron Gaming Fund account.

ATM's have been utilized in gaming facilities for many years. They are widely used by patrons to obtain funds but are limited in the amount of money that a player can obtain on any given day. Even with this limitation ATM's continue to be utilized by gaming patrons who withdraw hundreds of millions of dollars each year inside BC gaming locations.

The **Patron Gaming Fund** account (PGF) was introduced to BC gaming players late in December 2009. This option allows patrons to transfer funds electronically from approved deposit-taking institutions into a PGF account, held at a BC casino, for play while at the facility. The PGF account was established to provide an option to players having to carry large amounts of cash into gaming facilities. It also ensured that AML diligence had already been done for these funds. GPEB initially approved this innovative option with relatively strict controls, to conduct a pilot program that would allow us to manage the money laundering risk. With the controls in place, and the PGF account being a pilot program it received limited acceptance through the first two years.

2012/13 AML Enhancements

The new emphasis on AML opened up expanded options for increased use of the PGF by a larger number of players, and for larger volumes of gaming funds. The commitment for Fiscal Year 2012/13 is to introduce three new options to either enhance existing AML strategies or to develop new strategies. Working with BCLC and casino service providers GPEB has approved new options, with resulting increases in funds being available inside gaming facilities. These new options have required new BCLC policies and procedures and the necessary changes in gaming facility operations. Thus adoption has been staggered throughout the year.

The following describes the 2012/13 enhancements and new strategies.

Patron Gaming Fund

Through this current fiscal year, several enhancements have been made to the PGF accounts program. There has been a very positive increase in funds being deposited into PGF accounts and used for gaming in the casinos. The enhancements are:

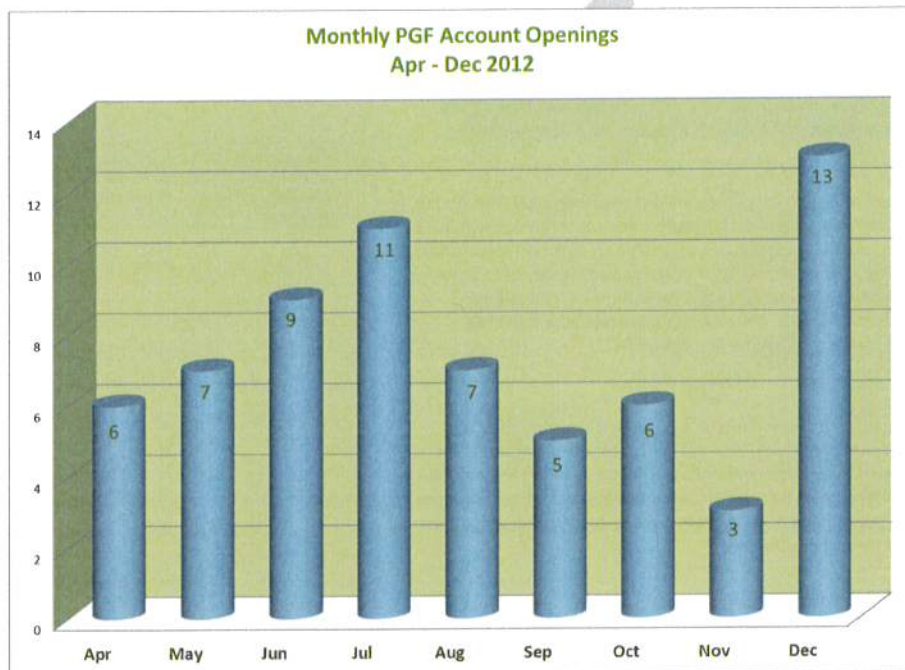
- the list of acceptable financial institutions, for transfer of funds into the PGF, has been expanded to include Schedule II Canadian deposit taking institutions.
- for customer convenience, PGF accounts can now be linked to two financial institution accounts. Only individual bank accounts are allowed, with no third party, joint or business accounts to be used in funding PGF funds.

Commented [BD5]: This is a ML threat if the ATM vendors and cash suppliers have not been vetted. High volume ATMs provide an excellent placement and preliminary layering mechanism in the ML process.

