

**CONFIDENTIAL
MEETING HIGHLIGHTS**

Gaming Policy and Enforcement Branch
Date: June 25, 2015

Assistant Deputy Minister Responsible: John
Mazure

**Anti-Money Laundering
Workshop:
Exploring Common Ground**

DETAILS:

- **Government launched an Anti-Money Laundering (AML) strategy in 2011 focused on reducing the use of cash in gaming facilities. Phases 1 and 2 have been completed.**
- **The third and final phase of this strategy involves regulator guidance around the potential need for additional measures to be implemented to address enhanced AML diligence.**
- **The Gaming Policy and Enforcement Branch (GPEB) and the BC Lottery Corporation (BCLC) co-hosted a one-day workshop, Exploring Common Ground, at BCLC headquarters on June 4, 2015. The workshop included representatives from:**
 - **Major B.C. gaming service providers;**
 - **Royal Canadian Mounted Police;**
 - **Financial Institutions;**
 - **Canadian Border Services Agency;**
 - **Canada Revenue Agency; and**
 - **Financial Transaction and Report Analysis Centre of Canada (FINTRAC).**
- **This workshop represented the first time that there was a dialogue around AML that included all of these participants.**
- **The intent of the meeting was to ensure effective practices are in place and to combat the perception that casinos are vulnerable to large-scale money laundering and related criminal activities. In addition, GPEB and BCLC are continuing to develop strategies and new measures to strengthen the prevention of money laundering in gaming facilities.**
- **A discussion paper is to be completed by the GPEB facilitator and will be disseminated amongst the attendees for additional input. This document will then be provided to the ADM of GPEB.**

MEETING OUTCOMES:

- The working group identified areas for further discussion and are ideas for consideration by GPEB leadership :
 - Enhanced Customer Due Diligence (CDD) focused on Knowing Your Customer (KYC) , used to address concerns over the source of wealth and the source of funds. The introduction of a source of funds questionnaire may reduce the need for filing of a Suspicious Transaction Reports (STR) for that individual to avoid over-reporting;
 - Strengths:
 - BCLC investment of millions of dollars into SAS software;
 - High risk players will be identified by service providers through internal metrics and a process of Know your Customer (KYC) and where necessary a focus on the source of funds ;
 - BCLC has a surveillance regime that is more comprehensive and not as restricted by legislation that governs financial institutions;
 - Stronger audit trail and traceability; and
 - Awareness of the difference between source of wealth and source of funds.
 - Opportunities:
 - Key is a regime that includes the identification of source of funds at the point each suspicious currency transaction begins;
 - Enhanced metrics that identify risks based on # of Suspicious Currency Transactions (SCT's) filed on an individual and an immediate intervention action plan;
 - Informs business and tactical intelligence;
 - Enhancement of the current AML program that reduces the difficulties of verifying the information provided;
 - Increased relationships by GPEB with the RCMP and local police of jurisdiction;
 - Mature customer segmentation process that cascades into a series of CDD protocols that, as required, may ultimately end in a face to face interview; and

- The interview can be used to market non-cash alternatives and the risk of cash as an instrument.
- **BCLC to make a business case for enhancing non-cash alternatives such as credit and unlimited convenience cheques.**
 - **Strengths for delimited convenience cheques:**
 - **Enhanced public safety;**
 - **Stronger audit trail and traceability;**
 - **Source of funds is only identified once; and**
 - **Decrease in the number of Suspicious Transaction Reports (STR) filed; and**
 - **Opportunities for delimiting convenience cheques:**
 - **Relies upon strength of the CDD at the point of the first interaction.**
 - **Strengths for offering credit:**
 - **A Hold Cheque is very similar to the purpose and function of convenience cheques;**
 - **Offered only to a select number of high limit patrons;**
 - **Enhanced public safety; and**
 - **Increased accessibility on a 24 hour basis to funds.**
 - **Reduction of any underground banking economy.**
 - **Opportunities for offering credit:**
 - **BCLC and Service Providers would need to establish**
 - **How the structure would work;**
 - **How the process would work;**
 - **Identifying risks; and**
 - **Clarify any accounts payable and collections issues.**
- **Develop a public education and information strategy that would counter negative perception about the increasing numbers of SCTs reported.**
 - **Proactively frame the issue as one of increased capacity to detect and report;**
 - **This is an opportunity for transparency; and**
 - **Investigate a role for third-party experts to provide their perspective about increased number of STRs.**

