

ADVICE TO MINISTER

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| <p>CONFIDENTIAL DRAFT GCPE-FIN ISSUE NOTE</p> <p>Ministry of Finance Date: September 30, 2014 Minister Responsible: Michael de Jong</p> | <p>FIN-2014-00172 GPEB Release of Section 86 reports</p> |
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ADVICE AND RECOMMENDED RESPONSE:

- Casinos are required to identify and report any large cash transactions of \$10,000 or more to BCLC which, under federal legislation, is then required to report to Financial Transactions and Reports Analysis Centre of Canada (FINTRAC).
- The Gaming Control Act requires casinos to immediately notify GPEB of any conduct, activity, or incident that may be contrary to the Criminal Code, Gaming Control Act or Gaming Regulation. This includes suspicious currency transactions.
- The information in these reports provides background for further investigation if required.
- The Gaming Policy and Enforcement Branch conducts regular audits of BCLC and casinos in B.C. to verify their compliance with all regulatory requirements including FINTRAC requirements.
- Addressing money laundering and ensuring the integrity of the gaming industry remains a priority.
- We are continually exploring potential initiatives to help reduce the opportunity for money laundering in gaming facilities.

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- Gaming Policy and Enforcement Branch (GPEB) has the legal regulatory mandate and authority to ensure the overall integrity of gaming. It takes notifications of suspicious currency transactions seriously.
- The GPEB investigates or assists law enforcement agencies in investigating, reports of suspected criminal activity or regulatory infractions related to legal gaming and horse racing.
- Government launched an Anti-Money Laundering strategy in 2011 focused on reducing the use of cash, to minimize the opportunity for money laundering to take place through gaming facilities.
- Improvements under this strategy include:

- Patron Gaming Fund accounts,
 - the ability to electronically transfer money into those accounts through Canadian and US chartered banks,
 - the ability to deposit bank drafts into Patron Gaming Fund accounts,
 - buy-ins with cheques from Canadian casinos,
 - internet transfers,
 - customer convenience cheques,
 - a “cheque hold” system for high-volume players, and
 - debit withdrawals at the cash cage.
- Cases where there are findings of suspected criminal activity are shared with the police of jurisdiction where appropriate. The authority to further investigate lies with the police.
 - Money laundering is an offence under the Criminal Code of Canada and it is the RCMP and/or the police of jurisdiction who are responsible for investigating and recommending criminal charges.
 - Questions concerning money laundering investigations and/or prosecutions should be directed to the RCMP and/or police of jurisdiction.

KEY FACTS REGARDING THE ISSUE:

In response to a records request from media, the Gaming Policy and Enforcement Branch is releasing a 516 page records package. The package contains reports regarding suspicious cash transactions, large cash transactions, suspected loan sharking and chip passing filed under s. 86 of the Gaming Control Act, between March 20 and June 21, 2014 for the following casinos: River Rock, Starlight, Edgewater, and the Hard Rock.

Section 86 investigation reports in the package cover incidents such as large buy-ins paid for in small bills (e.g. \$20), buying large amounts of chips with \$20 bills, chip passing, converting cash into Integrated Voucher System (IVS) tickets without playing, passing IVS tickets, passing cash, cashing out without playing, and finding foreign chips. Dollar amounts in these investigation reports range from no cash to up to \$300,000. In total, the reports account for \$40,227,545 in suspicious cash transactions.

Casinos are required to identify and report any suspicious financial transactions to BCLC which, under federal legislation, is then required to report to Financial Transactions and Reports Analysis Centre of Canada (FINTRAC).

Additionally, the Gaming Control Act requires casinos to immediately notify GPEB of any conduct, activity, or incident that may be contrary to the Criminal Code, Gaming Control Act or Gaming Regulation. This includes suspicious currency transactions.

In January 2011, this government commissioned a review to examine anti-money-laundering measures at B.C.'s gaming facilities. The report found that government employs standard and appropriate anti-money laundering strategies, and opportunities to further strengthen anti-money laundering efforts were identified.

Since the release of the report, GPEB and BCLC have made significant progress addressing

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these recommendations and focusing on providing traceable, cash alternatives. Electronic options for accessing funds create additional financial records that may be easily tracked by law enforcement agencies.

In 2013/14, GPEB received 1,377 notifications of suspicious currency transactions. Of these, approximately 1,250 were referred to the police of jurisdiction as intelligence or for police involvement. 74 were determined to be unfounded. The remainder were considered to be minor, with no report forwarded to police of jurisdiction. The information in these reports provides background for further investigation if required.

In 2013/14, 22 per cent of funded play in BC gaming facilities was generated through secure and traceable cash alternatives such as Electronic Funds Transfers, ATM withdrawals, drafts and other non-cash instruments. The use of electronic transaction options such as Patron Gaming Funds accounts, debit and ATM transactions continues to grow.

In the last six months of 2014, there were nearly 9,800 debit transactions at casinos for a total of \$18,158,390. When this option was first introduced in 2012, there were only 50 transactions during the first six months. As of June 30, 2014, there were 321 active Patron Gaming Fund (PGF) Accounts. This was up from 239 PGF accounts as of December 31, 2013.

The Gaming Policy and Enforcement Branch conducts regular audits of BCLC and casinos in B.C. to ensure they are in full compliance with all regulatory requirements including full compliance with FINTRAC requirements.

All reports supplied in this Freedom of Information request have been reviewed according to the Freedom of Information and Protection of Privacy Act, and the appropriate personal information has been severed. GPEB is not aware of any ongoing related police investigation.

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