- PGF accounts can now be funded with an expanded list of financial instruments. These are:
 - certified cheques
 - bank drafts
 - verified win cheques
 - cheques issued by Canadian casinos, to the PGF account holder

Through work done at the industry working group, the PGF account has been more actively promoted in BC gaming facilities. Frequent, and high volume, players are being identified. Service providers are engaging these individuals to sign more players into the program and to encourage increased use of the program.

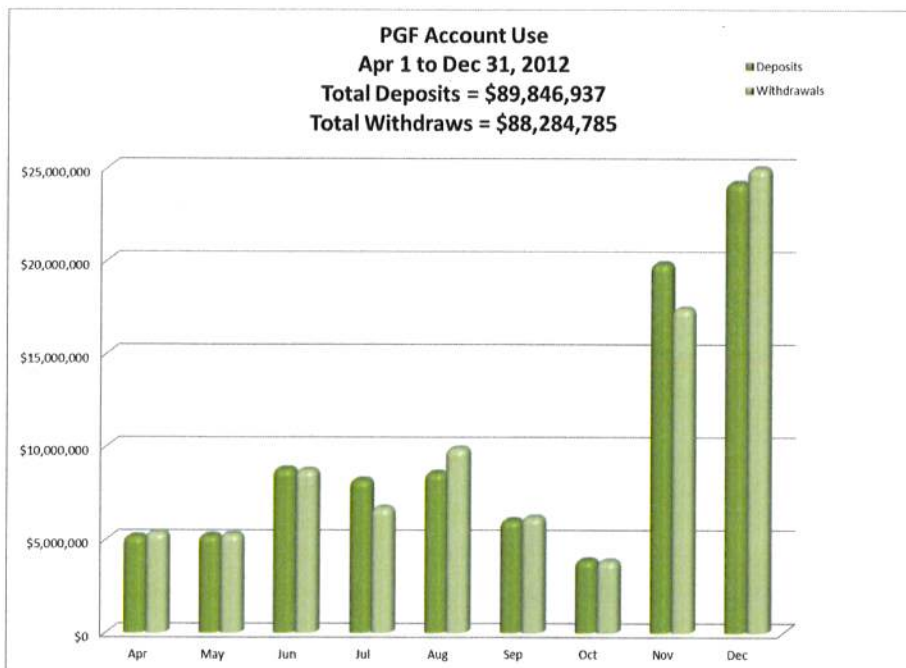
The chart below indicates the number of new PGF accounts that have been opened in the current fiscal year.



The total number of PGF accounts opened since the December 2009 inception of the program is 305. The 67 new PGF accounts, in the first nine months of the current fiscal year, is an increase of 28% over the previous total.

Although the current activity of new accounts is encouraging it should be noted that 152 of the total PGF accounts have been closed, subsequent to being opened. The primary reason for casino service providers to close accounts is due to inactivity for a 12 month period. This leaves 153 PGF accounts open as at December 31, 2012.

The chart below documents the amount of money deposited into PGF accounts and withdrawn for gaming use in the first three quarters of FY2012/13. It is significant to note the increase in usage during the third quarter, over the total usage in the prior two quarters. This measure is encouraging in that it supports the increased momentum of the AML strategy, by service providers and gaming patrons.



Analysis of PGF momentum:

