

## Overview Report: 2016 BCLC Voluntary Self-Declaration of Non-Compliance

### A. Scope of Overview Report

1. This overview report sets out information and attaches documents related to a voluntary self-declaration of non-compliance made by the British Columbia Lottery Corporation (“**BCLC**”) to FINTRAC.

### B. Voluntary Self-Declaration of Non-Compliance

1. On December 23, 2015, BCLC met with FINTRAC to report on and brief the federal regulatory agency on a series of occurrences involving the underreporting of Suspicious Transaction Reports (“**STRs**”) at the River Rock Casino Resort (“**RRCR**”).

2. BCLC first identified the issue on November 2, 2015, while conducting a review of a specific customer’s transactions that had come to the attention of BCLC’s Anti-Money Laundering (“**AML**”) unit. On November 13, 2015, BCLC scheduled the December 23, 2015 meeting with FINTRAC at the Vancouver FINTRAC office.

3. In follow-up to the December 23, 2015 meeting, in a letter dated January 13, 2016, FINTRAC requested further clarification on the Voluntary Self-Declaration of Non-Disclosure that BCLC wanted to file.

4. In response, Ross Alderson, then the BCLC Director, AML & Operational Analysis submitted a written voluntary self-declaration of non-compliance (the “**voluntary self-declaration**”) to FINTRAC on behalf of BCLC.

*Appendix A: BCLC Voluntary Self-Declaration of Non-Compliance*

*Appendix B: February 3, 2016 BCLC Information Note: BCLC Voluntary Self Declaration of Non-Compliance of Unfiled Suspicious Transaction Reports at River Rock Casino Resort*

*Appendix C: November 27, 2015 letter from Ross Alderson to Patrick Ennis*

5. The voluntary self-declaration of non-compliance stated that, “Initially, BCLC was told by RRCR staff that it was their understanding that:

- a. They were not required to screen any cash buy-ins under \$50 000 as suspicious; and
- b. That any large buy-ins in larger denominations such as \$50 or \$100 bills were not regarded as suspicious if the patron had a documented source of wealth or was historically a high limit player.

6. Following its discovery of the underreporting issue, as of January 28, 2016 BCLC had conducted a review of 100% of all RRCR large cash transaction reports (“**LCTRs**”) between March 1 and October 31, 2015 (a total of 12,138 records). In that review, BCLC identified and submitted an additional 185 STRs to FINTRAC. BCLC advised that it expected to complete its review of all RRCR LCTRs dating back to September 30, 2014 by March 31, 2016. Since the originating date of the issue was still unknown, an estimated date for complete resolution was uncertain. BCLC also provided its action plan outlining what steps BCLC had taken or planned to take to remedy the deficiency.

7. Paragraphs xi-xv of the voluntary self-declaration discuss information gathered by BCLC about the origins of the understanding referred to in paragraph 5, above:

- xi. [Great Canadian Gaming Corporation (“**GCGC**”)] reports to BCLC that it is their recollection that during a discussion with [the Gaming Policy & Enforcement Branch (“**GPEB**”)] sometime in 2010 or 2011 GPEB told GCGC that they did not need to submit reports relating to suspicious activity to GPEB for transactions under \$50,000. GCGC reports that it has no records or documentation supporting this oral direction.
- xii. BCLC has also conducted a search for records related to this issue. BCLC has not found any policy directive, memorandum, training material or any other record instructing service providers that they are not required to assess or otherwise screen transactions under \$50,000, or any other transaction, for indicators of being a suspicious transaction. BCLC policies and training material clearly state that there are no thresholds related to suspicious transaction reporting.
- xiii. BCLC has located an e-mail from late November 2010 which makes mention by a GCGC employee, of a reported interaction between the Director of Surveillance of GCGC, and GPEB regarding the amount of \$50,000 and the reporting of suspicious transactions. The information in the e-mail is anecdotal and no member of GPEB is included on the

e-mail distribution. GPEB has advised BCLC that it has no record of the discussion taking place.

- xiv. A former BCLC Corporate Security Manager is involved in the email chain and appears to have had knowledge of a meeting taking place. His email to another BCLC employee states that GPEB has requested reports for all large cash buy ins over \$50,000 in \$20 bills.
- xv. BCLC has also located an e-mail from September 2011 in which the same former manager in BCLC Corporate Security, in response to a BCLC employee email, indicates awareness of a \$50,000 threshold at RRCR.

### **C. February 2016 Letter from Len Meilleur to FINTRAC**

8. In a February 9, 2016 letter to FINTRAC, Len Meilleur, then the Executive Director of Compliance for GPEB, wrote:

I would like to express in the strongest possible terms that at no time has any member of GPEB provided direction to BCLC or any Provincial Gaming Service Provider to institute a threshold for the reporting of SCTs. Not only would this be inappropriate but it is our position that such direction might contrive Federal Legislation. In addition, and as discussed with you by phone, the idea that Mr. Dickson would have provided any such direction is vastly inconsistent with the philosophy and practice GPEB has demonstrated throughout this portfolio but also the accountability that GPEB has demanded, and monitored in support of the FinTRAC mandate. [Emphasis in original]

*Appendix D: February 9, 2016 Letter from Len Meilleur*

9. In January 2016, Mr. Meilleur made similar comments in email correspondence with Robert Kroeker, then the Vice-President, Corporate Security & Compliance for BCLC.

*Appendix E: January 2016 Emails between Len Meilleur and Robert Kroeker*

### **D. March 2016 Letter to FINTRAC from BCLC**

10. On March 8, 2016, Mr. Alderson wrote to FINTRAC advising that as of that date, BCLC had reviewed all RRCR LCTRs dating back to September 1, 2014 (approximately 17 months of data or 20,445 transactions) and as a result of that review had identified and submitted an additional 266 STRs to FINTRAC for the period September 1, 2014 to October 31, 2015. Mr. Alderson also advised that as an additional precaution, BCLC had

conducted a two-month review using the same method implemented at RRRC for several other lower mainland casinos, with no additional suspicious transactions or concerns identified during those additional reviews.

*Appendix F: February 12, 2016 River Rock UFT/STR Review completed by BCLC AML Unit*

*Appendix G: March 8, 2016 Letter from Ross Alderson to FINTRAC*

*Appendix H: March 8, 2016 BCLC Information Note: Update: BCLC Review of Non-Compliance of Unfiled Suspicious Transactions Reports at River Rock Casino Resort*

#### **D. 2010-2012 Emails Related to Reporting Thresholds**

11. Between May 2010 and February 2012, several emails related to reporting of cash transactions above and below \$50 000 and in denominations other than \$20 bills were exchanged between the following BCLC, GPEB and GCGC staff members:

- a. BCLC: Ross Alderson, Steve Beeksma, Gordon Friesen, Mike Hiller, John Karlovcec, Doug Morrison, Rick Pannu, Terry Towns
- b. GPEB: Derek Dickson, Joe Schalk
- c. GCGC: Carl Bolton, Brian Egli, Patrick Ennis, Dave Pacey

*Appendix I: 2010 emails between BCLC, GCGC, and GPEB staff*

*Appendix J: September 23, 2011 Emails between Ross Alderson and Gord Friesen*

*Appendix K: February 2012 emails between BCLC and GPEB staff*

#### **E. GPEB Internal Report: Anti Money Laundering Suspicious Transaction Reporting for Large Cash Transaction Buy-ins between \$20K and \$50K**

12. In December 2013, GPEB's Audit and Compliance Division produced an internal report on the results of its collection and analysis of data pertaining to large cash transactions greater than \$20 000 and less than \$50 000 occurring at three large BC casinos during an unidentified one-month sample period. The purpose of the review was to determine, if possible, gaming facility service provider and BCLC methodologies and patterns of identifying and reporting suspicious activity to FINTRAC. The report states that, with respect to the RRRC: "For the sample period, 156 LCTRs for buy-ins totaling more than \$20,000 and less than \$50,000 were attributable to 77 discrete patrons.

Seventy-eight of the 156 LCTRs were attributable to 28 discrete patrons that had previously had at least one STR filed in their name. And the 10 STRs filed were attributable to nine discrete patrons.”

*Appendix L: December 5, 2013, GPEB Internal Report: Anti Money Laundering Suspicious Transaction Reporting for Large Cash Transaction Buy-ins between \$20K and \$50K (GPEB File# COMM-7646 2013/14).*

## **Appendix A**

### **BCLC Voluntary Self-Declaration of Non-Compliance**

# BCLC Voluntary Self Declaration of Non-Compliance

Copy of FINTRAC REQUEST (Received VIA EMAIL at 14:17 hrs on January 13, 2016)

23

January 13, 2016

Ross Alderson  
Director, AML & Operational Analysis  
Corporate Security and Compliance Division  
BCLC (British Columbia Lottery Corporation)  
2940 Virtual Way  
Vancouver, British Columbia V5M 0A6

Dear Mr. Alderson,

**Subject: BCLC Voluntary Self-Declaration of Non Compliance (VSDONC) - Unfiled Suspicious Transaction Reports**

As a follow-up to our meeting with you and Rob Kroeker at our FINTRAC offices on December 23, 2015, we are writing to seek further clarification on the VSDONC BCLC wanted to file regarding unfiled suspicious transactions reports. Specifically, as discussed during today's teleconference with you, here are a list of points BCLC needs to address in its submission with regards to the VSDONC:

What date or range of dates the non-compliance occurred and confirm a contact name to resolve the issue.

- How and why did the incident(s) occur?
- How and when did BCLC discover the problem?
- What action has been taken to remedy the non-compliance issue?
- Why, as part of BCLC's required compliance program, a review of its policies and procedures did not identify the problem?
- What was the total number of reports which were not filed, during the period in question?
- When does BCLC expect to correct the non-compliance issue?

FINTRAC requests that BCLC sends its written response to FINTRAC on or before January 28, 2016. Moreover, we request that you provide us with an action plan outlining what steps BCLC has or will take to remedy the deficiency in its compliance program.

FINTRAC appreciates your assistance in this matter. If you wish to discuss any aspect of this issue, please do not hesitate to contact me.

Sincerely,

Robby

## REPORT CONTENT

### FINTRAC

1. What date or range of dates the non-compliance occurred and confirm a contact name to resolve the issue.

### BCLC's Response

BCLC first identified the issue on November 2, 2015. Since that time, BCLC has:

- i. Begun methodically examining historical River Rock Casino Resort (RRCR) Large Cash Transaction (LCT) records one month at a time; and
- ii. Since November 2, 2015 is reviewing all daily RRCR LCT records. As of January 28, 2016 BCLC has completed a review of all RRCR LCT records dated from March 1, 2015 to present day.

BCLC cannot confirm the originating date of the non-compliance until all records are reviewed. BCLC has asked RRCR to provide all records dating back to September 30, 2014 at this stage. All RRCR hard copy records are stored off site after two months.

Ross ALDERSON, BCLC Director, AML & Operational Analysis is the contact to resolve the issue.

### FINTRAC

2. How and why did the incident(s) occur?
3. How and when did BCLC discover the problem?

### BCLC's Response

In early November, 2015, BCLC AML unit conducted a review of buy in documentation for RRCR, specifically for the date of Oct 30th 2015.

This review was initially undertaken to investigate a specific patron. In the course of the review, it was noted that there were two (2) large cash buy in's which occurred on Oct 30th that appeared to be unusual in nature:

- i. \$50,000.00 consisting of 2000 x \$20 bills and 100 x \$100 bills; and
- ii. \$200,000.00 consisting of mixed denominations including 4000 x \$20 bills.

The established process requires service providers, in addition to submitting a LCT, to record these transactions as an "*Unusual Financial Transaction*" (UFT) on the BCLC casino reporting system ("ITRAK") which would then trigger a review of the transaction by

the BCLC Investigations Department. Since the transactions were not properly recorded as unusual, a BCLC review was not undertaken.

