
From: Meilleur, Len FIN:EX
Sent: Wednesday, November 12, 2014 2:24 PM
To: Mazure, John C FIN:EX
Subject: CONFIDENTIAL DRAFT - AML Direction for discussion Nov 6 2014
Attachments: DRAFT - AML Direction for discussion Nov 6 2014.docx

John,

My thoughts in confidence. I will discuss with you when I see you. You can accept the changes and review the document in comparison with the first draft submitted by TVS.

Len

Gaming Policy and Enforcement Branch

Public Interest Standard

Anti-money Laundering and Terrorist Financing Directive for the BC Gambling Industry

The Gaming Policy and Enforcement Branch (Branch) regulates gambling in British Columbia, and is responsible for the overall integrity of gaming and horse racing.

The Province of British Columbia is committed to protecting the public interest at commercial gaming facilities. ~~The purpose of this standard is to ensure that the integrity of BC's gambling industry is protected from those that would attempt to use the industry to legitimize funds and proceeds resulting from criminal activities. This standard also provides for robust anti-money laundering and terrorist financing (AML/TF) controls within the gaming industry.~~

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As an agent of the Crown, the BC Lottery Corporation conducts, manages and operates most commercial gaming in the province, including commercial casinos, lotteries, bingo halls and community gaming centres. The Corporation contracts with registered gaming service providers to provide operational services at these facilities, in accordance with the Corporation's standards, policies and procedures, including rules respecting AML/TF at gaming facilities. In addition gaming services providers must adhere to these public interest standards and terms and conditions of registration as provided by the Branch.

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Authority and Application

Section 27(2)(d) of the Gaming Control Act authorizes GPEB's General Manager to establish public interest standards for the gaming industry.

~~OR,~~

~~Section 28(1) of the Gaming Control Act authorizes GPEB's General Manager to issue directives...~~

The following anti-money laundering and terrorist financing standards apply to BCLC, all gaming services providers, all licensed horse racing service providers, and BCLC designated lottery distribution channels. Compliance will be regularly monitored by GPEB, and appropriate enforcement action taken in instances of non-compliance.

Objectives

- To help ensure the integrity of gambling in British Columbia.
- To protect patrons, employees, and the assets of BCLC and its service providers; assets
- Preserving and long-term revenue projections at commercial gaming premises.

Commented [MLF1]: I believe it should be a public interest standard under 27(d) as it pertains to gaming operations. A Directive is limited to the Branch and the lottery corporation.

Commented [MLF2]: Moved this here as I believe it is the opening statement for what we do and why.

- To detect and deter any activity that may adversely affect patrons, employees and the fair conduct and management and honest conduct of gaming at casinos, community gaming centres, commercial bingo halls and horse race tracks.

Under the FINTRAC Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA), casinos are required to must implement a compliance regime, keep certain records and ascertain client identification. They have to report suspicious transactions and terrorist property to FINTRAC. They also have to report certain other financial transactions to FINTRAC. In BC, BCLC is designated as the “reporting entity” by FINTRAC and therefore is responsible for ensuring that the requirements are complied with.

Commented [MLF3]: I think a table of acronyms at the end of this document would be appropriate

These GPEB standards-GPEB rules, which complement the FINTRAC PCMLTFA requirements, are intended to go beyond AML/TF recording and reporting purposes to ensure that BCLC and service providers do not provide a venue for money laundering. Some of the GPEB rules require that BCLC and service providers gather more customer information than the related PCMLTFA provisions require in order to assist GPEB in the regulation of gambling in BC.”

Commented [MLF4]: Uncertain about rules? What rules?

Overarching principles

1. BCLC and service providers are required to must develop and implement a formal, written anti-money laundering (AML) framework program that includes appropriate systems and controls to ensure their compliance with FINTRAC (Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA) and GPEB obligations.
 - A culture of compliance must be developed through all levels of BCLC and casino staff with leadership that actively supports and understands compliance efforts.
 - AML compliance officers must be qualified and experienced. They must have direct reporting to the corporation CEO and to the corporate audit committee.
 - To account for changing conditions AML systems and controls must be constantly monitored, updated, maintained and repaired.
 - The AML Compliance Program must be tested by an independent and competent party.
2. As a general principle, a business relationship should only be entered into or maintained with a customer if BCLC is satisfied that the information it has gathered demonstrates that they know the customer (i.e. the customer has disclosed his or her true identity and a legitimate purpose for entering or maintaining the business relationship with BCLC and the service provider).
 - Where doubts persist, consideration should be given to not proceeding with the relationship or transaction.” (OSFI Guideline)

Commented [MLF5]: Good objectives are they realistic, yes I would suggest.