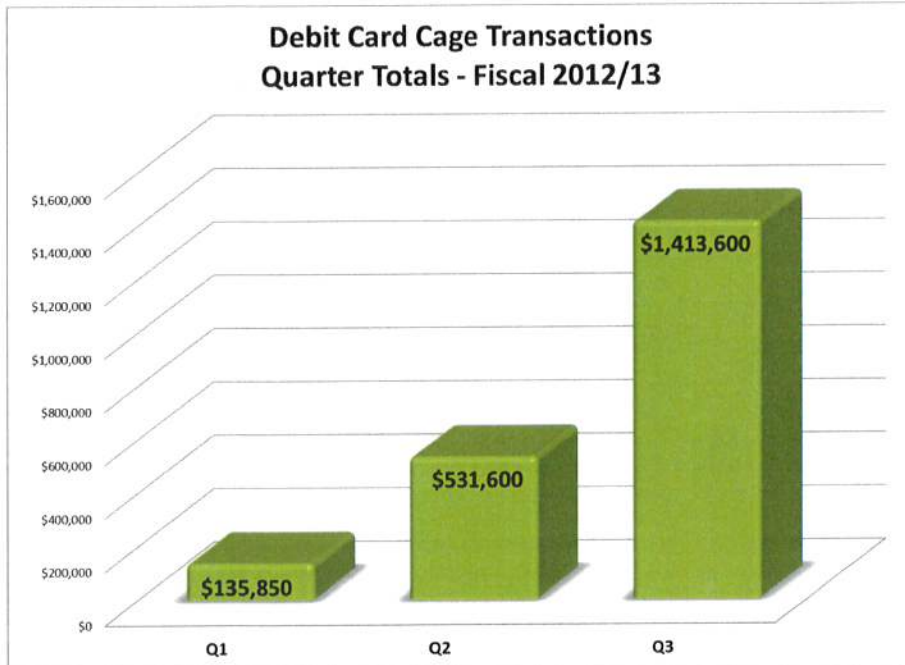
Timeframe	Total Deposits	Total Withdrawals
April 1 – September 30, 2012 (Q 1&2)	\$41,943,982	\$42,098,380
April 1 – December 31, 2012 (Q 1, 2 & 3)	\$89,846,937	\$88,284,785
Increase September 30 – December 31, 2012 (Q3 only)	\$47,902,955	\$46,186,405
% Q3 Increase over Q 1&2 Total	114%	110%

Note, there is ongoing discussion concerning tracking of the total deposits and withdrawals. Some adjustments will have to be made due to fine tuning of the accounting entries at source. The variance may represent a reduction of less than 1/2 of one percent, leaving the total deposits at approximately \$89.4 million. This will be sorted out for the year-end report.

Debit Card

As of April 1, 2012 gaming patrons were able to withdraw funds from their financial institutions using their debit card, at the cash cage. This new enhancement is intended for transactions in amounts above ATM limits. As the year has progressed new facilities have added this option for their patrons. There are currently nine gaming locations that offer debit withdrawal at the cash cage.

The total withdrawn, as at December 31, 2012, is \$2,080,050. With the addition of new properties the third quarter has shown a dramatic increase in use of this method for people to obtain gaming funds, within the gaming facilities.



- Total of \$2,080,050 for the current fiscal year
- This option is in use at the following properties: Boulevard, Cascades, Fraser Downs, Edgewater, Grand Villa, River Rock, Starlight, Treasure Cove, View Royal

Cheque Hold

The Cheque Hold process involves preapproving patrons to conduct casino gaming while a cheque (the security) that they have provided the casino is held uncashed. Once the patron has finished their gaming this cheque must be reconciled to either pay the amount owing, in the event of net losses, or the casino will pay out the net winnings if that is the case. This mechanism is used for high net worth patrons, who have the proven ability to cover the value of the held cheque.

Participating Casinos for the Cheque Hold Option are listed below with approval dates. As of December 31, 2012 this option has yet to be utilized at any British Columbia gaming facilities.

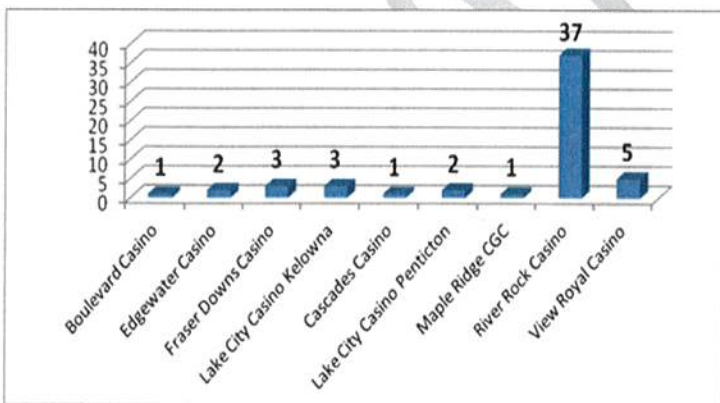
Casino Property	Cheque Hold Approved
Edgewater	April 10, 2012
Starlight	May 13, 2012
Grand Villa	May 24, 2012
River Rock	July 20, 2012

There is an element of risk to the casino in supporting Cheque Hold programs. Currently the only other Canadian gaming facility utilizing Cheque Hold is the casino in Montreal, Quebec. This has been in place there for over three years. As this is a new enhancement in British Columbia we expected a slow start to adopting the program.