This non-reporting of the two transactions as unusual was inconsistent with BCLC Service Provider AML training and instructions on how to identify suspicious activity. As a result, BCLC directed RRRCR on November 2, 2015 to file *Unusual Financial Transaction* reports (“UFTs”) for the two identified transactions.

BCLC further required RRRCR to provide the large cash buy in sheets for October 31 and November 1, 2015 and directed RRRCR to provide all large cash buy in sheets to BCLC on a daily basis for a secondary review until further notice. The large cash buy in sheets are the working papers used by the cash cages at the site to record all LCTs and Casino Disbursement Reports (CDRs).

Initially, BCLC was told by RRRCR staff that it was their understanding that:

- i. They were not required to screen any cash buy-ins under 50K as suspicious; and
- ii. That any large buy-ins in larger denominations such as \$50 or \$100 bills were not regarded as suspicious if the patron had a documented source of wealth, or was historically a high limit player.

#### **FINTRAC**

#### **4. What action has been taken to remedy the non-compliance issue?**

##### **BCLC’s Response**

Since November 2, 2015, BCLC has:

- i. Required RRRCR to provide all large cash buy in sheets to BCLC for daily review;
- ii. Met with Great Canadian Gaming Corporation (GCGC) Surveillance and Compliance Senior Management on November 9, 2015 to discuss the findings and subsequent information relating to reporting requirements and suspicious transaction reporting in particular. At the meeting:
  - a. RRRCR claimed there was confusion over reporting expectations and that RRRCR believed they were under a historical direction which exempted them from reporting buy ins under \$50K, and other buy ins that involved larger denominations for known players;
  - b. BCLC reinforced that a threshold approach was inconsistent with BCLC’s AML training, policies and procedures and was contrary to the regulatory

requirements. In 2014, BCLC updated the Service Provider on-line AML training course. All new and existing gaming employees were required to complete that course in 2014 including staff at RRRCR. There is no mention of thresholds in that course or any other previous version of that course.

- c. Both organizations agreed to review their records in an effort to determine if any written direction supporting RRRCR's claimed understanding of suspicious transaction reporting could be found.
- iii. Due to RRRCR's stated erroneous understanding of thresholds, an internal review of RRRCR LCT records for the entire month of October 2015 was conducted by BCLC Corporate Security Senior Management.
- iv. On November 13, 2015 BCLC scheduled a meeting for December 23 with FINTRAC at the Vancouver FINTRAC office.
- v. On November 19, 2015 BCLC Corporate Security Senior Management met with GCGC Surveillance and Compliance Senior Management to discuss the preliminary findings of the BCLC October LCT review. BCLC had identified 29 LCTs which should have been submitted to BCLC as UFTs for review. GCGC was advised that there appeared to be a systemic issue at RRRCR of under reporting UFTs. BCLC directed that all RRRCR Operational staff receive face to face remedial AML training. Attendance was mandatory for all Surveillance, Cage and Casino floor staff.
- vi. On November 26, 2015 BCLC's review of RRRCR LCTs for October was completed and BCLC confirmed its preliminary findings. In total, 29 RRRCR LCTs for October should also have been submitted to BCLC as UFTs for review. BCLC determined that of those 29 LCTs, 19 Suspicious Transaction Reports (STRs) were required to be submitted to FINTRAC. (NOTE: In those cases where multiple LCT records for the same patron were found in the same month they were included on the same STR.)
- vii. On November 27, 2015, BCLC sent a letter to GCGC formally notifying them of their non-compliance with BCLC AML policy and procedures.
- viii. During the week of Dec 14-18, BCLC AML Specialists provided face to face remedial AML training at RRRCR for 79 employees including all Surveillance, Cage and Table staff. The training reinforced that there was no monetary threshold for reporting of unusual or suspicious transactions.

On December 21, 2015, given the information to date, BCLC made the decision to review all LCTs at RRRCR back to Sept 30, 2014, which coincided with the

approximate completion of the last regulatory examination. The review is ongoing.

*The Review Process consists of the following methodology:*

- a. *A full month of LCT buy in's or "drop sheets" are printed out;*
  - b. *The drop sheets are reviewed by a BCLC AML Specialist. The reviewer considers factors such as whether the transaction may have originally been related to a PGF account, an electronic fund transfer, a bank draft, or cash volumes;*
  - c. *Reviewer then considers denominations and cash volume for those LCTs given what would be a reasonable amount of small and large bills available through ATMs, Global cash, and legitimate banking sources for those players with the source of wealth to support those buy-ins;*
  - d. *Reviewer then considers the occupation of the patron of the transaction to determine if the occupation could generate revenue to support the amount of the transaction, and there were no other suspicious indicators, whether it would be reasonable to suggest the money stemmed from the patron's occupation.*
  - e. *The patron's profile is reviewed to determine if a UFT was already associated to the LCT transaction and if it can be determined that the "buy in" was the result of a previous wins. Reviewer considers indicators including: PGF players who have deviated from PGF use and used cash; sporadic cash buy-ins well above their normal playing range; or playing at a level well in excess of occupational expectations.*
  - f. *When there is no apparent evidence to support a finding that the transaction was not unusual, a UFT incident is created in ITRAK and a STR is submitted. Upon completion of each incident file, a STR report is filed with FINTRAC within the 30-day reporting period of the transaction being identified and an electronic copy is held in Custom Forms.*
  - g. *All reports and corresponding notes are documented in hard copy and held by BCLC for FINTRAC audit review.*
- ix. On December 23, 2015, BCLC Senior Management met with FINTRAC Regional Compliance Senior Management and BCLC briefed FINTRAC on the issue and the information that was known up to that date.

- x. BCLC has reviewed the Compliance Manual of GCGC (created in 2012) and noted that it specifically states on page 18 that there are no thresholds for suspicious transaction reporting. Similarly, the training deck used by GCGC for in-person AML training conducted between May 27-June 6, 2013 clearly states there are no thresholds related to suspicious transactions.
- xi. GCGC reports to BCLC that it is their recollection that during a discussion with GPEB sometime in 2010 or 2011 GPEB told GCGC that they did not need to submit reports relating to suspicious activity to GPEB for transactions under \$50,000. GCGC reports that it has no records or documentation supporting this oral direction.
- xii. BCLC has also conducted a search for records related to this issue. BCLC has not found any policy directive, memorandum, training material or any other record instructing service providers that they are not required to assess or otherwise screen transactions under \$50,000, or any other transaction, for indicators of being a suspicious transaction. BCLC policies and training material clearly state that there are no thresholds related to suspicious transaction reporting.
- xiii. BCLC has located an e-mail from late November 2010 which makes mention by a GCGC employee, of a reported interaction between the Director of Surveillance of GCGC, and GPEB regarding the amount of \$50,000 and the reporting of suspicious transactions. The information in the e-mail is anecdotal and no member of GPEB is included on the e-mail distribution. GPEB has advised BCLC that it has no record of the discussion taking place.
- xiv. A former BCLC Corporate Security Manager is involved in the email chain and appears to have had knowledge of a meeting taking place. His email to another BCLC employee states that GPEB has requested reports for all large cash buy ins over \$50,000 in \$20 bills.
- xv. BCLC has also located an e-mail from September 2011 in which the same former manager in BCLC Corporate Security, in response to a BCLC employee email, indicates awareness of a \$50,000 threshold at RRRCR.
- xvi. BCLC has reviewed large cash buy in sheets and UFTs records related to other casinos where large cash transactions are routinely experienced and have had

documented conversations with site management and/or spoken to the surveillance and cage staff. BCLC has not found similar issues at these properties and at this time it appears that the underreporting of UFT's is isolated to the RRRCR.

#### **FINTRAC**

##### **5. Why, as part of BCLC's required compliance program, a review of its policies and procedures did not identify the problem?**

#### **BCLC's Response**

BCLC has documented procedures to conduct random monthly reviews of LCTs at all BC gaming properties. At most properties a 100% sample size is reviewed monthly while the sample size for the five largest Lower Mainland Casinos is set at 10% of all LCTs. This includes the facilities at RRRCR, Grand Villa, Edgewater, Starlight and the Hard Rock Casino Resort. LCTs are reviewed sequentially so that the files are random and not chosen by the investigator. Example: If a site had 600 LCTs for the month, they would review 60 LCTs by picking a start point and reviewing the next 60 LCT's.

The LCTs are reviewed for completeness, compared to the tracking sheet to ensure amounts, times and dates are all correct and that the proper documents are attached to each LCT. The reviews however did not include reviewing circumstances in ITRAK or matching and confirming UFT reports to LCTs.

After the LCT review, a report is created to document any mistakes found, confirmation that identified issues were corrected and documentation as to who made the error so that repetitive mistakes can be tracked to the person making the errors and corrective training undertaken.

A secondary random review is also conducted on a quarterly basis by BCLC Operational Gaming Compliance who review a maximum of 50 LCTs at each site per quarter. If a significant issue is identified, the Compliance Officer will increase the sample size.

BCLC did not conduct specific reviews into whether an LCT was reported as a UFT. Since November 2, 2015 BCLC has reviewed its internal audit processes and is in the process of implementing changes designed to help prevent and detect any future reoccurrence of this matter. Both FINTRAC and GPEB will be consulted on these changes.

BCLC also utilizes bi-annual AML Program audits conducted by professional independent external auditors to confirm its compliance with requirements and to help identify any gaps in its regime. None of these reviews detected the problem.

BCLC has undergone a number of AML related reviews and audits conducted by regulatory agencies between 2011 and 2015. No previous reviews had detected the problem.

In summary, while BCLC conducts a number of compliance reviews this has not included matching and confirming UFT reports to LCTs by reviewing circumstances in ITRAK. BCLC relies on the Service Provider to identify and report unusual financial transactions. Controls are now being developed and implemented by BCLC that will check and confirm that the Service Providers properly screening transactions and submitting UFTs where appropriate.

BCLC believes that training, policy or procedures were not the primary contributing factor to RRRCR's recent non-compliance but, rather RRRCR's failure to follow established procedures. Even if RRRCR is correct about historical discussions, all BCLC AML written procedures, the GCGC Compliance Manual and training materials, and BCLC AML training provided to RRRCR for the past several years have provided clear direction that there is no reporting threshold.

#### **FINTRAC**

**6. What was the total number of reports which were not filed, during the period in question?**

#### **BCLC's Response**

As of January 28, 2016 BCLC has reviewed 100% of all RRRCR LCT records between March 1, 2015 and October 31, 2015. This is a total of 12,138 LCT records (this includes Foreign Exchange records). BCLC has identified and submitted an additional 185 Suspicious Transaction Reports. This amounts to STRs having been submitted in relation to approximately 1.5% of all LCT records for that time period. By month, the following STR's have been submitted:

- October 2015 – 19 (Total LCTs reviewed 1408)
- September 2015 – 36 (Total LCTs reviewed 1228)
- August 2015 – 33 (Total LCT reviewed 1652)
- July 2015 – 37 (Total LCT reviewed 1581)
- June 2015 – 28 (Total LCT reviewed 1339)

- May 2015 – 18 (Total LCT reviewed 1667)
- April 2015 – 20 (Total LCT reviewed 1444)
- March 2015 – 14 (Total LCT reviewed 1819)

**FINTRAC**

**7. When does BCLC expect to correct the non-compliance issue?**

**BCLC's Response**

BCLC can advise that we expect to complete our review of all RRRCR LCT records dating back to September 30, 2014, by March 31, 2016. Since the originating date of the issue is still unknown, an estimated date for complete resolution is uncertain however BCLC will continue to use a methodical and consistent approach to the review of LCT records as set out in item 4 and will consult with FINTRAC as trends are identified for under reporting as each additional month is reviewed.

