

# Minister of Finance Briefing Anti-Money Laundering (AML) Gaming Facilities

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Presented by:

Gaming Policy and Enforcement Branch



Ministry  
of Finance

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## AML in BC Gaming Facilities

### **Government's response to AML concerns**

In Fall 2011, government approved a strategy to identify and mitigate this potential activity:

- a phased approach was developed by GPEB and communicated to BCLC, and the Industry AML Working Group\*
- based upon 2011 White Paper authored by R. Kroeker

\*BCLC formed an industry working group to develop and implement solutions. The working group is composed of BCLC, GPEB and casino service providers (CSPs).

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The Kroeker Report was released in February 2011 to examine the effectiveness of the AML regime in place by both BCLC and GPEB. Recommendations were one to engage firm to establish independent review of how to conduct electronic fund transfers and develop a cross-agency task force to investigate and gather intelligence on suspicious activities and transactions.

## AML in BC Gaming

### The Strategy

GPEB set the following strategy in place, which has been used to frame the regulatory AML activities:

“The gaming industry will mitigate 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.”

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As cash particularly the use of \$20 bills was increasing in Casinos there was a concern about the source of the funds, who the customers were relating to their wealth. GPEB and BCLC began to focus on what alternatives for cash could be offered to the player. Bank Drafts, EFT's, Convenience Cheques.

## AML in BC Gaming

### The Approach – A Phased Plan

GPEB and BCLC have worked to mitigate this activity:

- Phase 1: Develop and implement cash alternatives to obtain funds inside the facilities, for gaming.
- Phase 2: Operator intervention to more actively engage the use of the cash alternatives by patrons.
- Phase 3: Regulator intervention, which involves conducting a study and potential direct intervention for customer due diligence (CDD) of cash entering gaming facilities. (Where we are now in the process)

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First two phases have been either implemented or are in progress, such as reviews of cash alternative proposals. Delimiting convenience cheques, credit. However the uptake has been limited on using the tools, PGF, cheque hold. The proposal for a credit model like other jurisdictions (Vegas, Macau) has not been submitted to GPEB.