Customer Convenience Cheque

Service providers are now permitted to issue cheques to patrons for the return of buy-in funds, up to one \$8,000 cheque per week. These cheques are clearly marked "Return of Funds – Not Gaming Winnings". This option enhances security for patrons who do not wish to exit the gaming facility with large quantities of cash. AML diligence is enhanced as customer information is recorded and all transactions are monitored and reported. This policy does not provide cheques to every patron, as it is limited to one \$8,000 cheque per week. Thus the AML policy dictates that large cash buy-ins are returned to the patron in the form that they were received initially at the cash cage. A large cash buy-in with small bills (\$20's) is returned with the same denomination.

For the nine month period April 1 – December 31 2012, a total of 55 convenience cheques were issued for a total amount of \$216,947. The breakdown, by gaming facility, is provided in the chart below.



- 4 patrons have received more than one convenience cheque, provided within the policy parameters – each cheque was issued in different weeks.

Commented [BD6]: As we have discussed, in my opinion the return of player funds in currency probably encourages criminals to use the proceeds of crime to play at Casinos. The use of cash is essentially anonymous. A suspected criminal buying in with a large currency amount is now identified in the first instance. By requiring him/her to take a payout in currency effectively eliminates the ability of law enforcement and FinTrac from further tracking the funds. I would suggest that the majority of criminals would balk at using the proceeds of crime to play at a gaming venue if they knew that the cheque they were issued would be reported to FinTrac as part of the suspicious transaction reporting regimen. A report to FinTrac which included details with respect to how the cheque was cashed would be a huge financial intelligence benefit and could provide valuable insight into the true laundering cycle. Notwithstanding, I suspect from the moment we issue cheques (rather than returning cash) we would see a reduction in suspected criminals using the proceeds of crime to gamble. The use of cheques may also serve as a significant deterrent to loan sharks for the same reason noted above – the cheque would serve to create a paper trail.

Existing Methods of Reducing External Cash in Casinos

To fully understand the impact of funds obtained within gaming facilities versus those brought in from outside it is important to review methods that have already been in place. Casino service providers currently provide access to cash through ATM's and the Global Cash funds advance facility. The Global Cash Access company operates kiosks that allow patrons to make debit withdrawals or cash advance purchases for use in gaming. These kiosks are located outside of the gaming floor, usually in entertainment facility lobbies.

The table below provides the accounting for these existing methods for the first three quarters of the current fiscal year.



ATM/Global Cash/Credit Card Advances = \$808,273,655

Cash Transaction Monitoring and Reporting

Federal legislation requires casinos to report large cash transactions and suspicious transactions. In British Columbia BCLC is the legal reporting entity as a result of their role to conduct and manage gaming in the province. This reporting requirement is legally required by the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA). The reporting is provided to the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC). In the case of suspicious currency transaction reports, a Gaming Control Act Section 86 report (S.86) is provided to the Investigations and Regional Operations Division of GPEB.

Large cash transaction reports (LCT's) must be filed when reporting entities receive an amount of \$10,000 or more in cash in the course of a single transaction. An LCT must also be filed, in the case of casinos, when disbursements of \$10,000 or more are made in the course of a single transaction. As described in FINTRAC's Guideline 2: Suspicious Transactions, suspicious transaction reports (STR's) must be provided by reporting entities in the case of completed or attempted transactions if there are reasonable grounds to suspect that the transactions are related to the commission or attempted commission of a money laundering offence or a terrorist activity financing offence. The Guideline goes on to say that, "Reasonable grounds to suspect" is determined by what is reasonable in your circumstances, including normal business practices and systems within your industry."

A key measure in understanding potential money laundering activity is suspicious transactions. By examining this activity we are able to derive information about the trends in cash entering casinos from outside of the premises. Identifying incidents of suspicious transactions and the filing of STR's has evolved over the past few years. In the summer of 2010 FINTRAC conducted an audit of BC casino filings under the PCMLTFA. Further, a study was conducted by government. The 'Anti-Money Laundering Measures at BC Gaming Facilities' report was released in 2011. As a result of the FINTRAC audit and the government study BCLC identified a need for greater diligence in recognizing and filing of casino buy-ins that required STR's.