**FINTRAC**

**8. Moreover, we request that you provide us with an action plan outlining what steps BCLC has or will take to remedy the deficiency in its compliance program.**

**BCLC's Response**

BCLC's deep concern that suspicious transactions were not reported led to BCLC's immediate action to address the issue.

BCLC is particularly concerned that the non-compliance was not identified through either the routine internal or external audit and review controls that were in place.

BCLC has dedicated substantial resources to:

- review the circumstances of this issue;
- identify contributing factors;
- recommend and implement changes to controls to help prevent any future re-occurrence;
- review RRRCR LCT records ;
- review LCT records from other Casino Properties;
- provide training at other Casino Properties; and,
- submit STRs to FINTRAC in accordance the requirements and BCLC's obligations within the thirty (30) day required time period.

BCLC has also conducted remedial face to face training at RRRCR in December 2015 and consultations have been conducted with the management at RRRCR.

Since the issue was identified at RRCR, 100% of all LCTs at RRCR are being reviewed daily by a member of the BCLC AML Unit. This includes 1204 transactions for November 2015 and 1052 transactions for December 2015 as well as approximately 977 transactions for January 2016 (as of January 26). Since the remedial training was completed in December, BCLC has not found non-compliance issues of a similar nature at RRCR.

All gaming sites in BC have been notified and reminded of their AML obligations. BCLC has reviewed LCT documentation from other large casinos - to date, there is no evidence that this issue has extended outside of RRCR.

BCLC has consulted with FINTRAC and BC's provincial gaming regulator, the Gaming Policy Enforcement Branch on this matter and will continue to do so..

## Summary

BCLC is absolutely committed to compliance with the Proceeds of Crime (Money Laundering) and Terrorist Financing Act. In addition to its reporting obligations to FINTRAC, BCLC works with and continues to report all suspicious transactions to GPEB and the RCMP simultaneously so that each of these agencies also receive the information at the same time.

I look forward to discussing this matter further once you have had an opportunity to review this report. If you require additional information, please do not hesitate to contact me.

Thank you for your attention to this matter.

Regards,

A handwritten signature in black ink, appearing to read 'Ross Alderson', with a horizontal line underneath.

**Ross Alderson CAMS**

Director, AML & Operational Analysis

Corporate Security and Compliance Division, BCLC

## **Appendix B**

February 3, 2016 BCLC Information Note: BCLC Voluntary Self Declaration of Non-Compliance of Unfiled Suspicious Transaction Reports at River Rock Casino Resort

<b>INFORMATION NOTE</b> <b>British Columbia Lottery Corporation</b> <b>Date: February 3, 2016</b>	<b>BCLC Voluntary Self-Declaration of Non-Compliance of Unfiled Suspicious Transaction Reports at River Rock Casino Resort</b>
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### KEY FACTS:

On December 23, 2015, BCLC met with FINTRAC to report on and brief the federal regulatory agency on a series of occurrences involving the underreporting of Suspicious Transaction Reports (STRs) at the River Rock Casino Resort (RRCR).

BCLC first identified the issue on November 2, 2015, while conducting a review of a specific customer's transactions that had come to the attention of BCLC's Anti-Money Laundering unit. Of concern were two large cash buy-ins, dated October 30, 2015, that appeared to be unusual in nature. Despite being unusual transactions, BCLC found that RRCR had not notified BCLC of the transactions as required and as a result a BCLC review of the transactions had not been undertaken.

On November 2, 2015, when BCLC made inquiries of the RRCR, staff at RRCR stated they were of the understanding, and that they had been given direction, that no transaction under \$50K was required to be reported as an Unusual Financial Transaction (UFT). This understanding is contrary to all of BCLC's training materials and directives to service providers on how to identify and report on unusual transactions. It is also contrary to the service provider's own training materials.

BCLC immediately took action to address the issue. [PII - FINTRAC] and to start providing to BCLC all daily large cash buy-in sheets (the working papers of frontline staff used to track and record transactions) so that BCLC could conduct daily reviews.

In light of the information discovered on November 2, 2015, BCLC expanded its review to all RRCR Large Cash Transaction (LCT) records for the entire month of October 2015. Out of a total of 1,409 LCTs submitted for that month, BCLC found that 29 records should have been submitted to BCLC as UFTs for review and were not. Of those 29, BCLC determined that 19 STRs needed to be submitted to FINTRAC.

To correct the erroneous understanding of thresholds related to financial transaction reporting requirements at RRCR, BCLC provided in-person remedial AML training to 79 RRCR employees during the week of December 14-18, 2015.

As a result of the findings from the October 2015 review, on December 21, 2015, BCLC made the decision to review all LCTs at RRCR for an additional 12 months dating back to September 30, 2014. This review is ongoing and BCLC expects to complete it by March 31, 2016.

BCLC has conducted investigations at its other lower mainland casinos and as of January 27, 2016, has not found evidence of a threshold based approach to unusual transaction reporting at any other casino property.

BCLC has reviewed its internal audit processes and is in the process of implementing changes designed to help prevent and detect any future reoccurrences. Both FINTRAC and GPEB will be consulted on these changes.

With respect to RRCR's assertion that they had been given direction that transactions below \$50K did not need to be reported as unusual, BCLC has conducted a search of its records related to the issue. BCLC has not found any policy directive, memorandum or training material where BCLC has instructed service providers that they are not required to assess, otherwise screen or report transactions under \$50,000 for indicators of being an unusual transaction.

BCLC believes there was confusion on the part of staff at RRCR and that they may have erroneously understood that they did not need to report STRs under \$50,000, when FinTRAC regulations require reporting of all suspicious transactions regardless of amount.

BCLC will provide the details of all its inquiries to date to FINTRAC on January 28, 2016, and will further consult with FINTRAC on their expectations regarding the time period required to review LCTs at RRCR.

FINTRAC has requested that BCLC complete a Voluntary Self-Declaration of Non- Compliance and appears to be taking the approach of working with BCLC towards compliance. FINTRAC does, however, have the authority to issue an administrative monetary penalty should it conclude that such a penalty is warranted in these circumstances.

#### Background:

Reporting entities (of which casinos are one), under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*, are required to report to FINTRAC, the federal anti-money laundering regulator, all LCTs of \$10,000 or more. In addition, LCTs and all other transactions in any amount must be assessed to determine if there are reasonable grounds to suspect the transaction is related to the commission of a money laundering or terrorist financing offence. Where reasonable grounds exist an STR must be submitted to FINTRAC by BCLC.

BCLC policy requires its private sector casino service providers, in addition to submitting an LCT report, to review all transactions to determine if there are reasonable grounds to suspect a transaction may be connected to a money laundering or terrorist financing offence. Where grounds are believed to be present the service provider is required to notify BCLC by identifying the transaction as a UFT in BCLC's casino reporting system. This notification triggers a detailed review of the transaction and other related factors by a BCLC certified anti-money laundering specialist to determine if an STR is required in relation to the transaction.

BCLC conducts random monthly reviews of LCTs at all B.C. gaming properties: 100% of LCTs at most properties and 10% of LCTs at the five largest Lower Mainland casinos. A secondary review is also conducted on a quarterly basis on a maximum of 50 LCTs at each site. These reviews are primarily to determine accuracy of data.

Independent audits of BCLC's anti-money laundering program are conducted on a bi-annual basis by nationally recognized external auditing firms. In addition, BCLC's anti-money

laundering program is subjected to periodic audits and reviews conducted by regulatory agencies. A number of these regulatory reviews and audits were conducted between 2011 and 2015. These audits include a review of LCTs to investigate whether appropriate STR reporting processes are in place. None of these external audits and reviews identified this issue.

In addition to its reporting obligations to FINTRAC, BCLC reports all suspicious transactions to GPEB and the RCMP simultaneously so that each of these agencies receives the information at the same time. STRs must be reported within 30 days of the reporting entity developing reasonable grounds to suspect.

In 2014/15, BCLC filed 1,737 suspicious transaction reports to FINTRAC, compared to 1,254 in 2013/14. This number has increased for two reasons; increased play among players and enhanced due diligence exercised on high value players, as well as continued training within gaming facilities to report unusual activities.

FINTRAC is responsible for analyzing, assessing and disclosing financial intelligence regarding the reports it receives. This enables FINTRAC to track individuals, establish patterns and ultimately determine if funds were proceeds of crime and, if necessary, to contact police for further action.

As well, gaming staff receive regular anti-money laundering training. To date, all required gaming workers have been trained and must take a refresher course every two years to make sure they are up-to-date on any new AML policies and procedures.

#### **BCLC RESPONSE POINTS:**

- **BCLC is deeply concerned that there were suspicious transactions not reported, and took immediate action to address this issue.**
- **BCLC is reviewing 15 months of large cash transactions from River Rock Casino Resort and has conducted remedial anti-money laundering training for required staff at this location to ensure all policies and procedures are understood and followed going forward.**
- **The Province of B.C. and BCLC are committed to the integrity of gambling, and the safety and security of casino patrons, in British Columbia.**
- **BCLC and its service providers take all matters related to suspicious and/or suspected illegal gambling very seriously. If we have reason to suspect any criminal behaviour is occurring in or around our facilities, we report it to local police and the Province's Gaming Policy and Enforcement Branch.**
- **BCLC continues to enhance our customer due diligence to mitigate the risk of money laundering in B.C. gaming facilities by implementing AML best practices. In light of these findings, we are reviewing our processes and procedures and implementing new review criteria designed to detect non-compliance.**

Name

Number

Program Area Contact: Laura Piva-Babcock

T: 250-828-5576

C: 250-371-7274

## **Appendix C**

November 27, 2015 letter from Ross Alderson to Patrick Ennis

27 November 2015

**RE: Unusual Financial Reporting**

**Attention: Pat ENNIS, Director Surveillance, Great Canadian Gaming**

Dear Pat,

As discussed on Thursday November 19<sup>th</sup>, 2015 BCLC recently conducted a review of 'Unusual Financial Transaction' (UFT) reporting at the River Rock Casino Resort. (RRCR) As a result of that review BCLC found 29 separate transactions between October 1<sup>st</sup> 2015 and Nov 3<sup>rd</sup> 2015 that based on indicators should have been reported as an "Unusual Financial Transactions."

BCLC is dedicated to working with our service partners to ensure regulatory compliance with FINTRAC Guidelines through our Anti-Money Laundering (AML) strategy. BCLC greatly appreciates your assistance in coordinating the introduction of a pilot project at RRCR that will provide BCLC Investigators with access to conduct reviews using the surveillance system at the location to alleviate any undue operational burden on the RRCR Surveillance Department. Upon the completion of the pilot (30 days) we will assess the viability of this initiative and determine an action plan moving forward.

As a further commitment, BCLC will also conduct enhanced face to face AML training at RRCR with key staff members and management and aim to have that completed before the end of 2015. The training will be consistent with previous BCLC AML face to face and on-line training, however will include additional scenarios around identifying suspicious activities and behaviours as it relates to financial transactions. Bal BAMRA, BCLC Manager of Cash Alternatives and Special Projects will coordinate training sessions on behalf of BCLC with RRCR.

Lastly I wanted to reinforce that BCLC's AML training, specifically when it comes to identifying suspicious activity, is consistent with risk indicators and is guided by scenarios based on the FINTRAC and FATF guidelines and is not based on any particular dollar value, currency or denomination.

I appreciate your continued cooperation and understanding. Please contact me directly should you wish to discuss further.