- **Develop a coordinated audit, compliance, intelligence and enforcement capacity.**
 - **Increase the working relationship and sharing of tools between GPEB Compliance Division and BCLC Corporate Security in the area of AML**
 - **Coordinated response between GPEB and BCLC to ensure there is no duplication of process;**
 - **Use of BCLC tools, including SAS software, by GPEB staff; and**
 - **Retain the Exploring Common Ground working group as an advisory body.**
 - **Continue ongoing dialogue with RCMP senior management about the possibility of shared intelligence responsibility and work on a tactical intelligence report on gaming in British Columbia.**
 - **Assess need for interdiction team as a final stage of process. Details of this will be outlined in the report.**
 - **Assess need for an internal AML oversight committee.**
- **The tone and direction provided by GPEB and BCLC was well-received.**
 - **Key partners were brought together for a cross-perspective discussion of an issue that impacts all the organizations who attended.**
 - **There was a commitment by attendees to continue dialogue on this issue.**

BACKGROUND:

- BC has had anti-money laundering policies in place for its gaming facilities since 1998.
- In 1998 the federal government passed the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* and in 2000 created the Financial Transactions and Reporting Analysis Centre of Canada (FINTRAC), the federal body whose mandate is to facilitate the detection, prevention and deterrence of money laundering and the financing of terrorist activities.
- In February 2014, FINTRAC expanded its “Know Your Customer” monitoring requirements. As a result, transactions thought to be related to proceeds of crime or money laundering require additional collection of data, increased monitoring, client risk analysis and further examination of client’s business relationships.

- BCLC's 2015/16 Government's Letter of Expectations, establishes specific accountabilities for BCLC to further develop and promote the use of cash alternatives for gaming facility patrons, and deliver enhanced due diligence as required by FINTRAC.
- In 2011, government implemented an anti-money laundering (AML) strategy that focuses on minimizing the opportunity for money laundering at gaming facilities.
- Phase 1 and 2 of the strategy involved developing and implementing cash alternatives and intervention by service providers to encourage the use of cash alternatives by patrons.
- As part of Phase 3, GPEB has formed an AML Working Group to investigate options for AML compliance, customer due diligence and regulatory intervention.
- In 2014 GPEB commissioned Malysh Associates Ltd. to research customer due diligence (CDD) standards used by financial institutions and other businesses when accepting cash deposits.
- The September 2014 report summarizes best practices based on experiences of businesses required to maintain an AML compliance regime and other AML compliance issues identified in the research.
- In Fiscal Year 2014/15, BCLC filed 1,735 notifications of Suspicious Transactions to FINTRAC, compared to 1,254 in Fiscal year 2013/14. This number has increased as a result of due diligence exercised on high-risk players, as well as continued training within the facilities to report unusual activities.

Submitted by Len Meilleur
Executive Director
Compliance Division

Assisted by Lisa Burke
Quality Assurance and Risk
Operations Division

Appendix A

Date & Time: June 4, 2015, 9:00 am to 4:00 pm

Location: BCLC Offices, 2940 Virtual Way, Building #7, Vancouver, BC V5M 0A6

Hosts: Len Meilleur Executive Director, Compliance Division, GPEB
Brad Desmarais VP Corporate Security and Compliance, BCLC

Participants: David Pyatt Director, Grants, Community Support Division, GPEB
Michele Jaggi-Smith Director, Strategic Policy and Projects Division, GPEB

Ross Alderson Director, AML and Operational Analysis, BCLC
Kevin Sweeney Director, Compliance & Investigations, BCLC
Murray Dugger FINTRAC
Chief Supt Kevin Hackett Combined Forces Special Enforcement Unit
A/Comm, Wayne Rideout Investigative Services and Organized Crime (ISOC)
Insp. Calvin Chrustie Federal Serious and Organized Crime (FSOC)
Supt Dennis Erickson "E" Division Officer in Charge, Crim. Intelligence Sec.

Pierre McConnell TD Bank
Peter McLelan Western Union
Bernie Beck Ascendant FX
Rob Kroeker Great Canadian Gaming Corporation
Glen Atchison Gateway Casinos and Entertainment Limited
Ros Smith Edgewater Casino
Krista Ober Canada Border Services Agency
Jim Talbot Criminal Investigations, Canada Revenue Agency (CRA)

Phil Tawtel Civil Forfeiture Office, Ministry of Justice BC
Tom Steenvoorden Police Services Division, Ministry of Justice BC
Luke Clark Director, Centre for Gambling Research at UBC

Observers: Laura Piva-Babcock Manager Media and Issues Management, BCLC
Sgt. Glen Lesson FSOC
Caroline Darts Criminal Investigations, CRA

Facilitation: Kim Thorau Perrin, Thorau and Associates Ltd.
Rachel DeMott Strategic Policy and Projects Division, GPEB
Lisa Burke Operations Division GPEB
Greg Tonn Compliance and Enforcement Sec., Ministry of Justice