
From: Henderson, Jeff FIN:EX
Sent: Thursday, January 26, 2017 11:54 AM
To: Hazel, Jillian GPEB:EX
Cc: Jaggi-Smith, Michele FIN:EX
Subject: FW: BCLC Briefing Note date January 22, 2017
Attachments: BN_BCLC Suspicious Transaction Reporting_24 January 2017.pdf; RE: Information

Hi Jillian ,

Here is the email we discussed. I've also attached BCLC's BN and the email I sent to Ross (and his response).

As discussed, I want to follow up with John on the BN that we received from BCLC to see what should be our next steps. The BN does not provide the level of detail required for us to know when and what BCLC is doing with high risk patrons. It appears from the section 86 reports we continue to receive that their risk tolerance is too high. For us to provide a recommendation for specific direction around lowering their risk tolerance we really need to thoroughly understand their process for high-risk patrons. For example, when does BCLC determine a high-risk patron (HRP) is high enough risk to warrant a source of funds interview? I would argue that they should all have a source of funds interview, but I don't know what they are doing now and why.

I think we have a couple of options. We can send a letter from John to Jim asking for a detailed risk matrix that identifies when specific action is taken, but I fear the response may still be too high-level. The other option is to have Ross come to Victoria and walk a couple of us through the process – the downside is that this is not formally requesting them to provide the information. Maybe we can combine the two – request the information *and* that BCLC walk us through it and answer specific questions.

Anyway, I think you have a pretty good understanding of what I think we need. I will continue to work on the BN, but I think this information is necessary for us to feel confident making a specific recommendation to the Minister.

Thanks,

Jeff

From: Mazure, John C FIN:EX
Sent: Wednesday, January 25, 2017 2:29 PM
To: Meilleur, Len FIN:EX; Henderson, Jeff FIN:EX
Cc: Jaggi-Smith, Michele FIN:EX; Vear, Maureen FIN:EX; Yu, Quinn FIN:EX; Hazel, Jillian FIN:EX
Subject: RE: BCLC Briefing Note date January 22, 2017

Excellent. Thx Len

From: Meilleur, Len FIN:EX
Sent: Wednesday, January 25, 2017 2:20 PM
To: Mazure, John C FIN:EX; Henderson, Jeff FIN:EX
Cc: Jaggi-Smith, Michele FIN:EX; Vear, Maureen FIN:EX; Yu, Quinn FIN:EX; Hazel, Jillian FIN:EX

Subject: RE: BCLC Briefing Note date January 22, 2017

Importance: High

Thanks Jeff and John,

I have reviewed this and there is nothing in the Background area of the note that is of particular concern to GPEB. I have inquired with our gatekeepers (JIGIT) about the language used about the outlined impact and success of the RCMP/BCLC ISA and there should be caution about how that information is being portrayed and used to combat money laundering or unsourced cash. In terms of the DISCUSSION category we remain adamant that the primary issue remains how cash transactions are being conducted and what appears to be a gap in assessing the source of funds leading to a determination as to whether the cash should be refused and/or the business relationship severed. BCLC has outlined in the note processes/tools that are mainly focused post transaction and are not generally applied or applied in the same manner at each gaming facility. A policy around how a more robust segmentation process built around the actual transaction is what we hope government will decide upon.

Regards,

Len

J.E.L. (Len) Meilleur
 Executive Director
 Compliance Division
 Gaming Policy Enforcement Branch
 Ministry of Finance
 Location: 3rd Floor, 910 Government Street, Victoria BC V8W 1X3
 Mailing Address: P.O. Box 9309 Stn Prov Govt, Victoria BC V8W 9N1
 Tel [REDACTED] Fax: [REDACTED]
 E-mail: [REDACTED]
 Website: www.gaming.gov.bc.ca

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From: Mazure, John C FIN:EX
Sent: Wednesday, January 25, 2017 12:08 PM
To: Henderson, Jeff FIN:EX; Meilleur, Len FIN:EX
Cc: Jaggi-Smith, Michele FIN:EX; Vear, Maureen FIN:EX; Yu, Quinn FIN:EX; Hazel, Jillian FIN:EX
Subject: RE:

Thx Jeff.

From: Henderson, Jeff FIN:EX
Sent: Wednesday, January 25, 2017 11:59 AM
To: Mazure, John C FIN:EX; Meilleur, Len FIN:EX
Cc: Jaggi-Smith, Michele FIN:EX; Vear, Maureen FIN:EX; Yu, Quinn FIN:EX; Hazel, Jillian FIN:EX
Subject: RE:

Hi John,

The attached document just tells us the trends in reporting with FINTRAC as compared to high limit table drops and then briefly explains why BCLC thinks there has been some positive trending. This info is somewhat helpful, but it's pretty high-level in terms of steps BCLC is taking regarding unsourced cash.