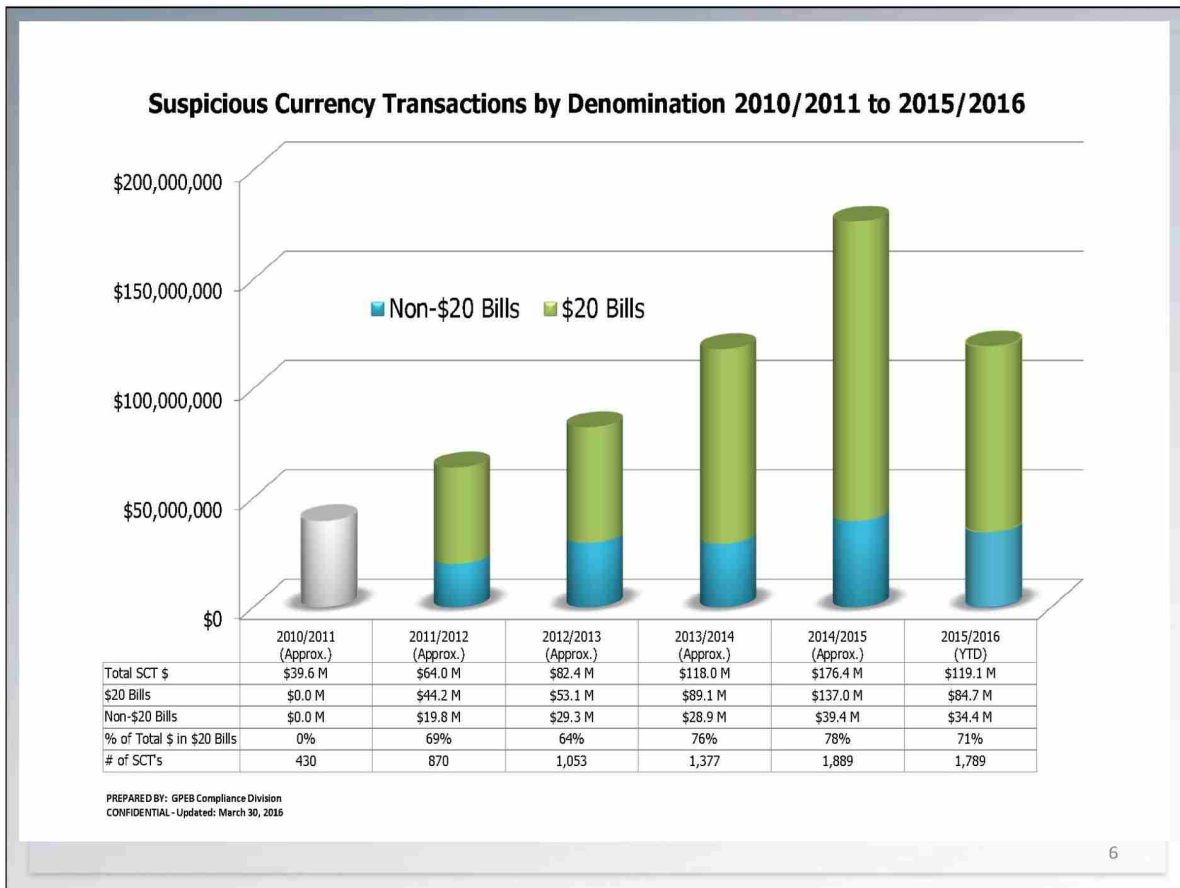
## AML in BC Gaming

### **The Challenge – Suspicious Cash Transactions**

- Continue to see increases in the reporting of suspicious currency transactions (SCTs) at gaming facilities, as reported to GPEB.
- Note, SCTs do not prove the existence of money laundering. Rather these are transactions that may be unusual and warrant reporting to GPEB and the federal regulator FINTRAC.
- Concern is the source of large volumes of cash.
- Police investigation, started in 2015 as a result of a complaint by BCLC ,is ongoing.
- High turnover of key compliance management-level positions at gaming facilities.

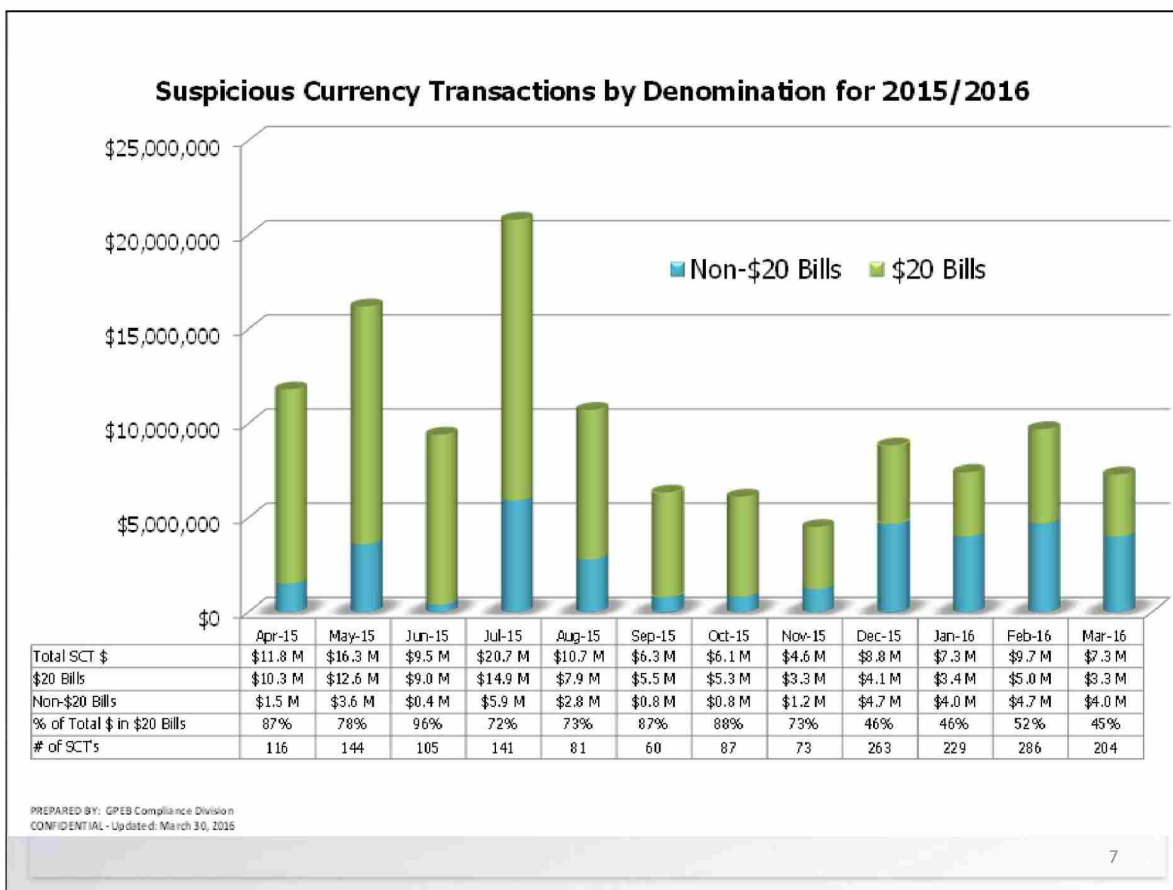
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BCLC filed a complaint in Feb 2015. GPEB became aware of police investigation in April 2015 and a specific concern was a July 2015 examination of volume of 20's. At that time BCLC began a segmentation process with their high-limit player (VVIP's) to move them away from unsourced cash. This has had an impact on the amount of \$20's being received as portrayed in the next two slides. As identified in the MNP report turnover with senior management and in one instance the Chief Compliance Officer inhibits continuity in compliance programs by gaming services providers.