Regards



Ross Alderson  
BCLC Director Anti-Money Laundering & Operational Analysis

Cc: Brad Desmarais, Vice President, Casino & Community Gaming, BC  
Rob Kroeker, Vice President, Corporate Security & Compliance, BC



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## **Appendix D**

February 9, 2016 Letter from Len Meilleur



*Know your limit, play within it.*

February 9, 2016

CLIFF, File or Org #  
(Reference: MNP Review)

Mr. Murray Dugger  
Regional Operations and Compliance  
Financial Transactions and Reports Analysis Center of Canada  
#1120 - 1185 West Georgia St Vancouver  
BC V6E 4E6

Dear Mr. Dugger:

**Subject: BCLC Voluntary Self-Declaration of Non-Compliance (VSDONC) –  
Unfiled Suspicious Transaction Reports**

I am writing to you with regards to the letter sent to your office by Mr. Ross Alderson of BCLC dated January 23, 2016. A copy of that letter and various attachments were provided by Mr. Alderson to me in person on January 29<sup>th</sup>, 2016. In the BCLC letter there is a reference to an email and a meeting regarding a \$50,000 threshold for reporting Suspicious Currency Transactions (SCT). The comments infer that this threshold may have been instituted as a result of some form of GPEB direction being misinterpreted by the gaming services provider.

I was advised that you recently met with Ms. Fitzgerald in Burnaby. I would like to express in the strongest possible terms that at no time has any member of GPEB provided direction to BCLC or any Provincial Gaming Service Provider to institute a threshold for the reporting of SCTs. Not only would this be inappropriate but it is our position that such direction might contrive Federal Legislation. In addition, and as discussed with you by phone, the idea that Mr. Dickson would have provided any such direction is vastly inconsistent with the philosophy and practice GPEB has demonstrated throughout this portfolio but also the accountability that GPEB has demanded, and monitored in support of the FinTRAC mandate.

This office has on file a number of documents as provided by BCLC directly to me in support of the “action they are taking to remedy the non-compliance issue.” In my assessment there is nothing in that material which supports the assertion that any such direction or cause for misinterpretation was given by GPEB staff.

---

Ministry of Finance

Gaming Policy and  
Enforcement Branch  
Compliance Division

Mailing Address:  
GPEB, Compliance Division  
PO BOX 9202 STN PROV GOVT  
VICTORIA BC V8W 9J1  
Telephone: (250) 356-6320  
Facsimile: (250) 356-0782

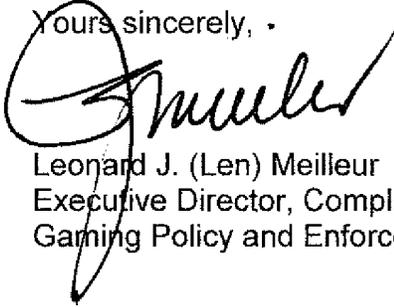
Location:  
Third Floor, 910 Government Street  
Victoria, BC

Web: [www.gaming.gov.bc.ca](http://www.gaming.gov.bc.ca)

These documents are available for your review should you consider it necessary and our staff are available to answer any questions you may have concerning this matter.

I trust that I have provided some additional clarity to the matter. Please feel free to contact me direct if you have any questions. I am providing a copy of this letter to BCLC to ensure that they are informed of our position in relation to this matter.

Yours sincerely, •



Leonard J. (Len) Meilleur  
Executive Director, Compliance Division  
Gaming Policy and Enforcement Branch

c.c. Mr. Ross Alderson, BCLC  
Director, AML & Operational Analysis  
Corporate Security and Compliance Division

## **Appendix E**

January 2016 Emails between Len Meilleur and Robert Kroeker

**To:** Ross Alderson[RAlderson@BCLC.com]  
**From:** Rob Kroeker  
**Sent:** Mon 2016-01-25 4:01:15 PM  
**Subject:** FW: Reporting under \$50,000 (MNP Review)

For the records on the \$50K issue. Below is GPEB's response on the issue of the reported SP-GPEB conversation. Can you please add to the folder on this file.

Thanks,

Rob

---

**From:** Meilleur, Len FIN:EX [mailto:Len.Meilleur@gov.bc.ca]  
**Sent:** January-21-16 2:05 PM  
**To:** Rob Kroeker  
**Cc:** Fitzgerald, Anna FIN:EX; Mazure, John C FIN:EX  
**Subject:** RE: Reporting under \$50,000 (MNP Review)

Good afternoon Rob:

I appreciate your response to this issue. As we discussed I am concerned that somehow and somewhere there has been an interpretation by SP's or others that GPEB may have provided direction or led a conversation where there was a misinterpretation that would have resulted in the non-reporting of STR's under 50K. I would suggest if that was to occur they would be deemed to be obstructive in adhering to Federal legislation.

As I mentioned and based on the knowledge I have to date my assessment is that any alleged involvement or action by Derek Dickson is not consistent with both the information GPEB has in its records and data collection on STR's for years by way of STR reports, including the analysis and reporting of that information. In fact, there were regular updates to GPEB Executive on the amount of STR's filed and the amount of \$20 bills involved. I have also consulted with Mr. McCrea who led the AML file at this time and he supports such an assessment as he was the lead at that period. To quote Mr. McCrea the level of diligence that Mr. Vandergraaf, Mr. Schalk and Mr. Dickson put on suspicious cash was that if one dollar was suspicious it was to be reported.

However I wish to be cautious in my conclusions, therefore I have contacted FINTRAC to advise them that if they have received any evidence or information to suggest GPEB has been involved in any matter which resulted in the non-reporting occurring to please interview our staff and records with my full support. We will cooperate fully.

I understand the amount of work this has caused and appreciate the efforts of BCLC in ensuring FINTRAC was informed.

Regards,

*Len*

J.E.L. (Len) Meilleur  
Executive Director  
Compliance Division  
Gaming Policy Enforcement Branch  
Ministry of Finance

Location: 3rd Floor, 910 Government Street, Victoria BC V8W 1X3  
Mailing Address: P.O. Box 9309 Stn Prov Govt, Victoria BC V8W 9N1  
[Tel:250-356-6320](tel:250-356-6320) Fax:250-356-0782  
E-mail: [len.meilleur@gov.bc.ca](mailto:len.meilleur@gov.bc.ca)  
Website: [www.gaming.gov.bc.ca](http://www.gaming.gov.bc.ca)

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**From:** Rob Kroeker [<mailto:RKroeker@bcl.com>]  
**Sent:** Monday, January 18, 2016 1:24 PM  
**To:** Meilleur, Len FIN:EX  
**Subject:** RE: Reporting under \$50,000

Hi Len

I will bring a hard copy of the e-mail string to our next meeting.

Beyond the e-mail, and as indicated earlier, senior staff at the SP have reported to us that they believed they had been given direction not to file STRs under \$50K. We have conducted a thorough search of all our records and can find no such direction. To the contrary, all training and audit materials speak to there being no threshold for STRs. When we spoke to the SP to try to understand better how this confusion arose, senior staff at the SP reported that there was a conversation/meeting at River Rock in late 2010 (to the best of their recollection) to discuss the volume of FinTRAC reports and that at that meeting the GPEB member present gave direction in regard to a threshold on STRs. We have no direct knowledge of the contents of that conversation or even if it occurred, but note the SP is quite insistent on this point. Gord Friesen's e-mail is not inconsistent with what the SP is reporting and seems to align with their recollection of the meeting taking place, who was present from GPEB, and what the discussion was about.

Unless it is being asserted the SP is not accurately reporting their recollection and genuine understanding, there are some indicators there was a meeting of some sort in late 2010, there was a conversation on the issue of STRs, and irrespective of what was or was not said, it appears the SP took away the erroneous and very unfortunate understanding that they did not need to report STRs under \$50K.

At this stage we are focussed on FinTRAC's direction to us to file a voluntary disclosure report (in progress), confirm the scope of the issue (complete), continue our efforts to review all potentially impacted LCTs (in progress), submit STRs on a risk basis where warranted (in progress), correct the confusion at the SP through remedial and enhanced training (complete), review our processes to see what might be done to prevent any future reoccurrence (substantially complete). This is a very substantial amount of work. We have pulled resources from other areas to create a team dedicated to getting this work completed as quickly and accurate as possible. Currently we project that it could take until May – June to complete our work.

Please feel free to give me a call if you would like to discuss.

**Rob Kroeker**

Vice President | Corporate Security & Compliance  
British Columbia Lottery Corporation

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Last year, more than \$1 billion generated by BCLC gambling activities went back into health care, education and community groups across B.C.

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**From:** Meilleur, Len FIN:EX [<mailto:Len.Meilleur@gov.bc.ca>]  
**Sent:** January-18-16 11:40 AM  
**To:** Rob Kroeker  
**Subject:** RE: Reporting under \$50,000

Rob,

With respect to this information. Derek is adamant that no such direction was ever provided by him. He would like to see the email string that provides clarity and supports that he provided some form of direction to BCLC staff. I told him that when I receive the documentation I would further discuss it with him. From what I see below there is no indication that he provided any direction that would influence anyone's decision or requirement to report matters to FINTRAC. In fact what it says below is he wanted reporting.

As far as telling someone or anyone for that matter not to report under \$50,000 he says that did not happen as he has no such authority to do so. From what I have heard over the years, that would be consistent with what Larry, Joe and Derek have been demanding and reporting to our Executive. Reporting of all STR's.

Talk to you soon and please provide the email as we would like to ensure that there is an understanding of concern and an opportunity to respond to what has been alleged.

Thank you,

*Len*

J.E.L. (Len) Meilleur  
Executive Director  
Compliance Division  
Gaming Policy Enforcement Branch  
Ministry of Finance  
Location: 3rd Floor, 910 Government Street, Victoria BC V8W 1X3  
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Website: [www.gaming.gov.bc.ca](http://www.gaming.gov.bc.ca)

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---

**From:** Rob Kroeker [<mailto:RKroeker@bclc.com>]  
**Sent:** Wednesday, January 13, 2016 2:20 PM  
**To:** Meilleur, Len FIN:EX  
**Subject:** RE: Reporting under \$50,000

Hi Len

Text of the one e-mail below. I will bring hard copy of whole e-mail string for you next time we meet.

In addition to this, recall senior staff at RR Surveillance have reported to us that their recollection is Derek spoke to them directly and told them STRs not to be provided below \$50K.

If there is confusion around this, I would suggest all parties get in the same room to discuss in person to help bring clarity.

Rob

**From:** Gordon Friesen  
**Sent:** November-09-10 3:46 PM  
**To:** Kevin Sweeney  
**Cc:** Jim Husler  
**Subject:** RE: Noted during Table (Large Buy In) Review

Kevin/Jim – There are no exceptions here. Last week, the particular day eludes me, Pat ENNIS had a discussion with GPEB Derek DICKSON, who wanted Sec. 86 reports on buy ins over \$50,000 conducted with 20 dollar bills. Pat called me and asked if he should create an Itrak report on them as well and said yes. Therefore, he was going to instruct his subordinates accordingly.

That's all!

Gord

---

This email is intended only for the addressee. It may contain confidential or proprietary information that cannot be disclosed without BCLC's permission. If you have received this email in error, please notify the sender immediately and delete the email.

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## **Appendix F**

February 12, 2016 River Rock UFT/STR Review completed by BCLC AML Unit

## River Rock UFT/STR Review

### **Project Overview**

As a result of inconsistencies found in November 2015 of River Rock UFT reporting, a review was undertaken by BCLC to examine the period from Sept 1, 2014 to October 31, 2015 to determine the extent of the problem. A request was made to River Rock staff and they subsequently supplied hard copies of the RR daily drop sheets for this period which consisted of sheets from the Salon Prive, Phoenix Room and main cash cages.

These sheets were reviewed month by month examining every cash buy-in and documenting the disposition of the funds. This included buy-ins which had been reported by UFT file creation, PGF use, buy-ins from previous wins and debit card withdraws. All daily drop sheets have been catalogued by month and contain notes that reference the results of each entry review.

All cash buy-ins found that were not reported as unusual by RR surveillance (with the creation of a UFT) have since been documented and a BCLC file has been created for each entry. All known data for each incident has been summarized and an STR has been created and filed to Fintrac within the 30-day reporting requirement from the time this information became known which is compliant with the PCMLTFA. Where a patron was found to have more than one incident within a single month, those reports have been filed under one STR for that patron.

