

Casino Summary and Proposal

Introduction

The “E” Division IPOC Money Laundering Team (MLT) and Intel Section has compiled intelligence on activities occurring in the Lower Mainland (LMD) casinos, that have resulted in a significant number of Suspicious Transaction Reports being submitted to FINTRAC and the RCMP. As outlined below, the River Rock Casino Resort and the Starlight Casino statistically produce the bulk of the reports that are made. In taking an interest in these files and having noted that they have not been previously investigated (due to resourcing), the MLT expressed an interest in identifying the ‘frequent’ players - those with the largest number of Large or Suspicious Cash Transaction Reports at the Casinos. Partnerships and working relationships were fostered with RCMP IPOC MLT and Intel Section and both the BC Lottery Corporation (BCLC) and the Gaming Policy Enforcement Branch (GPEB), with the realization that the combined intelligence from all agencies on money laundering and loan sharking activities in the casinos could be a useful tool in making a difference. The matter of money laundering in the casinos is under public scrutiny and had been exposed on more than one occasion by the media.

The information provided in this document is compiled from a variety of sources, including but not limited to: Suspicious Transaction Reports, Intel Reports, other police agencies, other Government Agencies, source debriefings, interviews with high limit gamblers / patrons of the casinos, interviews with families of casino patrons who have borrowed funds in excess, speaking to Casino employees, and hands on surveillance.

Summary

In the fall of 2010, “E” Division IPOC’s MLT began looking into the large influx of cash into Lower Mainland casinos. Large buy-ins of hundreds of thousands of dollars, mainly in \$20 bills, have become commonplace most notably at the River Rock and Starlight Casinos. The vast majority of these gamblers are from Mainland China. These individuals appear to have considerable wealth in China, but limited access to their own cash in Canada (due to P.R.C. currency-export restrictions) and therefore rely on loan sharks in the casinos to provide them with the hard-currency they need to feed their gambling habits.

The loan sharks send workers into the casinos whose tasks are to identify the high limit gamblers and gain information about them. The high limit gambler may be followed to his residence and the loan shark can find out where he lives and what vehicle he drives. These workers will also approach these high rollers in the casino when the reserves of cash or chips gets low and offer their services¹. Money borrowed can be paid back in

¹ Source information V2

either cash or chips. It can also be repaid in Canada or in China². When the gambler repays his debt by electronic means (wire transfer or bank-deposit), the loan-shark has not only made his profit (the interest), but also laundered a large amount of street-money (\$20's) from cash to electronic funds, thus successfully integrating "dirty" cash into the financial system.

It is not the wealth of the individual gamblers, but the root source of the cash they deploy at the gaming-tables that should be of greatest concern to law-enforcement. Bulk cash in these amounts is not readily available through traditional means (banks) and undoubtedly has its origins in the drug trade or other illicit activities.

While tens of millions of dollars have moved through the casinos in this fashion and scores of individuals have been making these large cash buy ins, the IPOC MLT has determined that a select few of the individuals and groups are garnering the majority of the Suspicious Transaction Reports.

Subjects of Interest

Li Lin SHA is considered the number one high limit gambler in the Lower Mainland. There is a great deal of competition between the River Rock and Starlight casinos for SHA's patronage. Both casinos actually constructed private gambling salons with this individual specifically in mind. From September 2009 to present day, SHA has been the subject of over 50 Suspicious Transaction Reports from BCLC (totaling millions of dollars). In October 2011 Cpl. ARMSTRONG and TCE CHAN interviewed SHA regarding the large buy-ins he has conducted. SHA told investigators that obtaining the cash is simple and only takes a phone call. SHA does not know the identity of the persons he deals with, only a phone number. He makes a plan to meet someone a short distance from the casino and picks up the cash he requires. There does not appear to be any need to give any advance notice for the significant amount of cash that he borrows, and being able to obtain hundreds of thousands of dollars in cash in the middle of the night is routine². The MLT members have conducted surveillance on SHA in the past and on one occasion did observe a cash pick up; however, due to the limited resources were not able to identify the vehicle or persons from which he obtained the cash³.

Personal Information is a close associate of both River Rock management as well as several high limit gamblers. **Personal** activity in the casino VIP rooms is unusual as he does not gamble and seems to handle the cash for the high limit players. **Personal Information**

² Interview of Li Lin SHA October 2011.

³ Reference IPOC file 2010-10407.

has been observed holding cash, passing chips and driving the high limit players when they are coming in with or picking up bags of cash. Personal Information appears to work as a “helper” in the process of these gamblers obtaining their cash⁴. BCLC has spoken to River Rock GM Rick DUFF about Personal Information. DUFF has told BCLC investigators that he vouches for Personal Information has traveled to China with him and that Personal Information acts as a “Go Boy” for the high limit players⁵. Of great concern specific to Personal Information is that he is a Burnaby City Councilor. Personal Information is currently provincially banned by BCLC from all casinos for a period of six months, due to suspicious activity noted by BCLC investigators⁶.

Yu (Leo) ZHAO is the subject of eight recent suspicious transaction reports from BCLC. ZHAO is 26 years old and has listed his occupation with the casinos as the CEO of a dairy in China. Over a 10 day period in October 2011 ZHAO’s total buy-ins at the River Rock Casino were \$1,819,700, the bulk of which came in \$20 bills. On several of these days ZHAO would depart and return to the casino multiple times a day, always coming back with a large amount of cash to continue his gambling⁷. On one of these days the MLT was conducting surveillance and observed ZHAO meeting with Personal Information a known loan shark⁸.

Recommendations:

Simply put, there is a significant money laundering problem identified within the casinos, as they provide opportunity for the criminal element to introduce large bulk cash, believed to be derived from illicit activity, into the financial system, almost unfettered.

There is a need for a working group of cross agencies that need to be formed to investigate and gather intelligence on suspicious activities occurring in BC’s casinos. This, coupled with the differing expertise offered by the partnering agencies, will aid in the closing of significant gaps in the intelligence, monitoring and policing of casinos in our Province.

First off, however, a local probe is essential in pinpointing the loan sharks that are being ‘allowed’ to operate in the casinos to distribute ‘dirty’ money through clients that appear

⁴ Reference IPOC file 2011-5478.

⁵ Meeting between IPOC MLT, BCLC and GPEB.

⁶ Reference IPOC file 2011-5724.

⁷ Reference IPOC files 2011-9290; -9425; -9454; -9529; -9526; -9643; and -9658.

⁸ Reference IPOC file 2011-9095

to be legitimate.

Investigative Steps would entail the following:

- a) The source of the funds needs to be identified.
- b) The substantive offence (giving way for the funds), needs to be identified.
- c) The loan sharks and their routines need to be identified.
- d) Stash houses need to be identified.
- e) Who the loan sharks are working for (moving the money for) needs to be identified.
- f) Any Organized Crime Group associated to the funds needs to be identified.
- g) Any potential witnesses and sources need to be identified.
- h) Any assets / proceeds of crime need to be identified.

At the casino level, a direction has to be taken to decrease their 'acceptance' of large and suspicious cash transactions, with a view to going in the direction of electronic funds. This will most definitely hinder the movement of dirty money through the casinos and will tie the hands of loan sharks in the sense of targeting and using 'rich' businessmen, who have the means to pay money back. Of course, there will still be the traditional loan sharks that will lend money to unwitting gamblers 'down on their luck'.

E Division IPOC - Money Laundering Team
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