
From: Meilleur, Len FIN:EX
Sent: Wednesday, March 9, 2016 2:39 PM
To: Henderson, Jeff FIN:EX
Cc: Jaggi-Smith, Michele FIN:EX; Dickson, Derek FIN:EX; Fitzgerald, Anna FIN:EX
Subject: RE: BCLC Casino proposals

Agreed Jeff. Let's have the conversation with Ross for sure. Have something set up.

Len

From: Henderson, Jeff FIN:EX
Sent: Wednesday, March 9, 2016 2:38 PM
To: Meilleur, Len FIN:EX
Cc: Jaggi-Smith, Michele FIN:EX; Dickson, Derek FIN:EX; Fitzgerald, Anna FIN:EX
Subject: RE: BCLC Casino proposals

Hi Len,

Thanks for forwarding – that is great to have FINTRAC's comments.

I think it might be worthwhile for us to talk to BCLC about the points raised by FINTRAC, giving them an opportunity to address Murray's concerns. If they are unable to address the concerns then I think John should be briefed.

Are you OK if we discuss with Ross first or would you like to brief John first?

Based on this email, it also sounds like BCLC and FINTRAC may also have some further discussions planned.

Thanks,

Jeff

From: Meilleur, Len FIN:EX
Sent: Wednesday, March 9, 2016 1:51 PM
To: Henderson, Jeff FIN:EX
Cc: Jaggi-Smith, Michele FIN:EX; Dickson, Derek FIN:EX; Fitzgerald, Anna FIN:EX
Subject: FW: BCLC Casino proposals

Jeff,

Please see the response below. You can now see why I encouraged BCLC to go to FINTRAC for an opinion which contrary to belief they (FINTRAC) did provide. We will need to meet with the ADM and inform him of this as it may impact the policy decision by GPEB. As I mentioned to Kevin and Ross at the meeting, which you attended, if FINTRAC and the RCMP endorse the proposals then we should not have a concern. This it appears will now require us to reconsider approval, at least at first blush.

Please have Maureen set up a time to meet with John, Michele, you and I.

Len

From: Ross Alderson [mailto: [REDACTED]]
Sent: Wednesday, March 9, 2016 10:53 AM
To: 'Dugger, Murray (FINTRAC/CANAFE)'
Cc: Bal Bamra; Meilleur, Len FIN:EX; Judge, Robby (FINTRAC/CANAFE); Rob Kroeker; Kevin Sweeney
Subject: RE: BCLC Casino proposals

Murray,

Thank you for your response.

BCLC appreciates FINTRAC's willingness to provide comment and highlight any risk areas that should be considered. I look forward to further discussion around some of the points that you have raised.

Regards

Ross Alderson CAMS

Director, AML & Operational Analysis
Corporate Security and Compliance Division, BCLC
2940 Virtual Way, Vancouver, BC, V5M 0A6

T [REDACTED] C [REDACTED] F [REDACTED]

[REDACTED]

From: Dugger, Murray (FINTRAC/CANAFE) [mailto: [REDACTED]]
Sent: Wednesday, March 09, 2016 10:38 AM
To: Ross Alderson
Cc: Bal Bamra; Meilleur, Len FIN:EX; Judge, Robby (FINTRAC/CANAFE)
Subject: RE: BCLC Casino proposals

Ross,

Thank you for providing FINTRAC the opportunity to review and comment on your proposals. As you noted, these initiatives were discussed at the AML Summit in June although I do not recall that all parties necessarily agreed with them. Our comments on each initiative are as follows:

Delimiting the Convenience Cheque

When this idea was proposed at the AML Summit, I challenged it, and suggested that before going forward BCLC should quantify the AML risk of the current convenience cheques with limits. Specifically: How many cheques are currently being written? How many are going to the same patrons, and are these patrons high risk? How often are these cheques being endorsed to a third party, how often is it the same third party? Are these third parties other patrons or otherwise "known to police"? At the time, BCLC stated they had not looked at any of these issues – has this happened in the interim? It would be imprudent from our perspective to abandon the limits when you have not look at what AML risk the current environment has.

There was also a representative from the banking industry at the AML Summit who suggested that since all cheques go through cheque processing services, no one at a financial institution would ever actually see the notation printed at the bottom of the cheque indicating it was not a verified win, which diminishes these cheques as an AML

measure. Keep in mind that money laundering is the conversion of the illicit funds, therefore if BCLC provides a cheque (regardless of the notation on the cheque) that conversion has occurred. So your assertion that these cheques cannot be used for money laundering is incorrect.

Under *Benefits*, you identify a decrease in the number of LCTRs and STRs by eliminating the "churn". We would have to ask what proportion (number and value) of these cheques are currently being returned to the gaming sites to be cashed, or does the patron who receives these cheques come back with more cash to then convert it to another cheque? You seem to suggest in your last bullet that this would not be an unusual situation. Moreover, the suggestion this will reduce STRs is always a concern, because the influx of money will still be coming into the casino just in a potentially different format.

International Electronic Fund Transfers

The cornerstone of this initiative seems to be a reliance on the robustness of the "international banking system", specifically they will investigate source of funds and they allow for a better ability to trace source of funds. Canadian institutions are reliant on the information provided by the sending institution and depending on the country of origin and their AML legislation, the quality of that information can vary. There is also no obligation to identify source of funds under the PCMLTFA, so banks would only be doing this if their internal policies dictate. Finally, the bank may believe the transfer is very suspicious and will file an STR themselves but would never share this information with BCLC, so the fact that BCLC receives an international transfer through a bank in no way alleviates or diminishes whether or not it is proceeds of crime. Consequently, the assertion that STRs would decrease is a concern because the influx of money will still be coming into the casino just in a potentially different format and possibly introducing new risks.

As BCLC is an important partner in the Canada's AML regime, we appreciate the opportunity to provide comment and highlight risk areas that should be considered. We can discuss these issue further at our forthcoming meeting.

Regards,

Murray Dugger

Regional Director, Western Regional Office | Directeur régional, Bureau régional de l'Ouest
Regional Operations and Compliance Sector | Secteur des Opérations régionales et conformité

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Government of Canada | Gouvernement du Canada

From: Ross Alderson [mailto: [REDACTED]]
Sent: February-16-16 3:44 PM
To: Dugger, Murray (FINTRAC/CANAFE); Judge, Robby (FINTRAC/CANAFE)
Cc: Bal Bamra
Subject: BCLC Casino proposals

Good afternoon gentlemen,

BCLC is in the process of working with the BC Government on a number of AML initiatives.

We are at a stage where we are close to rolling out two of these initiatives. These are:

- Delimiting the Convenience Cheque (non-winning cheque) from its current \$10K limit
- Offering international electronic funds transfers outside of the US.

You may recall there was discussion at the AML Summit on June 4, 2015 particularly around the convenience cheque. All parties were in agreement at that time that the concept of delimiting the convenience cheque was an initiative worth pursuing.

We have worked on these over the last year with the BC Gaming Policy Enforcement Branch and they have asked that we share an overview with you for any additional comment.

I have attached a brief summary of the proposals and would greatly appreciate, if appropriate, any comment, concerns or questions you may have on either proposal.

BCLC has a more detailed document on each initiative which I am more than happy to share also.

Many thanks

Ross Alderson CAMS

Director, AML & Operational Analysis
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T [REDACTED] C [REDACTED] F [REDACTED]

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