



COMBINED FORCES  
SPECIAL ENFORCEMENT  
UNIT OF BC

# Money Laundering Enforcement

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CFSEU-BC Joint Illegal Gaming Investigation Team (JIGIT)

Cullen Commission Inquiry  
April 7th, 2021

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Unit Commander, JIGIT



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# JIGIT Mandate

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- **The following JIGIT mandate was provided as per the delegation letter by the Assistant Deputy Minister and Director of Police Services Policing & Security Branch:**
  - **JIGIT will provide a dedicated, coordinated, multi-jurisdictional investigative and enforcement response to unlawful activities within British Columbia gaming facilities (with an emphasis on Anti-Money Laundering strategies) and illegal gambling in British Columbia (with an emphasis on organized crime).**

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# JIGIT Money Laundering Enforcement/Investigations

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- JIGIT's money laundering and loan sharking investigations focused on top tier organized criminals' exploitation of casinos and banks;
- Due to the high level Organized Crime mandate, JIGIT's activity is focused primarily in the following Lower Mainland Casinos:
  - River Rock Casino & Resort, PARQ Casino, and Grand Villa due to the high level Organized Crime activity and highest revenues.

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# JIGIT Enforcement/Investigations

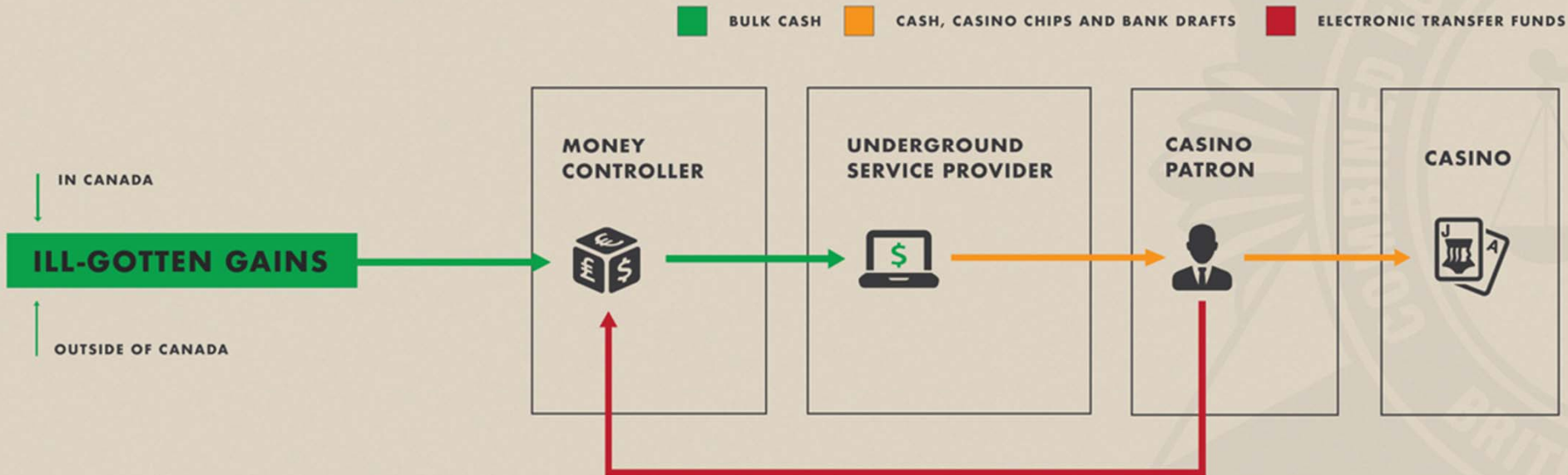
- **Gaming Sector Specific Money Laundering Methods:**
  - Structuring at BC Casinos consisting of multiple buy-ins below the \$10,000 reporting thresholds;
  - Within illegal gaming houses, proceeds are laundered by:
    - An underground banker;
    - Loan agents (Either a 3<sup>rd</sup> party or the operator of the illegal gaming house);
    - The patron themselves; through banking system or cash.
  - “Self-Laundering”-hiding their own profits originating from crime through extended casino play/ Or the use of nominees with said profits to also launder through extended casino play.

