

**MINISTRY OF ATTORNEY GENERAL  
GAMING POLICY AND ENFORCEMENT BRANCH (GPEB)  
BRIEFING NOTE**

**PURPOSE:** For INFORMATION for Minister David Eby, QC  
Attorney General

**ISSUE:**  
Bank drafts and source of funds update

**SUMMARY:**

- BCLC issued a Source of Funds Directive (Directive) in January 2018, requiring patrons to show proof of the source of funds prior to making buy-ins of \$10,000 or more.
- Audit findings indicate there is significant non-compliance with the Directive as well as concerns with whether the Directive links bank drafts to casino patrons.
- GPEB will be meeting with stakeholders on January 23, 2018 to determine the most effective approach to clearly linking bank drafts to casino patrons.

**BACKGROUND:**

- In January 2018, BCLC responded to one of Dr. German's interim recommendations and issued a Directive, requiring patrons to establish the source of funds for cash or cash equivalents (e.g. bank drafts) prior to buy-ins of \$10,000 or more in 24 hours. Gaming service providers (GSPs) must have patrons complete a declaration and provide a receipt to prove the source.
- According to BCLC's Standards, receipts must show the patron's name, the name of the financial institution, and the patron's bank account number. The patron is permitted to record this information on the receipt in writing if the information is not on the receipt.
- The following table show how Large cash transactions (LCTs)<sup>1</sup> and Suspicious transaction reports (STRs)<sup>2</sup> have decreased significantly while the use of bank drafts has increased in the nine-month periods pre / post-Directive at B.C. gambling facilities:

	<b>Total Number</b>	<b>Dollar Amount</b>
<b>LCTs</b>	↓ 61% ((\$382M to \$139M))	↓ 64% (\$382M to \$139M)
<b>STRs</b>	↓ 68% (695 to 220)	↓ 84% (\$30.2M to \$4.1M)
<b>Bank drafts</b>	↑ 19% (1,887 to 2,254)	↓ 16% (\$141M to \$118M)

<sup>1</sup> Casinos are required to report to FINTRAC all cash transactions of \$10,000 or more in 24-hour period.

<sup>2</sup> Casinos are required to report to FINTRAC if they have reasonable grounds to suspect that a transaction is related to the commission of a money laundering offence.

- GPEB's Compliance Division conducted audits of the BCLC's policies and procedures related to the Directive and GSP compliance with the Directive for transactions at the five largest Lower Mainland casinos during the periods of March 1 to June 30, 2018 and August 2018. Audit findings include:
  - Incomplete / missing documentation substantiating the source of patron's funds (e.g., GSPs were recording the bank draft number, not the patron's bank account number).
  - Challenges obtaining information necessary for confirming source of funds (e.g., only bank drafts from TD and CIBC print the name of the account holder on the draft).
- Deloitte was also engaged by BCLC to audit GSPs completion of the Source of Funds declarations and initial results identified non-compliance. Deloitte continues to audit GSPs.
- GPEB's General Manager (GM) sent letters to the three GSPs for the five casinos, outlining GPEB's expectations of compliance with BCLC's Directive and warning of administrative sanctions for non-compliance. The GM also sent a letter to the BCLC's CEO to advise of the letters to GSPs and to outline the expectation that BCLC, as the entity responsible for conduct and management of gambling, support GSPs in achieving compliance. GPEB will be conducting a further audit in early 2019.
- Both JIGIT and CFSEU-BC<sup>3</sup> have expressed concerns with the risk presented by bank drafts and the process in place to establish the source of funds. There is concern that due to the limited information on bank drafts and a policy that permits patrons to write-in missing information (e.g., account name and number) onto receipts, bank drafts can be passed from underground service providers to casino patrons who are not the account holder.
- These concerns have, in part, led CFSEU-BC to (New paragraph)
- establish Project Athena, the purpose of which is to bring together stakeholders involved in the entire money laundering cycle to share responsibility and information to combat money laundering and other criminal activity. Partners include: CFSEU-BC, BCLC, GPEB, FINTRAC, CRA, TD Bank, RBC, Scotiabank, CIBC, BMO, Coast Capital, and HSBC.
- Project Athena first met on October 24, 2018 and will be meeting again on January 23, 2019 with the intent of working collaboratively on a solution to one of the GPEB's key findings from their initial audit of BCLC's Directive implementation – the challenge confirming the holder of the account from which a bank draft is sourced. GPEB has been advised that HSBC has recognized the concerns with bank drafts and is adding account holder's names.
- GPEB has explored the option of writing to Canadian banks requesting that they add account holder details onto bank drafts. GPEB has been advised that such a letter would not interfere with Project Athena. **Solicitor/Client Privilege - AGBC**

**Commented [RB1]:** I am not aware of TD stating the account holder's name on all drafts. To my knowledge, it is only CIBC that states that account holder's name on the draft

**Commented [RB2]:** In March 2017, CFSEU-BC JIGIT commenced the "bank draft intelligence probe", which identified the continued exploitation of bank drafts, as well as shortcomings in the completion of SOF declarations.

**Commented [RB3]:** Meet with the major banks in May 2017 and inform them of bank drafts vulnerabilities. Following this meeting, HSBC Canada advised that implemented change to their bank drafts by adding the account holder's names to their bank drafts.

**Commented [RB4]:** The "bank draft intelligence probe" evolved into project Athena.

**Commented [RB5]:** Of note: adding the account holder's name to bank drafts will make them less desirable for criminal purposes and will have an impact beyond the casino industry.

<sup>3</sup> JIGIT is the Joint Illegal Investigation Team and is housed within the Combined Forces Special Unit – British Columbia (CFSEU-BC).

**Solicitor/Client Privilege - AGBC**

Cliff: 557363

Date Prepared: December 28, 2018

- GPEB will await the outcome of the January 23<sup>rd</sup> Project Athena meeting before taking any further steps to initiate a written request to banks.

**Prepared by:**

Jeff Henderson  
Senior Policy Analyst  
Strategic Policy and Projects Division  
Gaming Policy & Enforcement Branch

Personal Information

**Approved by:**

Sam MacLeod  
Assistant Deputy Minister and  
General Manager  
Gaming Policy & Enforcement Branch

Personal Information