A random sampling 2-month review was also completed for other Lower Mainland Casinos using the same method of review that was used for River Rock drop sheets. There were 2 months sampled (October/November) for these sites and there were no similar issues found and the AML unit is confident this issue is restricted to the River Rock casino

### **Results of Review**

The following monthly reviews cover the number of single incidents found per month and the number of STR reports filed to Fintrac for that period:

<b>Month</b>	<b>Incidents</b>	<b>STR's Filed</b>
September 2014	11	9
October 2014	14	13
November 2014	16	12
December 2014	11	11
January 2015	10	10
February 2015	7	7
March 2015	14	14
April 2015	28	19
May 2015	25	18

June 2015	31	28
July 2015	54	37
August 2015	44	33
September 2015	44	36
October 2015	27	19

### **Summary of Results**

**Total number of incidents found for this review period: 336**

**Total number of STR's filed to Fintrac for this review period: 266**

Total number of incidents of 50K or under: **227 (68%)**

Total number of incidents over 50K: **109 (32%)**

#### **Summary of over \$50K buy ins**

Total number of missed single buy-ins \$50K to \$99K: **45**

Total number of missed single buy-ins \$100K to \$200K: **51**

Total number of missed single buy-ins 200K and over: **13**

### **FINDINGS**

Overall results indicate that approx. 32 % of these missed files are over \$50K and 68% were under \$50K. The analysis confirms that in the over \$50K category these are almost exclusively in higher denominations, such as \$50 bills and \$100 bills. There was also a smaller number of buy in's which included extremely large amounts of cash in mixed or smaller bills. (\$5, \$10, \$20, \$50) The number of these files found is relatively small in comparison to the number of similar fact files that were actually reported by site staff.

There are numerous instances of multiple buy-ins conducted by one person in a 24 hour period all under \$50K which totalled to significant amounts in one day none of which were reported as unusual .

The analysis also confirmed a number of instances of individual buy in's under 50K in small bills that WERE reported at the time by RR staff. Further analysis of these incidents has not been conducted to date to determine what caused them to be reported in the first instance.

## **SUMMARY**

The majority of the transactions reviewed certainly appear to confirm that RRCR was acting under a threshold reporting criteria and based on the analysis the following assumptions are made

- a. Under \$50K buy in's were generally not reportable as suspicious
- b. In general RRCR deemed that only \$20 bills are suspicious
- c. There appears to be a number of high-value patrons that the site became comfortable with and simply overlooked some of their suspicious large cash buy-ins irrelevant of denomination.

Since the remedial training sessions and prioritization of reviewing all files the AML unit have yet to find a single incident in the daily drop sheets that has not been properly reported. The daily reviews will continue in the short term future to ensure this issue is resolved completely moving forward and remedial training sessions for the other large sites will be scheduled to ensure consistency in Fintrac reporting.

## **Cost Analysis**

Review start date- December 19<sup>th</sup>, 2015

Review finish date- February 11<sup>th</sup>, 2016

**Total hours for review (inclusive of RR staff training) - (As of February 11, 2016)**

**Total Hours:** 784.75 Hours **(\$33,354)**

**Additional expenses** (eg: additional Travel, Mileage, O/T, Hotel for RRCR Training) **(\$788.58)**

**TOTAL EXPENSES incurred (as of Feb 11<sup>th</sup> 2016) \$34,142**

Completed by AML Unit

Feb 12, 2016

## **Appendix G**

March 8, 2016 Letter from Ross Alderson to FINTRAC

March 8, 2016

Via Email

Robby Judge  
Regional Compliance Manager  
Financial Transactions and Reports Analysis Centre of Canada  
Government of Canada  
1120-1185 West Georgia Street  
Vancouver, BC  
V6E 4E6



**Subject: Follow up report to BCLC Voluntary Self-Declaration of Non Compliance (VSDONC) – submitted January 28, 2016**

Dear Mr. Judge,

This letter is in response to our teleconference on March 3, 2016 and FINTRAC's request for an update regarding BCLC's investigation of underreported Suspicious Transaction Reports at the River Rock Casino Resort (RRCR). The issue was first identified by BCLC for a transaction which occurred on October 31, 2015.

BCLC is committed to meeting and adhering to the compliance requirements set by the Proceeds of Crime (Money Laundering) and Terrorist Financing Act. When this issue surfaced BCLC immediately reviewed historical transactions prior to October 31, 2015.

As of March 08, 2016, BCLC has reviewed 100% of all daily RRCR Large Cash Transaction (LCT) records dating back to September 1, 2014. This has amounted to approximately 17 months of data or 20,445 transactions.

At the time of the original VSDONC was submitted on January 28, 2016, BCLC had reviewed only transactions up to, and including, April 01, 2015. The error rate was found to be approximately 1.5% of all daily RRCR LCT records.

BCLC have since identified and submitted an additional 266 STRs to FINTRAC for the period September 1, 2014 to October 31, 2015. This amounts to approximately 1.3% of all LCT records for that time period.

There was a significant decrease in the percentage of identified issues as further historical reviews were conducted. From September 01, 2014 to March 31, 2015, the error rate was found to be approximately 0.76%.

Table 1 showcases the monthly breakdown of the additional STRs submitted, the total RRCR LCT records reviewed per month, and the percentage of STRs submitted V LCT records.

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[bclc.com](http://bclc.com)

Table 1

RRCR STR Review: September 01, 2014 – October 31, 2015				
Month	Year	STR	Total LCT	%
September	2014	9	1431	0.63%
October	2014	13	1596	0.81%
November	2014	12	1215	0.99%
December	2014	11	1419	0.78%
January	2015	10	1171	0.85%
February	2015	7	1475	0.47%
March	2015	14	1819	0.77%
April	2015	19*	1444	1.32%
May	2015	18	1667	1.08%
June	2015	28	1339	2.09%
July	2015	37	1581	2.34%
August	2015	33	1652	2.00%
September	2015	36	1228	2.93%
October	2015	19	1408	1.35%

\* In the original VSDONC submission, the report indicated there were 20 additional STRs that were submitted. Findings have now confirmed it to be 19 STRs.

As an additional precaution, a two-month review was conducted using the same method implemented at RRCR for several other lower mainland casinos. All LCTs pertaining to those sites in September and October 2015 were reviewed. BCLC Investigations and Compliance personnel liaised with Operational Management at all gaming facilities in British Columbia to reiterate and reinforce BCLC's compliance expectations and to remind them that such expectations are consistent with FINTRAC's AML requirements. There were no additional suspicious transactions or concerns identified during these additional reviews.

### Summary of Review

Approximately 68% of previously non-reported transactions at RRCR were single cash transactions under \$50,000.

The remaining 32% of non-reported transactions were \$50,000 and over. Of those, approximately 70% were exclusively cash buy-ins involving higher value dominations only (i.e. \$50 and \$100), approximately 8% were exclusively \$20 denominations, and approximately 22% were a combination of all three denominations.



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## Findings

From the review, it appeared that RRCR was not abiding by BCLC's AML Program and used instead a "Threshold" based reporting approach. Based on the analysis, we were able to determine that:

- (a) LCTs involving \$50,000 or less were generally not reported as suspicious by RRCR regardless of the denomination, and
- (b) There appears to be a number of transactions associated to high-value patrons that RRCR did not deem as suspicious, regardless of denomination or amount, especially when they bought in using \$50 and/or \$100 denominations.

Findings from the two-month review of other lower mainland casinos were negative, which suggests the issue was restricted to only RRCR. We are confident in these results.

## Conclusion

Since the incident occurred BCLC implemented a process to review all daily RRCR Large



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Each transaction (LCT) recorded at RRCR. Since the incident occurred and the training conducted BCLC has not found any incident at RRCR. We will continue to conduct additional reviews at RRCR for the foreseeable future.

Furthermore, all additional STs created prior to October 31, 2015 have been created and filed with FINTRAC within the 30-day reporting requirement (counting from the initial identified by BCLC). day the UFT transaction was identified.

I hope this letter provided a thorough explanation of the measures that BCLC have gone through to address this issue. Please do not hesitate to contact me via phone at 604-225-6382 or via email at [ross.alderson@bclc.com](mailto:ross.alderson@bclc.com).

Yours truly,

**Ross Alderson CAMS**  
Director, AML & Operational Ar  
Corporate Security and Compli

analysis  
Finance Division, BCLC

## **Appendix H**

March 8, 2016 BCLC Information Note: Update: BCLC Review of Non-Compliance of Unfiled Suspicious Transactions Reports at River Rock Casino Resort

<b>INFORMATION NOTE</b> <b>British Columbia Lottery Corporation</b> <b>Date: March 8, 2016</b>	<b>Update: BCLC Review of  Non- Compliance of Unfiled  Suspicious Transaction  Reports at River Rock  Casino Resort</b>
--	---

### **KEY FACTS:**

On March 8, 2016, BCLC completed its review of underreported Suspicious Transactions Reports (STRs) at the River Rock Casino Resort (RRCR) between September 1, 2014 and October 31, 2015.

BCLC reviewed 100% of all daily RRCR Large Cash Transaction (LCT) records within the identified date range which amounted to approximately 14 months of data, or 20,445 transactions.

BCLC identified and submitted an additional **266** Suspicious Transaction Reports (STRs) to FINTRAC for the period September 1, 2014 to October 31, 2015. This amounts to approximately 1.3% of all LCT records for that time period.

### Review Findings

From the review, it appeared that RRCR was not abiding by BCLC's Anti-Money Laundering (AML) Program and used instead a "threshold" based reporting approach. Based on the analysis, it was determined:

- (a) LCTs involving \$50,000 or less were generally not reported as suspicious by RRCR regardless of the denomination, and
- (b) There appears to be a number of transactions associated to high-value patrons that RRCR did not deem as suspicious, regardless of denomination or amount, especially when they bought in using \$50 and/or \$100 denominations.

As a result, remedial AML training sessions were performed with all required staff, and BCLC now reviews all daily RRCR LCT records. Since the incident occurred and the training conducted, BCLC has not found another underreported STR incident at RRCR. BCLC will continue to conduct additional reviews at RRCR for the foreseeable future.

### Of note

As an additional precaution, a two-month review was conducted using the same method implemented at RRCR for several other lower mainland casinos. All LCTs pertaining to those sites in September and October 2015 were reviewed. BCLC Investigations and Compliance personnel liaised with Operational Management at all gaming facilities in British Columbia to reiterate and reinforce BCLC's compliance expectations and to remind them that such expectations are consistent with FINTRAC's AML requirements. There were no additional suspicious transactions or concerns identified during these additional reviews.

### Background

On December 23, 2015, BCLC met with FINTRAC to report on and brief the federal regulatory agency on a series of occurrences involving the underreporting of STRs at the RRCR.

BCLC first identified the issue on November 2, 2015, while conducting a review of a specific customer's transactions that had come to the attention of BCLC's Anti-Money Laundering unit. Of concern were two large cash buy-ins, dated October 30, 2015, that appeared to be unusual in nature. Despite being unusual transactions, BCLC found that RRRCR had not notified BCLC of the transactions as required and as a result a BCLC review of the transactions had not been undertaken.

On November 2, 2015, when BCLC made inquiries of the RRRCR, staff at RRRCR stated they were of the understanding, and that they had been given direction, that no transaction under \$50K was required to be reported as an Unusual Financial Transaction (UFT). This understanding is contrary to all of BCLC's training materials and directives to service providers on how to identify and report on unusual transactions. It is also contrary to the service provider's own training materials.

### Public Interest Immunity

U public interest immunity start providing to BCLC all daily large cash buy-in sheets (the working papers of frontline staff used to track and record transactions) so that BCLC could conduct daily reviews.