This slide depicts the amount of \$20 bills (depicted in green) and other denominations (blue) that were received by gaming facilities between fiscal years 10/11 to 15/16. 2014/15 is the area of greatest focus as this was around the time of the BCLC complaint to police, increased pressure by GPEB on police to respond and examination of July 2015 in which there was significant activity in the area of STR's.





This slide shows the year 2015/16 and you can see the month of July was a concern. This trend, in concert with the investigation, media and intelligence were examined in detail by GPEB and reported to Senior Leadership and the Minister which lead to a recommendation of the JIGIT.

## AML In Gaming

### **JIGIT (Joint Illegal Gaming Investigation Team)**

- JIGIT's two objectives include: (1) targeting organized crime and gang involvement in illegal gaming and; (2) mitigating criminal attempts to legalize proceeds of crime through gaming facilities.
- JIGIT will be comprised of two teams; 22 multi-agency law enforcement positions consisting of two operational teams. Four GPEB positions integrated.
- CFSEU-BC will provide reporting metrics based on qualitative and quantitative measures that relate to achieving mission success, impact on society, and demonstrated value for dollar.
- Their comprehensive performance strategy not only captures the key performance metrics related to inputs, activities, and outputs, but also information on outcomes and impacts.
- Funding is 'fenced' – cannot be allocated to other purposes.

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There is evidence based on police investigations that the use of legal and illegal gambling by organized crime for the purpose of laundering money is substantial. There is currently no dedicated or integrated enforcement response to unlawful activities within gaming facilities or illegal gambling in BC between the province and RCMP. The Minister of Finance and Minister of Public Safety requested that the Gaming Policy and Enforcement Branch (GPEB) and Policing and Security Branch (PSB) provide a coordinated response to this concern in the fall of 2015.

Based on the direction provided, GPEB, PSB and the Royal Canadian Mounted Police (RCMP) are working to establish a specialized policing component within the Combined Forces Special Enforcement Unit British Columbia (CFSEU-BC). The Joint Illegal Gaming Investigation Team (JIGIT) will be funded by the British Columbia Lottery Corporation (BCLC) and will provide a dedicated, coordinated, multi-jurisdictional investigative and enforcement response to unlawful activities within BC gaming facilities (emphasis on anti-money laundering strategies) and illegal gambling in BC (emphasis on organized crime).



## AML in BC Gaming

### **Ministerial and GPEB Direction to BCLC (Aug–Sept 2015):**

- Introduce additional Customer Due Diligence (CDD) policies and practices constructed around financial industry standards and robust Know Your Customer (KYC) requirements, with a focus on identifying source of wealth and funds as integral components to client risk assessment.
- Introduce additional cash alternatives. Develop a broader strategy for increasing the use of cash alternatives in gaming facilities, including implementing a performance measurement framework and an evaluation plan to determine service provider participation.
- Clarify roles and responsibilities around AML intelligence, analysis, audit and compliance activities with GPEB.
- Develop a BCLC public information and education strategy and action plan for government's review and approval, including coordinated messaging about anti-money laundering activities in gaming facilities.

Direction reflects outcomes from stakeholder workshop "Exploring Common Ground" on AML in May 2015.

