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Current Intelligence Report (CIR 17-003)

Gaming Policy Enforcement Branch - Intelligence Unit

17 FEBRUARY 2017

January 2017 - Cash trends in Lower Mainland Casinos

Introduction

The following report is prepared with information provided by Lower Mainland (LMD) casino service providers. This information has not been audited by GPEB.

The accuracy of information contained in this report, with regard to dollar figures, will not always match amounts reported to FINTRAC as those figures are prepared by BCLC. With that said, the intent of this report is to provide an awareness of trends within Lower Mainland (LMD) casinos relating to Suspicious Cash Transactions (STRs) as well as the facilitation of cash and/or chips to patrons.

Background

BCLC has not provided the BCLC Investigator's Narrative portion of the STR for the month of December. This is as a result of a recent change to their current disclosure policies as work is conducted on a protocol which should clarify what needs to be provided. There will be some cash buy-ins that will not be captured by GPEB as a result of this review.

Over a period of time prior to 2016, service providers were not reporting STRs that amounted to less than \$50,000.00. They were also not reporting STRs unless \$20.00 bills were involved. The result of the previous underreporting is that it makes it difficult to evaluate the trending of cash coming into BC casinos.

Since the beginning of 2016 these other categories (under \$50,000.00 and all denominations) of STRs have been reported to GPEB by the Service Providers.

Trends

Current Situation

The amount of unsourced cash accepted at Lower Mainland casinos in January has increased 8.2%, or \$341,440, from the month of December. December buy-ins were approximately \$3,813,430.00 while January was approximately \$4,154,870.00 of which \$2,130,480.00, or 51%, of the cash consisted of \$20.00 bills.

GPEB Senior Intelligence Analyst Note: This is a significant indicator that proceeds of crime are being presented as unsourced cash buy-ins and is consistent with Law Enforcement (LE) direction on identifying potential money laundering activity.

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This is the second consecutive month with an increase in unsourced cash in LMD casinos following several months of reduced unsourced cash buy-ins.

There was an 11.4% increase in individual transactions from 124 in December to 140 in January. The trend of transactions with a lower dollar amount continued, with a large number in the \$10,000.00 - \$20,000.00 range.

Unsourced cash within this document may be defined as cash presented without documentation from an accredited financial institution, or cash that cannot be traced to previous gaming activity.

There were eight incidents reported at LMD casinos where service providers refused to accept large cash buy-ins. Two of these incidents involved observed cash deliveries to patrons in the VIP Room, one of the incidents involved a patron refusing to produce identification to conduct the transaction, and five of the incidents involved the service providers responding to BCLC Source Of Funds (SOF) directives.

In one case, an unsourced cash buy-in was refused at the River Rock Casino Resort (RRCR) but the subjects involved went directly to the Edgewater Casino and were able to buy-in at that venue.

The BCLC initiative to issue SOF restrictions on patrons with a history of suspicious activity is continuing to result in sanctioned patrons using unsanctioned players to conduct their play. This is being recognized and reported by Surveillance personnel.

BCLC Investigators are aware of this trend. They advise that the BCLC strategy is one of progressive reaction with patron prohibition a potential result if continually repeated.

GPEB Compliance Investigators are of the opinion that the number of prohibitions being issued by BCLC to these patrons does not reflect the degree of abuse of the SOF sanctioning that is occurring. The nominees used to conduct the buy-ins do not receive any disciplinary action and the number of complicit individuals is extensive.

GPEB Senior Intelligence Analyst Note: This circumvention of an effort by BCLC to mitigate the patron's ability to conduct the suspicious activity is undermined with little effort which results in continued unsourced cash entering the casino.

A review of PGF activity was not conducted by the Compliance Division for the month of December however BCLC is reporting a continuing increase in play through PGF accounts.

Chip/cash passing activities conducted to facilitate play also appeared to be higher this month. This may be due to a variety of factors including the Chinese New Year celebration, which lasts 15 days.