# JIGIT Enforcement/Investigations

- **Non-Sector Specific Money Laundering Method:**
  - Intelligence and evidence-based findings determined that the main typology surrounding the Money Laundering issues at the casinos was the illegal application of underground banking (Informal Value Transfer System);
  - Underground banking systems are the biggest vulnerability to casinos, and are always evolving to changes in casino procedural Anti-Money Laundering measures;
  - Investigations involve legal or illegal operation of Money Services Businesses, and predicate offences may be:
    - Non-compliance of the Proceeds of Crime Money Laundering Terrorist Financing Act (PCMLTFA)- due to non-registration through FINTRAC of their Money Services Business;
    - Other Predicate Offence – Controlled Drugs and Substances Act (CDSA), Income Tax Act (ITA), Gaming Offences

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# Criminal Abuse of Informal Value Transfer System



# Complexities of ML Investigations

## ➤ Defining the offence of Money Laundering:

### Money Laundering, Section 462.31

- Uses, transfers the possession of, sends, delivers, transports, transmits, alters, disposes of, or otherwise deals with
- Property or proceeds of property
- With intent to conceal or convert that property or proceeds
- Knowing or believing that
- All or part of that property was obtained or derived directly or indirectly
- As a result of the commission of a designated offence (any offence that may be prosecuted by indictment)

# Complexities of ML Investigations

- Money Laundering is a highly complex offence;
  - In comparison to other offences, such as:
    - Murder - weapons, forensics, eyewitnesses
    - Commodity based: such as Drug or Firearms Trafficking
      - Illegal to be trafficked;
      - Requires hands on possession;
      - Not worth anything unless sold.
- \*Commodity-based offences allow for covert techniques and evidence gathering**





# Complexities of ML Investigations

## ➤ **MONEY LAUNDERING CRIMINAL INVESTIGATIONS:**

- It is not illegal to possess cash;
- Without other indicators of Proceeds of Crime, bulk cash is suspicious at best;
- Detection/enforcement can be avoided if the suspect can distance themselves from the predicate crime;
- Indicators such as packaging (elastics), behavior, or the inability to answer questions should meet threshold of suspicion:
  - Reporting entities, such as banks or casinos, only require suspicion of Money Laundering under the PCMLTFA;
  - Police require 'substantial likelihood of conviction' on all elements of the Money Laundering offence.

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# Complexities of ML Investigations

- **Establishing the Elements of the Offence:**
  - **Mens Rea that property/money originated from crime:**
    - **Direct knowledge;**
    - **Willful blindness;**
    - **Recklessness (2019);**

# Complexities of ML Investigations

## ➤ **STAKEHOLDERS:**

- **Target's engagement with BCLC, Casino Service Providers, and Banks are important steps within the money laundering chain of evidence:**
  - **However, each of these are Compliance-Based regimes.**
- **Agencies such as BCLC and Service Providers have no authority to enforce Anti-Money Laundering laws or conduct criminal investigations;**
- **Although police receiving reports of suspicious activity at a casino is a good indicator, due to the complexities of the offence, for a criminal Money Laundering investigation to be advanced, numerous other forms of concurrent evidence are required including:**
  - **Intelligence on the activity away from casinos, assets with knowledge, Covert Techniques.**

# Complexities of ML Investigations

## ➤ MONEY LAUNDERING CRIMINAL INVESTIGATIONS:

- Professional (high level) money launderers: AKA “3<sup>rd</sup> Party Money Launderers”:
  - Not involved and/or distances self from predicate offending;
  - Network of couriers, stash sites, nominees, professional enablers, mules, shell companies;
  - Group is highly compartmentalized;
  - May operate illegal or legal Money Services Businesses;
  - Can facilitate entire operation over smartphone by giving direction, and through Electronic Funds Transfers.
  
- Money Laundering schemes are Transnational – it is a multi-jurisdictional crime.

# Complexities of ML Investigations

## ➤ COLLECTING THE EVIDENCE:

- Physical and Electronic Surveillance;
- Judicial Authorizations – Transmission Data Recorders (TDR), Tracking Warrants, General Warrants, Search Warrants, Production Orders, Part VI:
  - It takes 3 months to get Production Order results. On an active Undercover Operation, critical evidence can be missed.
- Asset recruitment followed by 9-12 months for the approval process;
- Mutual Legal Assistance Treaty (MLAT) is a lengthy process and often not possible to explore;
- FINTRAC Disclosures:
  - It takes 6 months for receipt of disclosure packages;
  - High volume of complex information, that must be analyzed
- Interviews of suspects and witness;
- The translation and analysis of intercepted private communications is lengthy.

