

ADVICE TO MINISTER

CONFIDENTIAL
ISSUES NOTE

Ministry of Public Safety and Solicitor General

Date: August 24, 2011

Minister Responsible: Hon. Shirley Bond

**Anti-Money-Laundering
Review****SUGGESTED RESPONSES:**

- Media reports at the beginning of this year raised questions about the adequacy of the measures we have in place to prevent money laundering in B.C. gaming facilities.
- We take the integrity of gaming seriously, and that's why my predecessor responded by promising a review of our anti-money-laundering regime.
- That review has confirmed that the BC Lottery Corporation has a strong anti-money-laundering regime, and that the Gaming Policy and Enforcement Branch is well-qualified and equipped to provide sound oversight.
- The review also outlines ways the Corporation, Branch and government can strengthen our anti-laundering strategies.
- We are already acting on all but the last of the recommendations.
- In most cases, a response consistent with the recommendation is in place or in progress. Some of the recommendations will necessarily require further examination and consideration of options.

- We believe action on the first nine recommendations will significantly improve B.C.'s anti-money-laundering regime.
- Given that creating a cross-agency task force, per recommendation 10, can be complex and costly, we will consider this recommendation only after GPEB has evaluated the effectiveness of responses to other recommendations.
- British Columbians deserve to know that we have the most effective, robust regime possible to detect and prevent money laundering in our gaming facilities.
- To this end, we will continue to strengthen our relationships with police and federal partners who support those efforts.

BACKGROUND:

In January, Solicitor General Coleman ordered a review of anti-money laundering (AML) strategies employed at B.C.'s gaming facilities. The review was intended to determine what anti-money laundering policies, practices and strategies were in place and to identify any opportunities to strengthen the existing anti-money-laundering regime. The Minister also committed to reporting out publicly by the end of February.

On August 24, 2011, the ministry will release the review, which includes 10 recommendations to strengthen AML strategies – as well as summary information on responses in progress.

Summaries of the Recommendations and Responses in Progress

The Gaming Policy and Enforcement Branch has consulted with BCLC and prepared a Response Action Plan to Review of Anti-Money-Laundering Measures at BC Gaming Facilities. Below is a summary of the recommendations and work in progress detailed in this plan.

Recommendations to BCLC

- 1) Create an audit trail by allowing casinos to pay by cheque customers who cash out after playing at a gaming facility.

Response: For the safety of customers who are cashing out and leaving casinos, they will be allowed one cash-out cheque per day, up to a limit that is yet to be determined but will not

ADVICE TO MINISTER

exceed \$10,000. Cheques for higher amounts will continue to depend on verification of a customer's "win." Related policy is under development.

- 2) Enhance staff training to improve scrutiny of all buy-ins.

Response: Training programs for casino workers are being updated to stress that they must diligently apply anti-money-laundering practices to all customers, whether they are known to the workers or not.

- 3) Ensure casino staff's understanding of what constitutes money laundering is better aligned with that of law enforcement agencies.

Response: Policies and procedures are being updated to ensure this consistency.

- 4) Develop electronic funds transfer systems that maximize service delivery, create marketing opportunities and comply with anti-money laundering requirements.

Response: BCLC and GPEB are examining additional ways to move B.C.'s gaming industry away from being a cash business and thereby build the industry's resistance to money laundering, while not discouraging legitimate play. For example, BCLC and GPEB have agreed to permit certified cheques to be used to cash-in at gaming facilities. There will be more changes to cash related policies going forward. An existing Patron Gaming Fund allows customers to transfer money into B.C. casinos electronically from Canadian financial institutions. The Province continues to explore ways to make this fund and other non-cash options more accessible and attractive to customers who are buying in at casinos.

Recommendations to the Gaming Policy and Enforcement Branch

- 5) Ensure reporting relationships support an integrated approach and promote the perspective that registration, audit and enforcement/investigations lie on a compliance continuum.