Casino service provider training was upgraded early in 2010, and was branded as "Anti Money Laundering Training (AML)". Following the assessment of a FINTRAC administrative monetary penalty in June of 2010 BCLC Investigators were provided with an AML Compliance Manual, which clarified their duties and expectations with respect to AML monitoring and reporting. Through 2010 a new on-line AML course was developed for casino service providers and Community Gaming Centre staff. This was rolled out in March 2011. The AML Training course was updated, again, through 2012 and was made available to gaming workers in December 2012.

The upgraded level of patron buy-in diligence has contributed in increased filing of STR's by BCLC since 2010. This changing environment has to be considered in analyzing the statistics. The change in STR filing results has to be viewed in context of the new training and greater sensitivity to suspicious transaction situations since that time.

In addition to FINTRAC reporting, GPEB is responsible for the overall integrity of gaming in the Province as outlined in Section 23 of the Gaming Control Act (GCA). Section 86 of the GCA and Section 34 of the Gaming Control Regulation legally requires the Service Providers (Registrants) to immediately report to the Investigations and Regional Operations Division (Investigations) of GPEB any conduct or activity that is or may be contrary to the Criminal Code, the GCA or any Regulation under the Act and includes any activity or conduct that affects the integrity of gaming. These S.86 reports are categorized, and reported, as Suspicious Currency Transactions (SCT) by GPEB Investigations.

Statistics for filing S.86 Suspicious Currency Transactions to GPEB Investigations are:

SCT (S.86 GCA) Notifications	Year	Number of SCT Notifications
	2009	211
	2010	295
	2011	676
	2012	1175

In summary, BCLC provides Large Cash Transaction (LCT) reports and Suspicious Transaction (STR) reports to FINTRAC. Plus they provide Gaming Control Act Section 86 Suspicious Currency Transaction (S.86 SCT) reports to GPEB's Investigations and Regional Operations Division. The S.86 SCT reports are generated from information developed by casino surveillance staff, and these are sent to GPEB as soon as possible after the incident is observed. The STR reports that are provided to FINTRAC are generated from the same incident. GPEB does a reconciliation of the two reports to ensure consistency of providing the two organizations with the information they require. Thus factors affecting the rigor of STR identification and reporting also affect reporting of S.86 SCT reports to GPEB.

GPEB Investigations has provided more detailed analysis of key factors that they put forward to describe the changing conditions of cash being brought into BC casinos for cash cage buy-ins. This is done for two time periods, both covering twelve months. The first is August 31, 2010 – September 1, 2011. The second is the 2012 calendar year. Although the timeframes do not match, this comparison is useful for understanding trends. It should also be pointed out, as above, that the two time periods are across the changing environment of new training and increased diligence in identifying suspicious transactions.

Suspicious Currency Transaction (SCT / S.86 GCA) Analysis

	Aug 31, 2010 – Sept 1, 2011 (12 months)	Jan 1, 2012 – Dec 31, 2012 (12 months)
Total S.86 SCT Notifications	543	1175
Total \$ Amount	\$39,572,313	\$87,435,297
Patron Buy-Ins over \$100,000 (# of different patrons who have bought in at this level at least once)	80 patrons	88 patrons
Patron Buy-Ins over \$1,000,000 (# of different patrons who have bought in at this level at least once)	4 patrons	17 patrons

Supplemental information for 2012 is provided by GPEB Investigations. Their work in gaming facilities provides an assessment that Suspicious Currency Transaction buy-ins are increasing. Incidents of buy-ins at high levels (\$200,000 up to over \$500,000) with \$20 bills are increasing. This goes beyond being explained by the increased diligence of recognizing and reporting SCT's. Loan sharks were strongly deterred and continue to be deterred from entering and operating at casino premises in the province. However it is our belief that they continue to operate using creative ways of providing gaming patrons with cash, from outside of gaming premises. The funds provided by loan sharks are generally in bundles of \$20 bills, which come in amounts of \$10,000 wrapped with elastic bands.

The Investigations and Regional Operations Division has stated that they are satisfied that Service Provider reporting of S.86 Suspicious Currency Transactions to GPEB is, and has generally been, consistent and acceptable since 2010. This would keep these in alignment with the FINTRAC STR reporting. BCLC oversight diligence has been enhanced over the past two years. The BCLC AML program has been examined through risk assessment diligence and appropriate tracking is in place.