# Complexities of ML Investigations

## ➤ MONEY LAUNDERING CRIMINAL INVESTIGATIONS:

- These investigations require a large amount of resources and capacity;
- They also require subject matter expertise in financial crime and Major Case Management;

### ➤ SPECIALIZED SERVICES:

- Expert Opinions in the form of: Forensic accountants, money laundering experts (cash bundling, Informal Value Transfer Systems), experts in predicate crimes (drug trafficking, tax evasion);
- Special Advisors;
- Technological Crimes to secure digital evidence from electronic devices such as phones and computers.

### ➤ INTERAGENCY COORDINATION:

- Coordination among three levels of policing (Municipal, Provincial and Federal);
- Canada Revenue Agency;
- Canada Border Services Agency;
- Regulators;
- Crown Corporation;
- International partners – Money Laundering activity is transnational / multi-jurisdictional.

# Complexities of ML Investigations

- **The following are the Nine (9) Principles of Major Case Management that need to be applied in all major cases:**
  - **The Command Triangle;**
  - **Communication;**
  - **Leadership and Team Building;**
  - **Management Considerations;**
  - **Crime Solving Strategies;**
  - **Ethical Considerations;**
  - **Accountability Mechanisms;**
  - **Legal Considerations;**
  - **Partnerships;**

# Complexities of ML Investigations

## ➤ MONEY LAUNDERING CRIMINAL INVESTIGATIONS:

### ➤ FILE MANAGEMENT/DISCLOSURE:

- Downloads and analysis of devices;
- Translation and Transcription - 1 hour of translation equates to approximately 30 hours of work (translating, transcribing, and proofing);
  - **\*\*One JIGIT Money Laundering investigation had approximately 1000 hours of foreign language**
- Analysis and correlation of the evidence;
- Disclosure management and electronic facilitation to Crown:
  - Managed by a File Coordinator and carried out by a full-time Disclosure team.
- Large amounts of human resources to compile, review, and vet;
- RTCC preparation;
- R v. JORDAN impacting disclosure timelines and charge approval process;
- The volume of evidence in ML investigation necessitates extensive review by Crown.