In light of the information discovered on November 2, 2015, BCLC expanded its review to all RRRCR LCT records for the entire month of October 2015. Out of a total of 1,409 LCTs submitted for that month, BCLC found that 29 records should have been submitted to BCLC as UFTs for review and were not. Of those 29, BCLC determined that 19 STRs needed to be submitted to FINTRAC.

To correct the erroneous understanding of thresholds related to financial transaction reporting requirements at RRRCR, BCLC provided in-person remedial AML training to 79 RRRCR employees during the week of December 14-18, 2015.

As a result of the findings from the October 2015 review, on December 21, 2015, BCLC made the decision to review all LCTs at RRRCR for an additional 12 months dating back to September 1, 2014. BCLC completed the review on March 8, 2016.

BCLC conducted investigations at its other lower mainland casinos and as of March 8, 2016, has not found evidence of a threshold-based approach to unusual transaction reporting.

BCLC has reviewed its internal audit processes and is in the process of implementing changes designed to help prevent and detect any future reoccurrences. Both FINTRAC and GPEB will be consulted on these changes.

FINTRAC requested that BCLC complete a Voluntary Self-Declaration of Non- Compliance, which BCLC has done, and FINTRAC appears to be taking the approach of working with BCLC towards compliance. FINTRAC does, however, have the authority to issue an administrative monetary penalty should it conclude that such a penalty is warranted in these circumstances.

#### LCT/STR Reporting & FINTRAC Requirements

Reporting entities (of which casinos are one), under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*, are required to report to FINTRAC, the federal anti-money laundering regulator, all LCTs of \$10,000 or more. In addition, LCTs and all other transactions in any amount must be assessed to determine if there are reasonable grounds to suspect the

transaction is related to the commission of a money laundering or terrorist financing offence. Where reasonable grounds exist an STR must be submitted to FINTRAC by BCLC.

BCLC policy requires its private sector casino service providers, in addition to submitting an LCT report, to review all transactions to determine if there are reasonable grounds to suspect a transaction may be connected to a money laundering or terrorist financing offence. Where grounds are believed to be present the service provider is required to notify BCLC by identifying the transaction as a UFT in BCLC's casino reporting system. This notification triggers a detailed review of the transaction and other related factors by a BCLC certified anti-money laundering specialist to determine if an STR is required in relation to the transaction.

BCLC conducts random monthly reviews of LCTs at all B.C. gaming properties: 100% of LCTs at most properties and 10% of LCTs at the five largest Lower Mainland casinos. A secondary review is also conducted on a quarterly basis on a maximum of 50 LCTs at each site. These reviews are primarily to determine accuracy of data.

Independent audits of BCLC's anti-money laundering program are conducted on a bi-annual basis by nationally recognized external auditing firms. In addition, BCLC's anti-money laundering program is subjected to periodic audits and reviews conducted by regulatory agencies. A number of these regulatory reviews and audits were conducted between 2011 and 2015. These audits include a review of LCTs to investigate whether appropriate STR reporting processes are in place. None of these external audits and reviews identified this issue.

In addition to its reporting obligations to FINTRAC, BCLC reports all suspicious transactions to GPEB and the RCMP simultaneously so that each of these agencies receives the information at the same time. STRs must be reported within 30 days of the reporting entity developing reasonable grounds to suspect.

In 2014/15, BCLC filed 1,737 suspicious transaction reports to FINTRAC, compared to 1,254 in 2013/14. This number has increased for two reasons; increased play among players and enhanced due diligence exercised on high value players, as well as continued training within gaming facilities to report unusual activities.

FINTRAC is responsible for analyzing, assessing and disclosing financial intelligence regarding the reports it receives. This enables FINTRAC to track individuals, establish patterns and ultimately determine if funds were proceeds of crime and, if necessary, to contact police for further action.

As well, gaming staff receive regular anti-money laundering training. To date, all required gaming workers have been trained and must take a refresher course every two years to make sure they are up-to-date on any new AML policies and procedures.

#### **BCLC RESPONSE POINTS:**

- **BCLC is deeply concerned that there were suspicious transactions not reported, and took immediate action to address this issue.**
- **BCLC reviewed 100% of all daily Large Cash Transaction records over a 14 month timeframe at River Rock Casino Resort and found 266 unreported suspicious transactions.**

- **BCLC immediately conducted remedial anti-money laundering training for required staff at this location to ensure all policies and procedures are understood and followed.**
- **Since this incident occurred, BCLC has not found another unreported suspicious transaction at River Rock Casino Resort. We will continue to conduct additional reviews at this casino for the foreseeable future.**
- **As an additional precaution, BCLC conducted a review at several other lower mainland casinos and no concerns were raised around their reporting obligations.**

**GENERAL:**

- **The Province of B.C. and BCLC are committed to the integrity of gambling, and the safety and security of casino patrons, in British Columbia.**
- **BCLC and its service providers take all matters related to suspicious and/or suspected illegal gambling very seriously. If we have reason to suspect any criminal behaviour is occurring in or around our facilities, we report it to local police and the Province's Gaming Policy and Enforcement Branch.**
- **BCLC continues to enhance our customer due diligence to mitigate the risk of money laundering in B.C. gaming facilities by implementing AML best practices. In light of these findings, we are reviewing our processes and procedures and implementing new review criteria designed to detect non-compliance.**

Program Area Contact:	Name Laura Piva-Babcock	Number T: 250-828-5576 C: 250-371-7274
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## **Appendix I**

2010 Emails Between BCLC, GCGC, and GPEB Staff

## Patrick Ennis

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**From:** Carl Bolton <cbolton@gcgaming.com>  
**Sent:** Monday, May 17, 2010 3:21 PM  
**To:** Doug Morrison; 'Doug Morrison'  
**Cc:** Patrick Ennis; Brian Egli; Terry Towns; Patrick Ennis; Brian Egli; 'Terry Towns'  
**Subject:** RE: Further Request - RRCR 2010-0018409 \$460K Buy-in  
**Attachments:** new\_2010bclccomplogo.gif

Doug,

Pat will be discussing this with Dave and other staff to make sure there is no non-commitment by anyone. Pat will be instructing staff to ignore past criteria for identifying suspicious behaviour to include those who play as opposed to only those who try to exchange denominations. From now on we will file 86's on any buy-in of \$50k or more so there will be no confusion or ability to interpret what is suspicious.

Carl.

---

**From:** Doug Morrison [<mailto:DMorrison@BCLC.com>]  
**Sent:** Monday, May 17, 2010 1:39 PM  
**To:** Carl Bolton  
**Cc:** Patrick Ennis; Terry Towns; Brian Egli  
**Subject:** FW: Further Request - RRCR 2010-0018409 \$460K Buy-in

Carl – I guess it is with these types of activities when Dave mentions that it was only because 'BCLC found it suspicious' that it is being reported via 86 that leave me pondering!

I really have to question what on earth Dave is truly thinking about. Here we have an individual bringing in 2 bags full of \$20.00 bills into the casino and he and the rest of surveillance don't find this suspicious?

Honestly, where would you go to find \$460,000.00 in \$20 dollar bills? If you walked into a bank – they wouldn't accept this money – even if you had an account at the branch!

If GCGC and BCLC are going to weather the storm with FinTrac and FinTrac training – we need not just some of your staff but all of your staff on side with this legislation. I don't see that happening here with Dave Pacey and he's the surveillance manager.

Ultimately, how do we both defend a reporting system and validate these reports to FinTrac – when we see this type of non-commitment by first line senior staff.

Doug Morrison

---

**From:** Mike Hiller  
**Sent:** May 17, 2010 8:55 AM  
**To:** BCRRRC Surveillance Shift Managers; Dave Pacey  
**Cc:** Rick Pannu; Steve Beeksma  
**Subject:** Further Request - RRCR 2010-0018409 \$460K Buy-in

Dave,

I have attached the form 86 you sent on this incident as a reference for my comments here. The incident on May 2nd involved a LCT male (HUANG) who brought in two large bags containing \$460,000 in \$20s. I read with interest your comments in the form 86, that "None of his actions while in the casino were suspicious, ie. loansharking or money laundering but it is just the amount of buy-ins that BCLC has found suspicious".

If this male brought two bags with that amount of money to a bank, the bank employee would surely find it suspicious, and the bank would be obligated to report the suspicious activity to FINTRAC (even if the denominations were \$100s). How is it that this sort of suspicious activity can change just because the male brought the money to a casino? I see nothing that differentiates the two scenarios. Surveillance should be the front line with this thing and it should have reported the incident as "suspicious activity" before the need for a BCLC investigator to request it. In the future I would expect that this type of buy-in is reported as "suspicious" activity.

Request:

Due to being busy, I didn't get to review the video footage until Wednesday afternoon. Unfortunately, I then didn't get a chance to check iTrak to determine whether this was one of the chip passing incidents involving HUANG and his "Chinese friends" because I was away from River Rock for part of the end of the week. I just noticed this was not one of the chip passing incidents reported during the week or so where HUANG was involved in "joint play/sharing his chips" with his friends. But I noticed during my review of the video that HUANG came to the casino with the same 4 Chinese friends on May 2, and they were all waiting for him at MDB 28 while he conducted the \$460,000 buy-in. I would have expected that chip passing occurred as soon as HUANG got the chips at the table. Please check with the surveillance operator who watched this "high limit play" and advise whether this did in fact occur.

Thank you,

Mike HILLER

BCLC Casino Security Investigator

10760 Shellbridge Way, Richmond, B.C. V6X 3H1

T 604 207 0826 C 604 803 2110

[mhiller@bclc.com](mailto:mhiller@bclc.com)

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## Patrick Ennis

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**From:** Dickson, Derek HSD:EX <Derek.Dickson@gov.bc.ca>  
**Sent:** Monday, July 12, 2010 10:37 AM  
**To:** Patrick Ennis; Patrick Ennis  
**Cc:** Carl Bolton; Doug Morrison; Schalk, Joe HSD:EX; Carl Bolton  
**Subject:** RE: Form 86 reporting

Patrick,

As there are individuals on the CC list of this email I will respond in writing with my comments/concerns for the sake of accuracy.

1. I agree that RRCR has been over reporting LCT . You and I had conversations when the GPEB investigation into the reporting issue surrounding LCT's first surfaced. You asked what the monetary threshold RCRR should adopt when reporting LCT's. I explained that it was not the amount of the buy-in that was the determining factor, but the circumstances surrounding the buy-in. FINTRAC and BCLC supply direction in this regard.
2. You refer to returning to your previous methods of reporting suspicious activities. It was your previous reporting methods of LCT's that brought you into conflict with BCLC and GPEB, and the need for a failure to report investigation initiated by our office. I am going to assume these methods have a higher level of understanding as to what constitutes a suspicious cash transaction and the duties of RRCR to report it.
3. If I am slightly confused as to your described reporting methods in conjunction with BCLC. However, I will point out that Section 86 of the Gaming Control Act directs that the service provider must report immediately any real or suspected criminal or GCA violation. This responsibility cannot be abrogated to BCLC to review all LCT and then have the service provider report via Section 86 any that are found to be suspicious. BCLC has the ability to review any event that has occurred within the casino and either submit a section 86 report or require that the service provider submit a report if they believe there is a violation of the Criminal Code or GCA. But the service provider is the first point of contact and must report immediately any suspicious cash transactions.

Unfortunately, there is no hard and fast definition of what constitutes a suspicious cash transaction. It is a subjective test that can be difficult to define and apply to fluid situations. Again, I agree that RRCR has been over reporting LCT's and creating unnecessary work for your employees, BCLC investigators and our GPEB investigator assigned to RRCR. I encourage you to work with BCLC and GPEB to seek advice and streamline the process for the benefit of all involved.