Commented [BD7]: I'm not sure we should be relying on denomination/bundling methods for determining if currency originates from loan sharks. It is interesting to note that some Casinos assemble their cash for deposit in bundles of \$10,000 wrapped in elastics, as do some cash based businesses. For the most part, financial institutions require depositors to bundle cash in a specific manner so as to reduce work by their staff. If currency is not bundled in the prescribed manner (sometimes referred to as "bank ready") the client is often assessed a service charge. I suggest there are a number of factors that should be considered other than the style cash bundles to determine if funds originate from loan sharks; there are just too many legitimate variables at play. Also, the fact that the majority of the currency coming into Casinos are in \$20 bills should not be considered unusual; I understand that 80% of the value of Canadian Currency in circulation is in the form of \$20 bills.

Analysis

2012/13 Enhancements

The enhancements documented in this report came into effect beginning April 1, 2012. In order for service providers to put these into operation they had to develop policies and procedures to comply with BCLC requirements. The debit card option involved ordering and installing new equipment. In some cases this took time and thus the progress toward achieving results is reflected by a gradual startup period with greater momentum being achieved in the last quarter.

The industry working group met three times in 2012. The first meeting of the new year was February 7, 2013. The focus of these BCLC led AML meetings is to review progress with service provider implementation of the enhancements, to share solutions and to develop new solutions for patrons to access funds inside the gaming facilities. The SCT activity has also been discussed in the meetings. This approach between all parties has resulted in positive progress. It has also created a good environment for building momentum for promoting the enhancements in BC gaming facilities.

The results over three quarters of FY 2012/13 are encouraging. Almost \$90 million has been used for gaming out of PGF accounts. Debit withdrawals, at the cage, are over \$2 million. With the policies, procedures and systems becoming entrenched in gaming facilities, the trend for both of these enhanced options is a strong increase in the third quarter. The existing ATM and Global Cash withdrawal options are relatively stable quarter over quarter, with over \$808 million being withdrawn inside of gaming facilities in the first three quarters. Customer convenience cheques have been provided to patrons for almost \$217,000. This has allowed people to leave safely with their money while strong AML diligence is achieved through recording of the customer data.

Commented [BD8]: This would be stronger if cheques for larger amounts were permitted, or even mandated

In total the cash managed through alternative means, versus bringing it in from outside of gaming facilities, has been over \$900 million in the first three quarters of the year. Ten percent of this is from new initiatives. When annualized, the total of funds obtained within gaming facilities represents over 70% of the gross revenue. This is encouraging.

Suspicious Currency Transactions

Analyzing the trends in suspicious transactions, through a changing environment of training, identification and reporting has still allowed GPEB to draw conclusions from the data. A further analysis will be able to be done as 2013 unfolds, given the more consistent environment between this year and 2012.

Commented [BD9]: As previously discussed, we are just beginning to get a glimpse of what we don't know. A full analysis has yet to be done. BCLC Security & Compliance is preparing a BC to retain an analyst on contract to conduct a fulsome review of the role of large cash transactions in the Casino industry

Suspicious Currency Transactions (SCT) in BC gaming facilities continue to significantly increase across the observed periods. Even taking into consideration the upgrading of training and the push for service providers to identify and report more the evidence is that the amount of SCT's is dramatically larger in 2012. At over \$87 million this is more than double the reported SCT amount in the previous study period. The \$87 million represents 3.2% of the total gaming revenue in BC and 5.3% of the revenue in casinos and community gaming centres.

Commented [BD10]: We are really looking at 5 Casinos in the Lower Mainland which attract the vast majority of large cash transactions, with the River Rock way out in front. I believe there are a multitude of drivers behind the use of large currency amounts at Casinos in the Vancouver area. Money Laundering/Proceeds of Crime is likely the least. Looking across the province I can't help but compare the Lower Mainland with Kelowna which has a higher crime rate than Vancouver, increasing drug offences, a relatively new Hell's Angels Chapter, a "puppet club", and an Organized Crime problem which apparently is so compelling that the Combines Forces Special Enforcement Unit (CFSEU) recently opened a branch office there. If Casinos were so attractive as a laundering tool, we should see a proportionate but dramatic increase in suspicious transactions there, and yet we haven't. In fact, there have only been 14 reported in 5 years. Similar figures apply to Prince George and Nanaimo, each of which have their own crime challenges.