Response: GPEB is changing processes within the branch to better integrate its various regulatory functions. These changes will improve strategic oversight and accountability, strengthening regulation of the branch's anti-money-laundering activities. GPEB has formed a cross divisional working group dedicated to anti-money laundering issues and the continuous improvement of the regime in BC.

- 6) Develop an annual, unified registration, audit and investigations plan.

Response: GPEB will go further, by involving all areas of the branch in the plan – not just registration, audit and investigations staff. The recommendation has been accepted and plans are in place for this process to be completed this fall.

- 7) Formally involve police agencies in audit and investigations planning.

Response: Where appropriate and possible, GPEB will work more closely with its policing contacts, to help ensure its anti-money-laundering enforcement activities are informed by and respond to the money-laundering risks police are observing.

- 8) Establish more formal contacts and relationships with governance and enforcement agencies in other jurisdictions.

Response: GPEB will pursue a more formal expertise-sharing approach with its counterparts and relevant associations, in North America and around the world.

Recommendations to the Province

- 9) Engage an independent firm to support the creation of an electronic funds transfer system that delivers good service to patrons, is marketable, and fully complies with anti-money laundering standards found in the financial sector.

Response: Previous work with independent firms has helped the Province to incorporate best practices into its electronic funds transfer approach. GPEB and BCLC will work to implement recommendation 4 and move B.C.'s gaming industry away from its reliance on cash. To this end, they will engage appropriate experts to help identify and improve electronic funds practices.

- 10) Create a cross-agency task force to investigate and gather intelligence on suspicious activities and transactions at B.C. gaming facilities.

Response: The Province believes action on other recommendations will significantly improve B.C.'s anti-money-laundering regime. Given that creating a cross-agency task force can be complex and costly, the Province will consider this recommendation only after GPEB has evaluated the effectiveness of responses to other recommendations.

Full Text of the Review Recommendations

Four recommendations are directed to BCLC:

- Create an audit trail by allowing casinos to pay by cheque customers who cash out after playing at a gaming facility. Issuing cheques that clearly indicate that the funds are not from gaming winnings will create a trail for auditors that does not exist now.
- Enhance staff training to improve scrutiny of all buy-ins. Greater scrutiny of both known and unknown customers' transactions will improve detecting and reporting of suspicious transactions.
- Ensure casino staff's understanding of what constitutes money laundering is better aligned with that of law enforcement agencies. Gaming losses by a patron should not lead casino staff to assume that the patron is not involved in money laundering.
- Develop electronic funds transfer systems that maximize service delivery, create marketing opportunities and comply with anti-money laundering requirements. Currently, gaming is almost exclusively a cash business in B.C., which presents opportunities for organized crime and creates safety risks for patrons bringing money to gaming facilities.

Four recommendations are directed to the Gaming Policy and Enforcement Branch:

- Ensure reporting relationships support an integrated approach and promote the perspective that registration, audit and enforcement/investigations lie on a compliance continuum. These relationships will ensure greater communication and co-ordination, and may thus strengthen branch oversight of gaming facilities.

ADVICE TO MINISTER

- Develop an annual, unified registration, audit and investigations plan.
- Formally involve police agencies in audit and investigations planning. The timely flow of investigation results, as appropriate, to local police agencies may help to hold criminals to account and ultimately discourage criminal activity in gaming facilities.
- Establish more formal contacts and relationships with governance and enforcement agencies in other jurisdictions.

Two recommendations are directed to the Province:

- Engage an independent firm to support the creation of an electronic funds transfer system that delivers good service to patrons, is marketable, and fully complies with anti-money laundering standards found in the financial sector. A system that encourages gaming patrons to transfer money electronically, rather than play with cash, will support auditors investigating suspected money laundering and may help to discourage criminal activity at gaming facilities. The report notes this system should comply with the “best practices” anti-money-laundering standards found in the financial sector.
- Create a cross-agency task force to investigate and gather intelligence on suspicious activities and transactions at B.C. gaming facilities. The task force would report out on the types and magnitude of any criminal activity it found occurring in relation to gaming facilities in B.C. This information would help guide any additional actions that may be required.