Thank you,

Derek Dickson  
Director, Casino Investigations LMD

Investigations and Regional Operations  
Gaming Enforcement  
Ministry of Housing and Social Development

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From: Patrick Ennis [<mailto:pennis@gcgaming.com>]  
Sent: Friday, July 9, 2010 1:38 PM  
To: Dickson, Derek HSD:EX  
Cc: Carl Bolton; Doug Morrison  
Subject: Form 86 reporting

Derek,

Due to the recent GPEB investigation into suspicious buy-ins the staff at RRCR have been over reporting on cash buy-ins via form 86 reports. I have discussed this with Doug Morrison at BCLC and he agrees that RRCR is the only site reporting in this manner. I am going to instruct RRCR to return to our previous methods of reporting suspicious activities which are consistent with other casinos in the province. Large buy-ins will be investigated and if deemed suspicious then BCLC will file an STR with FINTRAC and an 86 report will be filed by GCC as a result of the investigation. If you have any concerns with this please contact me directly.

Regards,

Patrick Ennis

Director, Surveillance

Great Canadian Gaming Corp.

Office 604 303 1000

Cell 604 657 3837

[patrickennis@gcgaming.com](mailto:patrickennis@gcgaming.com)

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## Patrick Ennis

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**From:** Gordon Friesen <GFriesen@BCLC.com>  
**Sent:** Wednesday, November 03, 2010 6:14 PM  
**To:** Rick Pannu; Mike Hiller; Steve Beeksma  
**Cc:** John Karlovcec; Patrick Ennis; Patrick Ennis  
**Subject:** Large Cash Transactions

**Importance:** High

Gentlemen

I had a conversation with Pat ENNIS today wherein he advised that GPEB Derek DICKSON had requested River Rock Surveillance notify them via Sec. 86 Report of any buy in of \$50,000 or more where conducted with \$20 bills. In our discussion Pat advised he would instruct his employees to open an incident report and put a brief note in it as to circumstances etc. Therefore, we would be advised and could monitor and/or investigate these transactions as required and add the necessary supplement(s). If in our investigation we feel it requires an SFT and report to Fintrac, we will file a report and change the drop down or request a change.

Should anyone have any questions please call me or discuss with Pat at any time.

Thank you!

Gord

Gord Friesen

Manager, Corporate Security & Surveillance

10760 Shellbridge Way

Richmond, B.C, V6X 3H1

T 604 247 3008

C 604 803 2845

F 604 276 6488

E [gfriesen@bclc.com](mailto:gfriesen@bclc.com)

## **Appendix J**

September 23, 2011 Emails between Ross Alderson and Gord Friesen

**To:** Gordon Friesen[GFriesen@BCLC.com]  
**Cc:** Steve Beeksma[SBeeksma@BCLC.com]; John Karlovcec[JKarlovcec@BCLC.com]  
**From:** Ross Alderson  
**Sent:** Fri 2011-09-23 8:52:32 PM  
**Subject:** Re: Under \$50K buy ins in \$20 bills

;;;;;;;;;Thanks Gord, will bring it up next meeting

Ross Alderson  
BCLC Corporate Security  
Vancouver, BC

---

**From:** Gordon Friesen  
**Sent:** Friday, September 23, 2011 01:28 PM  
**To:** Ross Alderson  
**Cc:** Steve Beeksma; John Karlovcec  
**Subject:** RE: Under \$50K buy ins in \$20 bills

Hi Ross

This is not written in our Policy, so an auditor will not find us non-compliant. This is an AML strategy. The problem we face is that if we believe RRCR are not reporting because 'someone' has instructed the cage not to report these incidents, I don't think you are going to get too many confessions. What I would do is research how many patrons this pertains to (which are probably a select few) and have surveillance put a 'watch' on their buy ins. Discuss this with staff at your next scheduled meeting and air your concerns, i.e. GM, cage manager, etc. and determine their response. As indicated the \$50,000 threshold was just a simple determination made at River Rock because of the volume of transactions. You can alter this at will. There may well be suspicious transactions involving small denominations of bills much less than 50K.

Gord

---

**From:** Ross Alderson  
**Sent:** Friday, September 23, 2011 12:36 PM  
**To:** John Karlovcec; Gordon Friesen  
**Cc:** Steve Beeksma  
**Subject:** Under \$50K buy ins in \$20 bills

FYI,

We have had some recent files where we have patrons buy in for \$49,960.00 and \$49,980 in \$20's and we have found out through further investigation.

RRCR are not reporting these as suspicious and Steve and I feel it is too much of a coincidence and the players must have been informed.

We also find that an individual player that may have combined buy ins over a 24 period exceeding \$50K in buy ins in \$20's are also not deemed suspicious as only the "individual buy in" is being looked at.

Steve is looking at the STR's we have done recently to get some ITRAK file numbers.

We believe this is a totally cynical attempt by the site to avoid reporting buy ins as suspicious

I know that a \$50K buy in limit was agreed upon but if you look at the AML training (there is a scenario for \$30K in \$20's) I am concerned that the outside auditor will find us noncompliant.

Cheers

**Ross ALDERSON**

Casino Security & Surveillance Investigator  
Corporate Security & Compliance, BCLC  
2940 Virtual Way, Vancouver, BC, CANADA  
V5M 0A6

T 604 207 0826 C 604 828 2293 F 604 225 6488  
bclc.com

## **Appendix K**

February 2012 Emails between BCLC and GPEB staff

**To:** John Karlovcec[JKarlovcec@BCLC.com]; Rick Pannu[RPannu@BCLC.com]; Steve Beeksma[SBeeksma@BCLC.com]  
**Cc:** Gordon Friesen[GFriesen@BCLC.com]  
**From:** Ross Alderson  
**Sent:** Fri 2012-02-03 7:35:27 PM  
**Subject:** RE: \$100 Bills at the River Rock

\*\*\*\*\*  
>>>>>>>

Thanks John,

As you are aware we ourselves have discussed this issue here with management a number of times including the \$50K threshold for \$20 bills. Our argument has always been, is \$40K in \$20's, \$200K in \$50's or \$10K x 5 times over 48 hrs less suspicious. We have pointed out the AML training (which they have all taken) does not specify amounts but more circumstances. The standard response has always been it's a Service Provider staff resourcing issue in Surveillance, and that BCLC Management have agreed to the thresholds, however they will try harder.

I hope if/when Fintrac do an audit that response satisfies them under the "risk management" strategies we have in place. I have my doubts whether it would, especially considering the scenarios found in our AML on line training and the fact that other sites are reporting a lot less amounts.

Anyway we will wait to see what Pat comes up with.

On a positive note we are receiving the daily cage sheet each morning which contains the denominations of each large buy in and as a result we have already requested further review on some of them that are not \$20 bills.

Cheers

**Ross ALDERSON**

Casino Security & Surveillance Investigator  
Corporate Security & Compliance, BCLC  
2940 Virtual Way, Vancouver, BC, CANADA  
V5M 0A6

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[bclc.com](http://bclc.com)

---

**From:** John Karlovcec

**Sent:** February 3, 2012 11:19 AM

**To:** Rick Pannu; Ross Alderson; Steve Beeksma

**Cc:** Gordon Friesen

**Subject:** FW: \$100 Bills at the River Rock

Gents,

Simply FYI. I have told Derek that I haven't heard the fact that RRCR surveillance does not consider any buy-in with \$100 bills as being suspicious, and they are too busy to do this.

I have directed the below noted comments from Derek Dickson to Pat Ennis for his feedback. As we know we do take denominations into consideration however I told Derek that we do not simply focus in on denominations be it \$5, \$10, \$20, \$50 or \$100 bills and neither should the Service Provider as this would be WRONG to do so.

The site should be taking into consideration the totality of the circumstances which may include patron's casino history, bill denominations, total amount of cash brought into the casino, associates of patron and their backgrounds, circumstances how money is delivered or brought into the casino just to mention a few. When in doubt they should create an incident file and we will follow up with it. Really these indicators form part of our risk decision tree and help us to categorize our High Risk Patrons.

I've asked Pat Ennis to clarify this with his staff. To simply say that Patron Y brought in \$300K in \$100 bills and not \$20 bills therefore it is not suspicious may be erroneous on the Service Provider's part. Focussing in on denominations in itself is taking a "tunnel vision" approach.

We understand that the site is busy and there may be some incidents that go undetected but to simply not report incidents because \$100 bills are being used is the wrong road to travel down !!

Thanks,  
John

---

**From:** Dickson, Derek SG:EX [<mailto:Derek.Dickson@gov.bc.ca>]

**Sent:** February 3, 2012 8:09 AM

**To:** John Karlovcec

**Subject:** \$100 Bills at the River Rock

Good morning John,

We are starting to see a trend developing where the RRCR is not submitting 86 reports regarding suspicious cash buy-ins where \$100 bills are presented. On at least one occasion recently the BCLC investigators discovered that a patron had left the RRCR several times and returned shortly thereafter with large amount of cash in \$100 denomination. The total was approximately \$5000,000 and RRCR was directed to forward an 86.

The feedback our investigators are getting is that the RRCR does not consider any buy-in with \$100 bills as being suspicious, and they are too busy to do this. Have you heard this and is this RRCR's unofficial policy regarding \$100 bills?

I think we all anticipated that due to the heat being generated around the \$20 bills that the loan sharks were going to try and move towards more \$100 bills being funnelled to the high limit players.

You certainly know more about Fintrac reporting than I do, but I think I am safe in saying that there is no distinction between \$20 and \$100 bills and the legislated reporting of these transactions by the service providers, and particularly RRCR.

Your thoughts?

Thanks,

Derek Dickson

Director, Casino Investigations LMD

Investigations and Regional Operations

Gaming Policy and Enforcement Branch

Ministry of Public Safety and Solicitor General

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## **Appendix L**

December 5, 2013, GPEB Internal Report: Anti Money Laundering Suspicious Transaction Reporting for Large Cash Transaction Buy-ins between \$20K and \$50K (GPEB File# COMM-7646 2013/14)

## Gaming Policy and Enforcement Branch



### INTERNAL REPORT

Anti Money Laundering  
Suspicious Transaction Reporting  
for Large Cash Transaction Buy-ins  
between \$20K and \$50K  
GPEB File # COMM-7646  
2013/2014

#### BACKGROUND

In response to a request from GPEB Investigations, GPEB Audit and Compliance Division (ACD) agreed to collect and analyze data pertaining to large cash transactions greater than \$20,000 and less than \$50,000 occurring at three large BC casinos during a sample period (one month). GPEB Investigations believes that some money entering BC gaming facilities originates and flows from organized crime. The purpose of the review is to determine, if possible, gaming facility service provider and BCLC methodologies and patterns of identifying and reporting suspicious activity to the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC).

As stated in the casinos guidelines on the FINTRAC website, casinos are required to report suspicious transactions where there are reasonable grounds to suspect that a transaction or an attempted transaction is related to the commission or attempted commission of a money laundering offence or a terrorist financing activity offence.

Under Canadian law, a money laundering offence involves various acts committed with the intention to conceal or convert property or the proceeds of property (such as money) knowing or believing that these were derived from the commission of a designated offence.

