

**ADVICE TO MINISTER
ESTIMATES NOTE
JUNE 14, 2013**

ISSUE: ANTI MONEY-LAUNDERING AND FINTRAC COMPLIANCE

ADVICE AND RECOMMENDED RESPONSE:

- ◆ **The anti-money laundering policies and procedures in place at all B.C. casinos are among the most stringent of any jurisdiction in Canada.**
- ◆ **The Ministry is working with the gaming industry to prevent criminal attempts to legitimize illegal proceeds of crime in gaming facilities in the province. We remain committed to managing gaming activities to protect the public interest and ensure public safety.**
- ◆ **BCLC conducts internal reviews of its anti-money laundering program, commissions independent audits and is audited by the Gaming Policy and Enforcement Branch (GPEB) and FINTRAC.**
- ◆ **Last year, facility-based gaming generated \$1.6 billion in gross revenue and it remains primarily a cash-based business in B.C.; however, GPEB and BCLC have taken significant measures to provide more cash-free alternatives.**

SECONDARY MESSAGES:

IF ASKED: FINTRAC (Financial Transactions and Reports Analysis Centre of Canada)

- ◆ **BCLC has filed an appeal with the Federal Court of the FINTRAC notice of violation. The administrative penalty included violations related to delays in filing reports and clerical errors. The matter is now before the courts.**
- ◆ **BCLC has demonstrated its diligence in addressing each issue identified by FINTRAC and its commitment to comply with Anti-Money Laundering legislation.**

CURRENT STATUS:

- ◆ **Facility-based gaming generated \$1.6 billion in gross revenue (net win) in FY 12/13. It remains primarily a cash-based business in B.C.; however, GPEB and BCLC have taken significant measures to initiate more cash-free alternatives.**
- ◆ **BCLC gaming facilities submitted 37,000 large cash transaction reports to FINTRAC in 2009. In 2012, over 70,000 large cash transactions were submitted.**

FINTRAC Penalty

- ◆ **On June 15, 2010, BCLC received a notice of violation from FINTRAC advising \$695,750 in Administrative Monetary Penalties would be levied against the corporation for 1,185**

violations of the Proceeds of Crime (Money Laundering) and Terrorist Financing Act. The administrative penalty included violations related to delays in filing reports and clerical errors.

- ◆ On October 29, 2010, BCLC filed an appeal of the penalty levied by FINTRAC in the Toronto registry of the Federal Court on a number of grounds.
- ◆ In September 2011, the Department of Justice, acting on behalf of FINTRAC, provided BCLC with a disclosure package and determined that 152 of the alleged violations were not violations and reduced the administrative monetary penalty by \$76,060.
- ◆ No date has been set for the hearing.

KEY FACTS REGARDING THE ISSUE

- ◆ Following a 2011 review (commissioned by the Province) of anti-money laundering (AML) practices in B.C. gaming facilities, recommendations were made to strengthen the existing AML regime.
- ◆ Both GPEB and BCLC, in cooperation with gaming service providers, have developed and implemented new measures outlined in the report, specifically moving the industry towards more cash-free alternatives. This includes:
 - ✓ Greater convenience in setting up Patron Gaming Fund Accounts for players
 - ✓ Expanded buy-in options (such as use of a debit card) as alternatives to cash
 - ✓ Revised policies and procedures for issuance of casino cheques
- ◆ A number of policy changes have been made, such as providing more common electronic deposit options and allowing players to transfer verified wins or the amount of their original buy-in back to into their bank account. Cash-free buy-in options are now available for large value transactions, which provide an added convenience for players while aligning with anti-money laundering best practices.
- ◆ These changes help to encourage the use of cash-free alternatives for large value transactions while deterring criminal activities and enhancing player security.
- ◆ In the upcoming year, BCLC will be analyzing the factors that contribute to high currency levels at certain gaming facilities and will be exploring opportunities to incent players to use alternatives to cash.
- ◆ There is ongoing dialogue with the police of jurisdiction and the Provincial and Federal RCMP in order to ensure those agencies better understand the gaming business, where the risks lie as well as keeping them abreast of plans to deter and detect any criminal conduct associated to gaming in the province.

Contact:

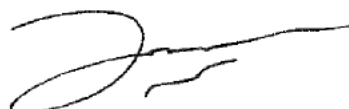
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