



Know your limit, play within it.

September 22, 2013

Log # 331838

Brad Desmarais
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Corporate Security and Compliance
BC Lottery Corporation
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Vancouver BC V5M 0A6

1

Re: BCLC Request for Policy Change Regarding Casino Cheque Issuance

Dear Brad:

Thank you for your proposal of September 19, 2013. As you know, GPEB is eager to advance this proposal in order to realize increased public safety and reduce the use of cash in casinos.

However, the information and analysis contained in the proposal is not currently sufficient for approval-in-principle of the requested policy change with respect to issuance of casino cheques. There are many questions left unanswered and a compelling argument that this policy will increase the opportunity for money laundering persists. I do not make these comments to be in any way critical of your proposal. I know that I have rushed this issue with your office in hopes of finding a solution as soon as possible. I believe it is an important proposal that must continue to be considered with additional analysis.

Therefore, despite my inability to take action based on the information currently available, GPEB is committed to continuing this discussion and analysis as both our organizations work to find an appropriate solution in the public interest. Going forward, I will not be able to participate in these discussions as General Manager of GPEB and so I would like to provide brief comments on this issue before I move on to other duties with the Provincial Government on September 23rd.

To begin, in my view the core argument that criminals prefer cash for anonymity has very important limits. Large amounts of cash can be a significant challenge to organized crime groups. It is difficult to transfer, is vulnerable to interdiction, and during virtually all legitimate large modern-day commercial transactions it raises significant and unwanted suspicion, including from FinTRAC and law enforcement agencies.

Ministry of Finance

Gaming Policy and
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BCLC0000065

If we accept the premise that a person wants to launder money in a casino, their goal *must* be to acquire a cheque¹. If their laundering goal is to have money returned in cash, why would they walk into a casino? The cash is already in their hands. Therefore, the suggestion that a casino is facilitating the criminal’s money laundering goals in some way when returning cash in the same denominations as it was received is questionable.

If the goal of a criminal is not to launder in a common sense, but to use illicit currency to enjoy casino games, it is conceivable they would prefer to receive cash back, and this may deter this type of play (though a criminal may intend to play out their money entirely, or take casino chips home if a verified win cheque is seen by them as an attractive goal).

Future analysis of this proposal should include consideration of the potential types of money launderers. The table below is merely a starting point, however, it provides a first cut at what the potential impact of the proposed policy may be.

Lauderer Type	Lauderer Objectives	Potential Cheque Policy Impact
Criminal laundering their own proceeds of crime	1. Playing for enjoyment 2. Wish to acquire cheque	1. May deter play 2. Will make cheque acquisition easier (no need for verified win) and potentially encourage more laundering ²
Criminal using nominees to launder	3. Wish to acquire cheque in nominees name later to be transferred through multiple accounts – business and personal – comingled with other funds etc. – to obscure original source of funds	3. Will potentially encourage more money laundering as in #2.
Legitimately wealthy players who buy discounted currency “street cash” that is the proceeds of crime such as drug dealing	4. Wish to gamble. Enjoy the benefit of gambling at a discount due to lower cost of street cash.	4. No deterrent. May encourage more laundering as player will be able to buy more discounted street cash for the next day of play since they received no cash back from casino.

While much more analysis is warranted, I believe the table above illustrates why a decision to change this policy is not simple and could have unforeseen consequences in an environment we do not fully understand. In the four scenarios noted in the table, only one appears to have the potential to deter the money laundering, and that potential is questionable. The other three scenarios indicate potential to increase money laundering in BC Casinos.

¹ Unless the launderer’s objective is to “colour up” to higher denominations (which should not be permitted with existing policy), or clean serial numbers (which would be a very rare practice).

² Notations similar to “Not from winnings” are not anticipated to act as a significant deterrent since, (as we understand) it is very challenging to prove there are not a series of small wins that can account for a payout, and sophisticated launderers will know even a verified win does not fully clean money and the laundering must continue through electronic means after the initial placement is made in a casino.

If feasible, I would like to see this policy implemented in order to achieve the other benefits you have noted in your proposal. Before that is possible a number of questions, including some presented here, must be answered to demonstrate the proposal will have the intended impact in our efforts to prevent money laundering.

In relation to the very desirable public safety benefit of this proposal, I believe it is important to note that all casino patrons are now in a position to ensure their own safety by utilizing the many non-cash options for buy-in, including debit card, bank transfer and the patron gaming accounts. This new level of patron safety is the product of GPEB and BCLC working together collaboratively on our common goal, a practice I know will continue. The additional safety of these options should be emphasized with players buying in with large amounts of cash. As you noted, customers who buy-in with smaller amounts of cash can enjoy the safety of "convenience cheques" for amounts of \$8,000 or less.

GPEB is committed to timely fact-finding and analysis with the help of expert guidance in order to form a solid and defensible base for any new policy. John Mazure, the incoming General Manager, will work with Bill McCrea and others on GPEB staff to continue this effort.

I appreciate your work on this issue and assure you that GPEB is committed to continuing the development of knowledge and policy in this area.

Sincerely,



Douglas S. Scott
Assistant Deputy Minister

cc Michael Graydon
Jim Lightbody
Bill McCrea