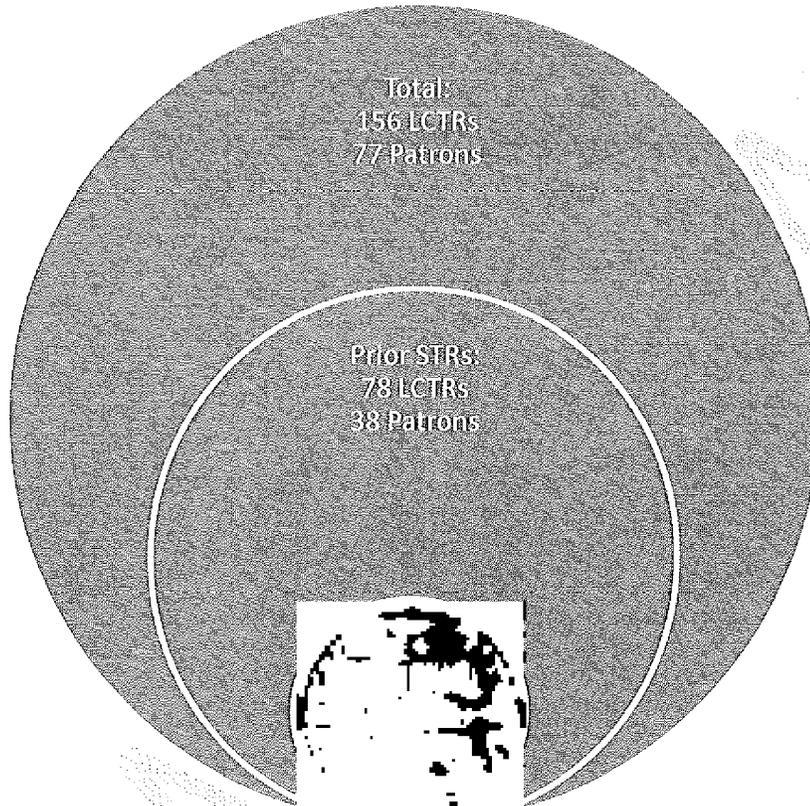
We understand loan sharks are lending funds to gaming patrons who then bring it into gaming facilities. GPEB Investigations believes service providers may not be consistently identifying suspicious transactions for large transactions greater than \$20,000 and less than \$50,000.

As stated above, transactions are to be reported if there are reasonable grounds to suspect they are related to a money laundering offence or terrorist financing activity. Suspicion is all that is required. Also, there is no monetary threshold for submitting a report. An assessment of suspicion should be based on a reasonable evaluation of relevant factors, including knowledge of the customer's business, financial history, background and behaviour. FINTRAC guidelines remind those reporting that behaviour is suspicious, not people, and all circumstances surrounding a transaction should be reviewed. A list of common indicators of suspicious transactions is included in Appendix 1.

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**River Rock Casino Resort:**

For the sample period, 156 LCTRs for buy-ins totaling more than \$20,000 and less than \$50,000 were attributable to 77 discrete patrons. Seventy-eight of the 156 LCTRs were attributable to 38 discrete patrons that had previously had at least one STR filed in their name. And the 10 STRs filed were attributable to nine discrete patrons.



Summaries of narratives for the 10 STRs filed:

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# PII FINTRAC

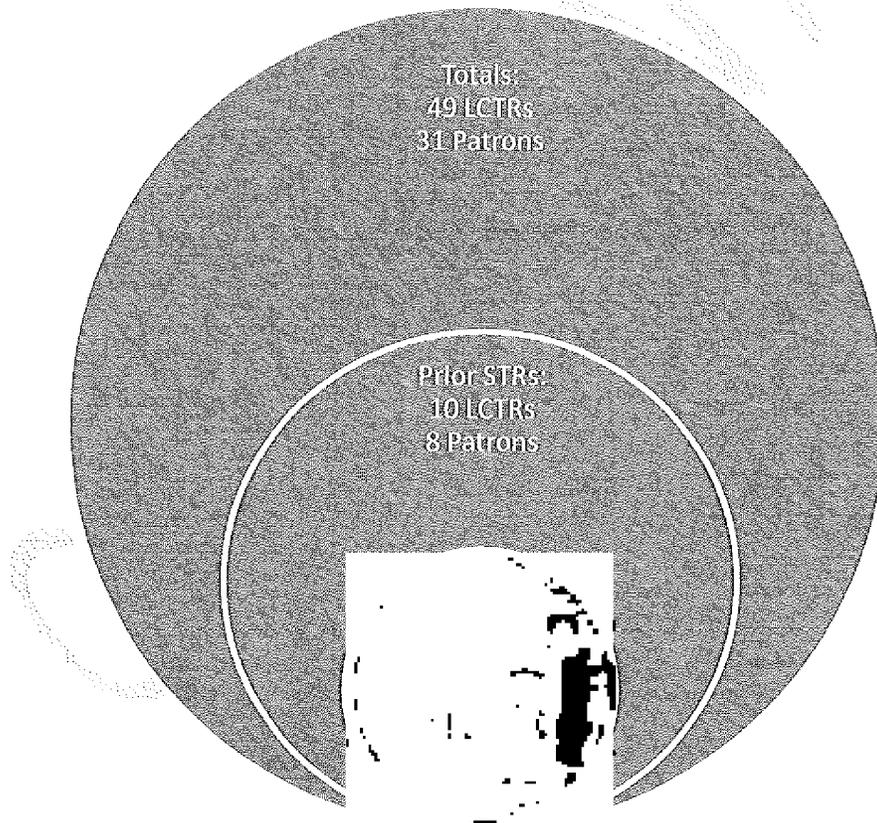
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# PII FINTRAC

**Edgewater Casino:**

For the sample period, 49 LCTRs for buy-ins totaling more than \$20,000 and less than \$50,000 were attributable to 31 discrete patrons. Ten of the 49 LCTRs were attributable to eight discrete patrons that had previously had at least one STR filed in their name. And the two STRs filed were attributable to one discrete patron.



Summaries of narratives for the two STRs filed:

- 

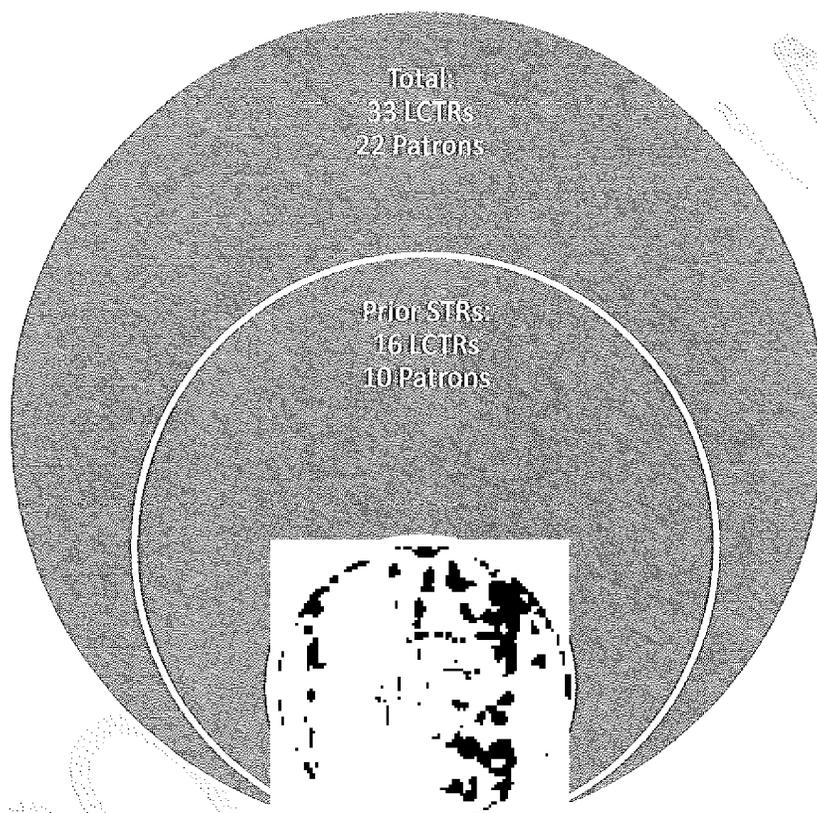
# PII FINTRAC

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# PII FINTRAC

## Starlight Casino:

For the sample period, 33 LCTRs for buy-ins totaling more than \$20,000 and less than \$50,000 were attributable to 22 discrete patrons. Sixteen of the 33 LCTRs were attributable to 10 discrete patrons that had previously had at least one STR filed in their name. And the one STR filed was for one discrete patron.



Summary of the narrative for the STR filed:

- \$32.1K total buy-in(s); \$30K in bundled \$20 bills; accompanied by a person who did not play and who was asked to leave after refusing to present ID

## DISCUSSION

Based upon the narratives available for STRs, in some cases narratives indicate STRs resulted from patrons being suspected of associating with loan sharks, as well as unusual play. In other cases, however, narratives indicate STRs resulted from patrons producing volumes of cash and how the cash was presented (e.g. bundles, bricks, large volumes of same denomination bills). This raises questions regarding transactions deemed not suspicious at the outset. It is not difficult

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to assume that many, if not most of the large cash buy-ins not reported as suspicious, were also made up of large volumes of cash made up of bundles consisting primarily of the same denomination of currency. Also, many LCTRs were created for patrons associated with STRs in the past. This may suggest not all relevant information is being noted or that there are inconsistencies in applying the methodology used to determine whether activity surrounding buy-ins should be deemed suspicious.

## **CONCLUSION**

GPEB is not able to fully determine gaming facility service provider and BCLC methodologies and patterns of identifying and reporting suspicious activity to FINTRAC. This is due to a lack of additional information available for incidents deemed not suspicious, other than the LCTRs.

## **RECOMMENDATIONS**

GPEB should consider instituting its own policies and procedures to enhance identification and reporting of suspicious transactions. For example:

- requiring currency breakdowns to be documented for all LCTRs;
- requiring currency breakdowns in all applicable S.86 reports;
- requiring improved clear, consistent documentation for transactions deemed suspicious;
- requiring service providers to ensure all transactions not deemed suspicious do not share key characteristics with transactions that have previously been deemed suspicious;
- requiring rigorous review of all transactions for patrons previously associated with transactions deemed to be suspicious.

Service providers are not required by FINTRAC to provide rationales for transactions deemed not suspicious. Therefore, it is difficult for GPEB ACD and GPEB Investigations to determine if service providers are consistently applying FINTRAC's guidelines.

Commercial Gaming Audit  
Audit and Compliance Division  
December 5, 2013

## **DISTRIBUTION LIST**

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## APPENDIX 1: Common Indicators

FINTRAC guidelines include a list of indicators of suspicious transactions to assist those evaluating transactions, whether completed or attempted, and are to be assessed in the context in which transactions occurred or were attempted. Below is a partial list of common indicators that may be relevant in a gaming facility setting:

- Client admits or makes statements about involvement in criminal activities.
- Client conducts transactions at different physical locations in an apparent attempt to avoid detection.
- Client is accompanied and watched.
- Client shows uncommon curiosity about internal systems, controls and policies.
- Client has only vague knowledge of the amount of a deposit.
- Client over justifies or explains the transaction.
- Client is nervous, not in keeping with the transaction.
- Client is involved in transactions that are suspicious but seems blind to being involved in money laundering activities.
- Client appears to be acting on behalf of a third party, but does not tell you.
- Client is involved in activity out-of-keeping for that individual or business.
- Client insists that a transaction be done quickly.
- The transaction does not appear to make sense or is out of keeping with usual or expected activity for the client.
- Client attempts to develop close rapport with staff.
- Client uses aliases and a variety of similar but different addresses.
- Client spells his or her name differently from one transaction to another.
- Client provides false information or information that you believe is unreliable.
- Client offers you money, gratuities or unusual favours for the provision of services that may appear unusual or suspicious.
- You are aware that a client is the subject of a money laundering or terrorist financing investigation.
- You are aware or you become aware, from a reliable source (that can include media or other open sources), that a client is suspected of being involved in illegal activity.
- A new or prospective client is known to you as having a questionable legal reputation or criminal background.
- Transaction involves a suspected shell entity (that is, a corporation that has no assets, operations or other reason to exist).

It should be noted that the gaming patron himself (or herself) does not have to be suspected of being the source of proceeds of crime for a transaction to be deemed suspicious. It is enough for the patron to be suspected of being party to a money laundering or terrorist financing offence.