Patron Activities

The following are observations of Patron Activities:

- There were 140 separate suspicious cash transactions captured during the month of January. 28%, or 40 of which involved chip or cash passes;

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- There were 22 patrons who conducted multiple (between 2 and 9) suspicious cash transactions over \$10,000.
- Two players conducted eight separate suspicious cash transactions each.
- The single largest cash buy-in was for \$140,000.00.
- Although incidents have been reduced, there are still incidents reported in which patrons have been identified by the service provider as facilitating the play of other patrons who were under BCLC Directive regarding SOF.
- There were 8 transactions that were refused by service providers at Lower Mainland casinos. One because of a failure to produce identification. Two as a result of observed cash deliveries to the patrons in the VIP Rooms, and 5 in response to BCLC SOF Directive;

Cash Facilitation

The following are observations of Cash Facilitation:

- There were approximately 40 suspicious chip/cash pass incidents captured during the month of January in LMD casinos;
- There were 6 incidents in which large amounts of cash were observed being delivered to patrons at the RRRCR and subsequent suspicious cash transactions occurred. Two of them were completed in the washroom. There were also 2 cash deliveries in which the service provider refused to complete the transaction. There were no cash deliveries reported by venues other than the RRRCR.
- There were 15 incidents in which suspicious cash transactions occurred after cash was passed to a patron within a casino outside the washroom. There were an additional 6 cash/chip passes that did not result in a suspicious cash transaction.
- There were 13 incidents identified in which patron(s) passed chips or cash in a washroom either before or after a suspicious cash transaction.

GPEB Senior Intelligence Note: This activity is indicative of money laundering as identified by Financial Integrity experts with Federal Law Enforcement.

Conclusions

During the review of data received for the month of January 2017 the following conclusions were derived:

- The number of suspicious cash transactions during the month of January increased 11.4% from 124 in December to 140. This is significant as this is the second consecutive month in which unsourced cash amounts have increased after several months of reduced amounts of this cash;
- The total dollar amount of suspicious cash transactions increased 8.2%, or \$341,440 from the month of December;
- The use of cash has been reduced since reaching a peak in July of 2015; however, significant amounts of unsourced cash are continuing to be accepted in LMD casinos;
- The significant use of PGF accounts to facilitate gaming activity is becoming the alternative to cash;
- Controls on SOF deposited into PGF accounts are inadequate. IE. Know Your Customer (KYC); and

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- BCLC has made efforts to address the unsourced cash phenomenon occurring within LMD casinos; unfortunately, the effectiveness of these measures has not resulted in the problem of source of cash being verified at the time of transaction which negates the problem being brought under control.¹
- The SOF questionnaire created by BCLC for Service Provider staff is not adequate to determine the origin of cash being presented, nor the manner in which it was obtained. There is insufficient effort on the part of the service providers to try and verify, or clarify, the information within the SOF questionnaire. IE. When a patron states they are a business person, no attempt is made to identify the name of business, the address and phone number of the business.

<i>Venue</i>	<i>Total Amount of \$20.00 bills within transaction</i>	<i>Total amount of transaction</i>
Hard Rock	41,000.00	141,000.00
Elements	24,000.00	34,200.00
Edgewater	228,480.00	860,605.00
Grand Villa	258,300.00	372,300.00
River Rock	1,553,700.00	2,576,655.00
Starlight	49,000.00	189,000.00
Total	2,130,480	4,154,870.00

Assessment

GPEB Senior Intelligence Analyst Comment:

The observations noted by the GPEB Investigator indicate a continuing trend in LMD casinos accepting unsourced cash. While there is a decrease in this activity it is assessed that the decrease is absorbed by the uptake in PGF account buy-ins. The same individuals identified as large scale unsourced cash patrons with significant STR activity have been accepted as PGF account holders. This raises concerns over the processes being applied when reviewing these patrons source of wealth and origin of the monies being deposited into the patron’s PGF account. The original thinking was that a financial institution would take on the responsibility of ensuring funds were legitimate and would report any transactions over \$10,000 to FINTRAC. Unfortunately, the bank drafts addressed to casinos do not have the account owner’s name on them – with the exception of the Canadian Imperial Bank of Commerce. LE reporting identifies that bank drafts as being routinely used in money laundering the proceeds of crime. Moreover, bank drafts have been purchased from money service businesses by third parties for a commission on the amounts. Money service businesses believed to be involved in the illicit facilitation of bank drafts are currently under the scrutiny of LE and other regulatory bodies.

¹ These statistics have been gleaned from GPEB data as received from the service providers.