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GM Letter to CEO on August 7th, 2015 and Minister's Mandate Letter 2016-17 with 4 particular areas to be addressed.

## AML in BC Gaming

### **GPEB AML Strategy Phase 3 – (Current work)**

- Develop a thorough understanding of customer due diligence (CDD) standards conducted by businesses (banks, brokerage houses, money services, etc.) that deal with customer cash. Malysh Report (Sep 2015)
- An AML report was commissioned with a firm (MNP) that has experience in this realm.

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GPEB needed to be certain that any guidelines implemented would be practicable and not cripple the revenue stream. A decision to conduct reviews of industry best practices, Malysh Report in Sep 2015 outlined a need for more work around source of funds and Enhanced Due Diligence (EDD) around the customer and a continued effort on moving patrons to non-cash alternatives such as electronic fund transfers, and enhanced training of front-line staff.

## AML in BC Gaming

### **MNP Report: Opportunities for improvement**

- More questions on source of funds, source of wealth.
- Know your customer (EDD) is not sufficient. Need to examine the risk the patron poses to the facility. Training of staff at the facilities.
- Reject funds where the source of cash, beyond an identified threshold, cannot be determined and verified.
- Cash alternative initiatives alone are not sufficient. Requires consultation and regulator approval.
- Increase monitoring of slot disbursements (e.g., recent charges by Civil Forfeiture Office)

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MNP has identified areas of opportunity. In short what has been learned is that BCLC is not as advanced in the area of sufficiently review STR's and there systems/data requires effort. If cash alternatives are to move forward they will need to comply with GPEB standards, as well as FINTRAC and JIGIT input.

## AML in BC Gaming

### **MNP Report: Opportunities for improvement Cont'd:**

- VIP hosts focused more on income generation than AML compliance.
- BCLC fully leveraging data systems. (i.e. new SAS tool)
- Cultural differences between GPEB/BCLC around unsourced cash and potential AML activities in BC have undermined collaboration.
- BCLC/GPEB joint evaluation of resources and funding of existing investigation units.

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GPEB and BCLC continue to work on clarifying roles and responsibilities. GPEB and BCLC might examine whether the current model of investigations and compliance by two separate bodies is best aligned and how it can be improved.

## AML in BC Gaming

### **GPEB Next Steps (In Progress)**

- Present MNP findings to GPEB and BCLC Executive.
- Implement transition plan and resources to JIGIT.
- Continue to develop GPEB Intelligence Unit.
- Ensure BCLC implements standards to ensure an enhanced source of funds and KYC regime.
- Clarify roles and responsibilities between GPEB and BCLC.
- Monitor and report concerns.



## **Next Steps (Requiring Consideration)**

- Presentation of MNP Report to Minister.
- Implementation of a cash threshold.
- Establishment of an inter-agency AML investigation unit to delineate roles.
- Increase BCLC focus on slot disbursements.
- Policy decision on enhanced Cash Alternatives.
- Balance revenue generation with risk mitigation.

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The MNP report is lengthy but provides a valuable independent analysis of the current situation. Tough decisions need to be made around limitations on cash coming into the facilities, the need for a more thorough examination of combined working unit involving police, GPEB and BCLC. The Civil Forfeiture file brought to light that there may be risk in the area of anonymous play on slots. Gaming Services Providers have expressed interest in other cash alternatives such as International EFT's and/or credit. A main challenge in the area of culture, being the Crown and Regulator is to find balance around revenue generation. The implementation of certain recommendations will impact the bottom line.



## Emerging Issues

- Real estate
  - On Feb 2016, the Real Estate Council of BC announced the establishment of an independent advisory group mandated to examine how Council responds to licensee conduct that could pose a risk to consumers or that fails to meet the standards expected by the public.
- Liquor and other retailers
  - Liquor stores (and retail) are not sectors covered by the Proceeds of Crime and Money Laundering Terrorist Financing Act (PCMLTFA)
- Bodies compelled to report are dictated by statute (PCMLTFA) and the Department of Finance is the lead on any changes to this legislation.
- Entities that are not compelled to report can submit (public) Voluntary Information Records (VIRs) to FINTRAC if they suspected money laundering or terrorist financing.

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FINTRAC Regional Manager was consulted and advised that only certain bodies are compelled to report, others can do so voluntarily. It is not a common practice.