Conclusions and Recommendations

New Initiatives for 2013/14

Conclusions and Recommendations

The new initiatives of acquiring funds inside gaming facilities have grown well in the first nine months. Based on the performance measure, established for the Ministry Service Plan, the goal has been met for the current fiscal year.

While the progress is encouraging it is challenging to the AML initiative when we observe increases of Suspicious Currency Transaction cash being brought into casinos. The volume of gaming money acquired inside the facilities is considerable, with over 70% of gaming funds being acquired inside the venues. And, the trend is positive. As new initiatives are used more and more we are seeing momentum toward achieving the goal of the program. However, the increase in SCT cash is a trend that must be turned around. While more gaming money is being obtained inside facilities more Suspicious Currency Transactions are being reported and, it is believed that, more suspicious street cash is also being brought into casinos.

Commented [JL11]: This isn't substantiated and as stated in a previous comment, the increase in SCT reporting is due to a change in site staff's approach

New Initiatives for 2013/14

AML Enhancements

The current suite of enhancements is still working into casino operations and will be promoted even more in 2013/14. GPEB has approved that the Patron Gaming Fund account can be opened at lower levels than the original pilot program required, which was \$10,000. We continue to encourage service providers to use this to grow the number of patrons using PGF accounts for gaming. We expect to see increasing results of funds being acquired inside gaming facilities.

Internet Banking Transfers (IBT) have been approved for moving funds into PGF accounts. This option will allow the transfer of money from a patron's bank account directly to the casino PGF account, similar to making a bill payment. The casino service providers are still working out the logistics of this, with banking institutions, and we expect to see this go live in 2013.

GPEB has approved the use of US bank accounts for putting funds into PGF accounts and for use in the Cheque Hold program. BCLC has developed policies and procedures for the US bank program, and we expect to have this in place in the near future.

A request has been made to allow patrons to access funds from foreign branch bank accounts of Canadian deposit taking institutions. This is under review and research is required, to inform if this proposal can be enabled and what constraints may be needed.

A BCLC marketing plan was discussed by the VP Communications and Public Relations at a previous industry working group meeting. This starts with marketing the cash free options with promotion materials and an approach for moving patrons into these options. Part of the plan will be to approach the limited number of high volume customers to review the enhancements and to help them to move into these and use them. The BCLC Casino group continues to work on this marketing plan in conjunction with casino service providers. We believe that this personal approach is integral to the long term success of moving high volume players into on-site access of their gaming funds.

Commented [BD12]: This is all good stuff, but I reiterate, there are several reasons we should discourage the use of cash in Casinos; AML should not be described as the only driver.

New Initiatives for 2013/14 (continued)

PCMLTFA Regulations

As a result of new diligence required through the PCMLTFA Act Regulations, reporting institutions will be applying enhanced Customer Due Diligence (CDD) requirements in the future. The Regulations changed in February 2013 and new procedures must be in place by February 2014. It is anticipated that this will require more engaged interactions with regular high volume customers and customers with large amounts of cash from outside of gaming facilities. The new Regulations describe enhanced monitoring of "high risk" persons and taking enhanced measures to mitigate risk when dealing with these high risk persons.

The industry is currently examining what processes and procedures will be needed to ensure that the new requirements are met. This is being led by BCLC in conjunction with service providers and GPEB. At this point we do not know exactly what effect this increased regulatory diligence will have on the interception and interruption of money laundering attempts. However, the expansion of PCMLTFA Regulations is a positive step toward achieving the desired AML results.

Suspicious Currency Transaction Interception

At the outset, in setting a strategy for stopping money laundering in BC casinos, it was decided that an incremental approach would be established. This was designed to progressively implement tiers of control over the acceptance of funds into gaming facilities. The level of suspicious currency would be tracked and analyzed so that the success of adoption of cash alternatives could be understood. The move from one phase to the next will only need to be invoked if we do not see reductions in the suspicious activities.