# Complexities of ML Investigations

## ➤ MONEY LAUNDERING CRIMINAL INVESTIGATIONS:

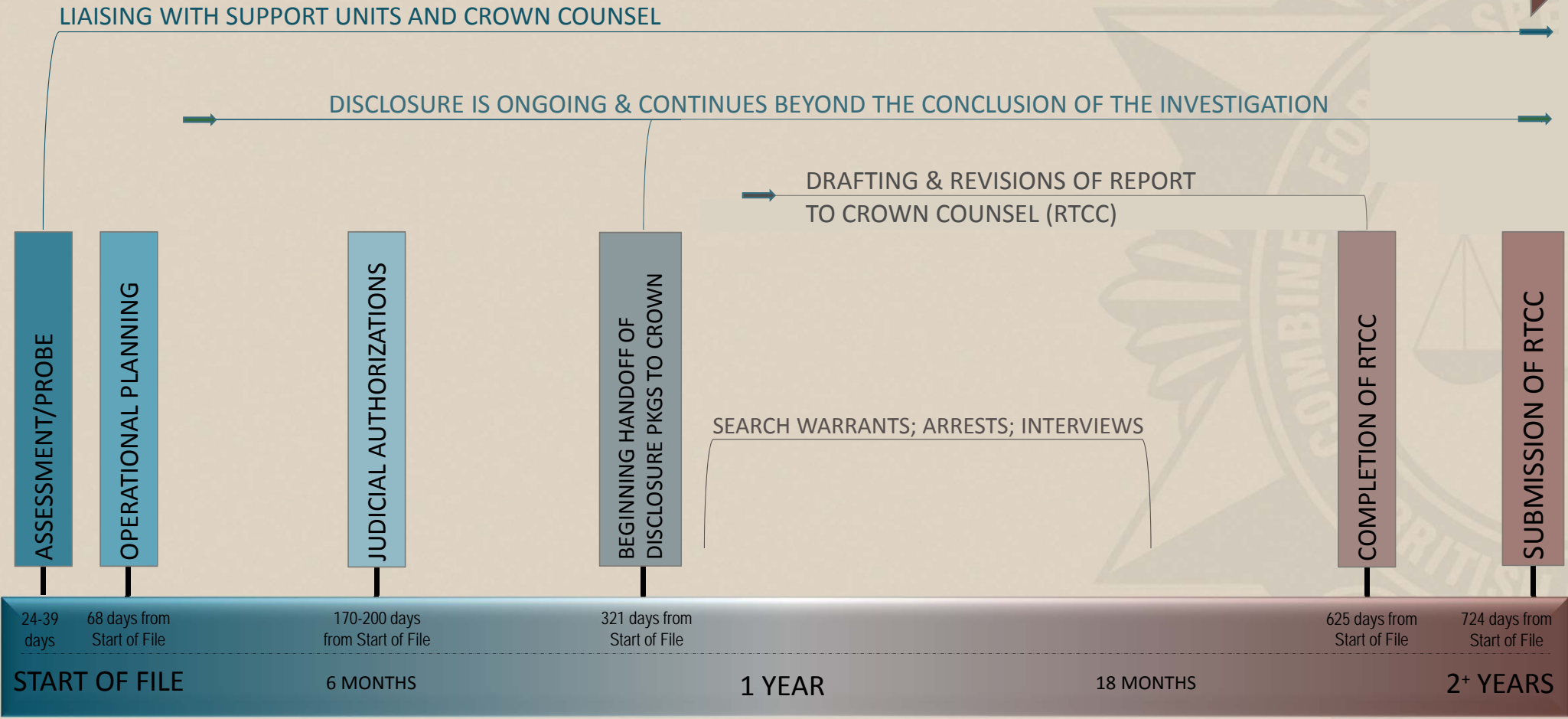
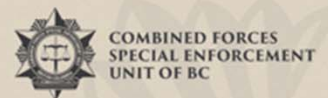
### ➤ PROSECUTION

- Nature of offence is highly complex, and little precedence (Case Law);
- Infrequently prosecuted, therefore more difficult to gain cooperation;
- Statutory interpretation of money laundering offences differs among Crown.
- Current BCPS and PPSC practices and mandates don't allow for embedded prosecutors to occur; unlike other Provinces.

### ➤ INVESTIGATORS

- Members who are skilled and knowledgeable specifically related to Money Laundering are required to run complex investigations;
- Retention of these skilled members is challenging due to promotion and lateral movement.

# TIMELINE OF A MONEY LAUNDERING INVESTIGATION



# Complexities of ML Investigations

## ➤ JIGIT: ADDITIONAL STEPS TO ADDRESS CHALLENGES

### ➤ Seeking other solutions to overcome the 'Investigative Challenges';

#### ➤ Translation

- Use of A.I. for translations;
- Hiring/training police with language capabilities for interviewing.

#### ➤ Technology: Through RCMP Hub analyst to increase efficiency of FINTRAC disclosure analysis;

#### ➤ Encryption:

- Investment into training and remaining current on changing techniques (increased phone security/faster speeds).

# Complexities of ML Investigations

## ➤ JIGIT: ADDITIONAL STEPS TO ADDRESS CHALLENGES

- **Offence of Money Laundering:** Obtaining legal opinions domestically and internationally, reviewing techniques learned by International Law Enforcement Agencies, and testing existing case law;
- **JIGIT are well positioned to lead Money Laundering and Proceeds of Crime initiatives and investigations** due to subject matter expertise developed, and proven application of required complex techniques.

# Complexities of ML Investigations

## ➤ JIGIT: ADDITIONAL STEPS TO ADDRESS CHALLENGES

- Recognize that Casinos will always be targeted for Money Laundering activity:
  - Through legal information sharing with stakeholders and agencies, JIGIT look to identify changing trends/typologies, to close existing gaps that allow Money Launderers to thrive; and disrupt and enforce these high level criminals.
- JIGIT invests in initiatives (such as the Counter Illicit Finance Alliance of British Columbia, Gaming Intelligence Group, Money Services Businesses Working Group, BC and National Money Laundering Working Groups). This continued investment and engagement to will result in an increased detection, disruption, and enforcement of Money Laundering.