I know that they use a risk assessment tool for categorizing patrons as low/med/high/extreme risk and have certain actions they take with respect to some high risk patrons. This document mentions the source of funds directive requiring patron to provide source of funds (i.e. ATM slip or bank receipt) or they can't buy in, as well as source of funds interviews requiring SPs to interview patrons requiring source of funds. What I don't know is what triggers them to take these specific steps with certain high risk patrons and what steps they take depending on responses to interview questions.

These are the specific questions that I put to Ross Alderson. I think we have to look at BCLC's risk tolerance (meaning risk to integrity – e.g. money laundering and proceeds of crime in casinos), as evidenced by the action they take with patrons they classify as high risk. Once we know their risk tolerance, we can determine whether we think their tolerance for risk is appropriate or too high.

For us to make a determination of whether we think they are doing enough in terms of the integrity of gambling – we need to have a clear understanding of what they are doing and when.

Thanks,

Jeff

From: Mazure, John C FIN:EX
Sent: Wednesday, January 25, 2017 10:30 AM
To: Henderson, Jeff FIN:EX; Meilleur, Len FIN:EX
Cc: Jaggi-Smith, Michele FIN:EX; Vear, Maureen FIN:EX; Yu, Quinn FIN:EX
Subject: FW:

Pls review the attached BN and let me know your thoughts. thx

From: Jim D. Lightbody [[mailto:\[REDACTED\]](#)]
Sent: Tuesday, January 24, 2017 7:17 PM
To: Wenezenki-Yolland, Cheryl FIN:EX; Mazure, John C FIN:EX
Cc: Rob Kroeker; XT:Dolinski, Susan GCPE:IN
Subject:

Cheryl and John,

In response to your query around the reduction in STR'S recently and a request for information on the enhancement to our AML program, please see the attached report that Rob Kroeker has prepared for me. If you have any questions, please advise.

Best regards,

Jim

Sent from my BlackBerry 10 smartphone on the TELUS network.

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**BCLC
BRIEFING DOCUMENT**

To: Jim Lightbody, President & CEO

Prepared By: Rob Kroeker

Phone Number: [REDACTED]

Contact: Rob Kroeker
Vice President
BCLC

Email: [REDACTED]

TITLE: Anti-Money Laundering: Suspicious Transaction Reporting

PURPOSE:

FOR INFORMATION

DATE PREPARED: January 22, 2017

TITLE: Anti-Money Laundering: Suspicious Transaction Reporting

ISSUE: Trends in Suspicious Transaction Reporting

BACKGROUND:

Canada's response to money laundering and terrorist financing threats is found in the federal *Proceeds of Crime Money (Money Laundering) and Terrorist Financing Act* (PCMLTFA). The PCMLTFA creates the federal Financial Transactions and Reports Analysis Centre (FinTRAC), a financial intelligence unit, which is responsible for overall administration of Canada's anti-money laundering and combating terrorist financing regime.

Under the PCMLTFA, certain sectors of the Canadian economy most vulnerable to money laundering and terrorist financing threats, including casinos, are deemed to be reporting entities and are thus required to report specified transactions to FinTRAC in prescribed formats and timeframes. Under the PCMLTFA, BCLC is the deemed casino reporting entity in the Province of BC.

BCLC is required, under the legislation, to have a Compliance Plan that effectively and demonstrably prevents and mitigates money laundering and terrorist financing vulnerabilities on a risk based approach.

BCLC is required to submit to FinTRAC Large Cash Transaction Reports and Large Casino Disbursement Reports involving amounts of \$10,000 or more, and Suspicious Transaction Reports (STR) for transactions or attempted transactions of any dollar amount and in any form that are suspicious.

Under the PCMLTFA the threshold for suspicion is met where "there are reasonable grounds to suspect that [a] transaction is related to the commission or attempted commission of a money laundering ... or terrorist financing offence."

All BCLC and all casino service provider staff receive formal training on how to recognize the indicia of suspicious transactions at casinos.

As part of BCLC's Compliance Program, in 2014 BCLC executed a limited information sharing agreement (ISA) with the RCMP which substantially increased BCLC's capability to assess the risk associated with certain customers and transactions.

Also in 2014, BCLC met with a specialized section of the RCMP to make a formal complaint and to provide information it had developed about an individual BCLC believed was providing cash to some casino customers in circumstances BCLC found concerning. These same transactions and individuals had been the subject of STRs submitted to FinTRAC.

As more information was received through the ISA and the RCMP made inquiries related to the BCLC complaint through 2014 and into 2015, BCLC was able to develop information that led it to reassess the risk associated with some transactions being conducted by a number of high stakes table players.