The phased approach plan is:

Phases	Description	Timeframe
Phase 1 – Cash Alternatives	<p>GPEB, BCLC and the industry have worked to provide alternative means to carrying in cash from outside of gaming facilities. The solutions utilize financial mechanisms whereby the funds are already vetted through established AML diligence. By adopting these alternatives patrons are able to access gaming funds directly in the facilities.</p> <p>The first phase requires promotion of the program by casino service providers, especially to their high volume players. For this phase to achieve the AML goal service providers have to intervene to solicit participation in the cash alternatives. Service providers are working to make this phase a success. Support by BCLC and GPEB is ongoing.</p> <p>Phase 1 anticipated that BCLC becomes actively engaged in the promotional marketing of the cash alternatives. In this phase they also would develop their plans for dealing directly with the known high volume customers, in anticipation of moving into Phase 2.</p>	April 1, 2012

Commented [BD13]: GPEB might want to consider maintaining a 7 day a week, 18 hour response capability in the Vancouver area if a Casino encounters currency which is believed, on reasonable grounds, to be obtained, used, or will afford evidence of the commission of an indictable offence so that their investigators may make a seizure (Sec. 489 (2) Criminal Code). There are a number of investigative strategies that could be deployed including referral to the BC Civil Forfeiture Office if a criminal prosecution is determined not to be viable. Requesting the POJ to take conduct of the seizure/investigation in the first instance is not reasonable as first responder police officers are often unsure of their grounds in this somewhat complex area of law. Seizure of criminal proceeds is probably one of the most effective deterrents, particularly if a carefully crafted media strategy is employed.

Commented [JL14]: I'd prefer the use of the term "preventing" versus "stopping".

Commented [JL15]: We have always maintained it is the Service Providers' role to deal with the players, NOT BCLC's.

The phased approach plan, continued:

Phases	Description	Timeframe
Phase 2 – Operator Intervention (BCLC)	<p>The second phase involves BCLC and service providers becoming more actively engaged in the required promotion of the cash alternatives with the high volume customers. This phase includes BCLC and service providers dealing directly with the known high volume customers and those gaming patrons who are buying in with large volumes of cash.</p> <p>This phase involves enhanced Customer Due Diligence (CDD). In addition to applying strict 'know your customer' rigor, Phase 2 anticipates understanding the source of high volume and suspicious cash. Working with patrons the Lottery Corporation and casino service providers will engage them to move these transactions over to the alternative mechanisms.</p> <p>At this point GPEB must engage BCLC to participate in Phase 2. Comprehensive investigation and analysis is required to identify the intention of the large cash buy-ins, especially to identify those that are typical of money laundering.</p>	May 1, 2013
Phase 3 – Regulator Intervention (GPEB)	<p>In this phase GPEB undertakes direct regulatory action as part of the administrative process. This is the point where certain requirements have to be imposed on the industry in order to achieve the desired goal of stopping known money laundering typologies in BC gaming facilities.</p> <p>In a process that is still to be researched and developed the regulator deals with the remaining suspicious currency inflows. In this phase the use of Gaming Control Regulation modifications may be necessary in order to fully achieve the goal.</p> <p>The final phase results in the elimination of money laundering, or the perception of money laundering, in BC gaming facilities. It is most desirable that this goal has been achieved in previous phases. However, this tier in the plan ensures that the goal is met.</p>	October 1, 2013

Commented [BD16]: I can't begin to emphasize how important it is to completely understand the scope of the issue, especially with respect to culture and demographics, before we undertake corrective action based on perception rather than fact. As I mentioned previously, the whole crux of the issue rests with 5 Casinos, and the River Rock in particular. I have to wonder if imposing conditions across the board is appropriate when the challenge (if there is one) rests with a very defined group. Additionally, tying the success of a AML measure to cash alone may be ill advised in that we may, at the end of the day, be discriminating against a group of legitimate, high end patrons simply on the basis of their preference of payment method.

The gaming industry is working to stop money laundering, and the perception of money laundering, in British Columbia gaming facilities. Through the coordinated efforts of the Gaming Policy and Enforcement Branch, the British Columbia Lottery Corporation and gaming service providers we are engaged in targeting this activity through ensuring that alternatives to outside cash are available to gaming patrons. A tiered approach of accelerated intervention is in place to phase-in the solutions so that the safety of patrons is ensured and the overall health of the industry is respected.

This is the first report to measure the performance progress of the anti-money laundering initiative. A year-end report will be completed. It is anticipated that further reporting will be done prior to moving into phase 3 and at the end of the 2013/14 Fiscal Year.