Commented [MLF6]: Should this next section has a title such as Standards for AML/TFA?

1. Integrity of Gaming

1.1. GPEB's involvement is required on risk assessments of players, particularly on site bannings greater than 48 hours. Notification will be provided to GPEB through Section 86 reporting.

Commented [MLF7]: Not sure what the expected process is here. Notification is important for intelligence and risk assessment purposes but what is expected of GPEB beyond that?

1.2. Enhanced reporting to GPEB:

- Required reporting to GPEB of locally prohibited activities such as large currency exchanges, minimal gaming activity with large transactions, use of multiple credit or deposit accounts and false or conflicting IDs.
- Currency breakdowns to be documented for all LCTRs;
- Currency breakdowns in all applicable S.86 reports;
- Improved clear, consistent documentation for transactions deemed suspicious;
- Immediate reporting to GPEB on a weekly basis of the following:
 - Top ten winners (non-slot);
 - Top ten losers;
 - Top ten LCTR generators; and
 - Top ten STR generators.
- Immediate/weekly reporting of all known/suspected loan-sharks identified in the vicinity of gaming facilities.

Commented [MLF8]: Not sure what we are trying to accomplish here either, more increased reporting means more work. That is the objective, I need to understand that. And when is this reporting to occur, time and frequency?

1.3. Enhanced customer due diligence:

- A "Source of Funds Declaration" must be completed when transaction values and frequency of transactions change/elevation of client risk.
- BCLC/service providers must ensure all transactions not deemed suspicious do not share key characteristics with transactions that have previously been deemed suspicious;
- BCLC/service providers are required to conduct rigorous review of all new transactions for patrons previously associated with transactions deemed to be suspicious.

Commented [MLF9]: This might be tough for a service provider to do. Was this entire section provided by Investigations?

1.4 Enhanced cash transaction handling:

- Cash/out instrument must mirror the cash/in instrument, i.e.: banknote to banknote, cheque to cheque, EFT to EFT, etc.
- No colouring up on return of player gaming funds.
- Cash transactions (in bundles of denominations of \$20) received in excess of \$???? cannot be accepted.
- Limit amount of cash to \$100,000 that may be brought into a casino.
- No cash transactions allowed in high limit rooms.
- Mandatory use of PGF accounts for transactions in excess of \$?????.
- Electronic Fund Transfers (EFT) from foreign locations are not permitted.
- Return of funds to Patron Gaming Fund accounts are to be done in this order
 - All table losses are considered PGF first (to prevent outside cash from being deposited into the account)

Commented [MLF10]: Why? If the due diligence piece has been done, why?

Commented [MLF11]: Plausible.

2. Protection of the Public

- Ideas?
- Armoured car service from bank to casino for high rollers.

Research sources:

- FINTRAC Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA), Regulations and Guidelines.
- GPEB Internal memo to ADM dated March 16, 2009.
- “Province of BC – Summary Review – Anti-Money Laundering Measures at BC Gaming Facilities”, (aka Kroeker Report), February 2011.
- “Avoiding the drift – optimizing and maintaining AML surveillance programs”, PWC, October 2013.
- “GPEB – AML Working Group – Client Due Diligence in BC Casinos”, Malysh Associates, September 15, 2014.
- “Developing a Strong Compliance Program for Title 31”, IIA, 4th quarter 2013.
- “Investment Industry Regulatory Organization of Canada – AML Compliance Guide”, IIROC, October 2010.
- “Clarifying Title 31 Compliance”, Indian Gaming magazine, September 2010.
- “Deterring and Detecting Money Laundering and Terrorist Financing – Guideline B8”, OSFI, December 2008.
- “Vulnerabilities of Casinos and Gaming Sector – FATF Report, March 2009.
- “The threat of money laundering and terrorist financing through the online gambling industry” – MHA Consulting, June 2009.
- Also, researched and in some instances, pulled some information from: US states, Australia, FINCEN, FICOM, CAMLI.
- OPP Casino Enforcement Unit policy (obtained by Len Meilleur).
- AGCO Registrar’s Standards for Gaming, November 2013.