The on-going monitoring of these players and the re-assessment of the money laundering risk posed, led BCLC to take further steps under its Compliance Plan in relation to these players including interviews and, in a number of cases, placing restrictions on the use of cash by some players.

There were a number of enhancements to BCLC's anti-money laundering efforts in 2016 including: committing to JIGIT funding; enabling international electronic transfers (non-cash buy-

in option); restructuring of BCLC's investigative and AML departments to increase the staff resources dedicated to AML; creation of a new management position in the AML department; updated slot machine AML risk analysis; creation of new AML analytical capability and enhanced customer ongoing monitoring (through enhancements to the existing iTrack solution and use of the SAS business intelligence solution); updated and enhanced ISA with the RCMP to better support JIGIT; and increased capabilities in regard to source of wealth and source of funds inquiries flowing from improved information sharing with law enforcement.

DISCUSSION:

BCLC submitted a higher number of STRs to FinTRAC in 2016 than 2015 (1,630 vs. 1,557); however, this increase is attributable to the underreporting issue at River Rock, which BCLC identified and which resulted in some STRs related to periods in 2015 being filed in early 2016.

Generally, STR numbers tend to increase during Chinese New Year (late January – mid February), are sustained at that level into late spring – early summer, and then trail downward into Fall - Winter. This trend roughly follows business volume as measured by high bet limit tables revenue. The number of STRs involving high value cash transactions (greater than \$50,000) has decreased substantially from August 2015 onwards.

The decrease in the number of STRs involving high value cash transactions (greater than \$50,000) coincides with: BCLC's increased capabilities to conduct ongoing monitoring and risk assessment of players and transactions flowing from its ISA with police; an increased use of buy-in conditions on some players based on risk; increased efforts by BCLC and its service providers to shift players to non-cash transactions such as bank drafts; and, efforts announced and actions taken by the Chinese government to reduce capital outflows from that country. These factors are believed to have contributed to the decreases observed.

SUPPORTING INFORMATION:

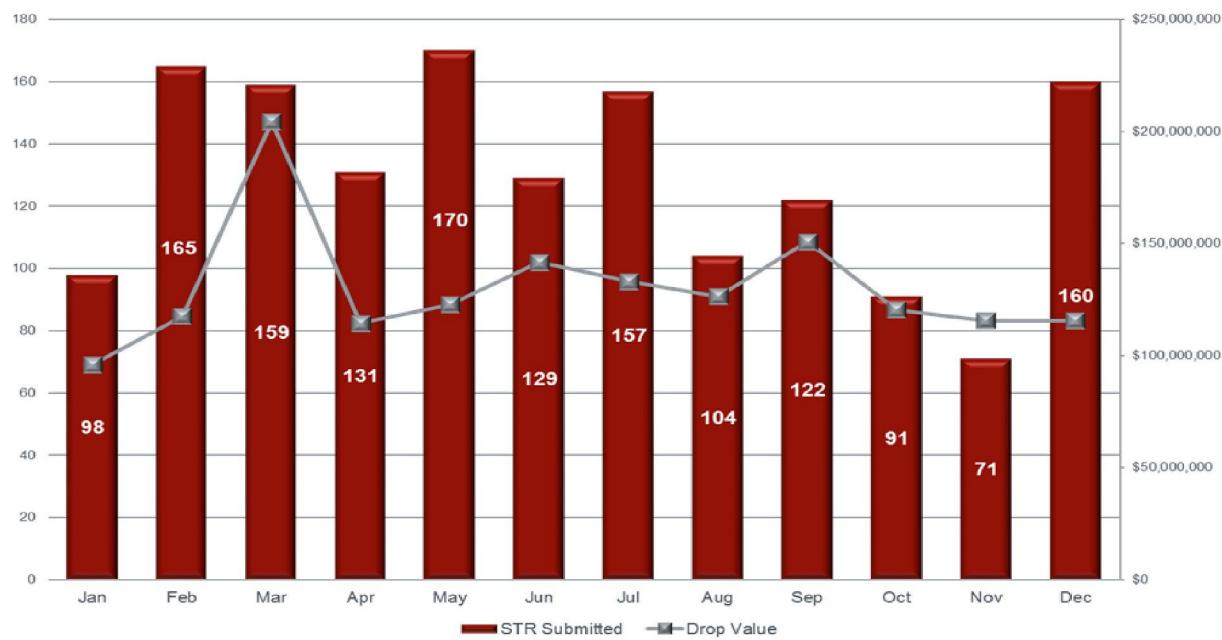
(Graphs 1-5)

The number of STRs submitted to FinTRAC by BCLC for the calendar years 2015 and 2016 are set out in Graphs 1 and 2 below.

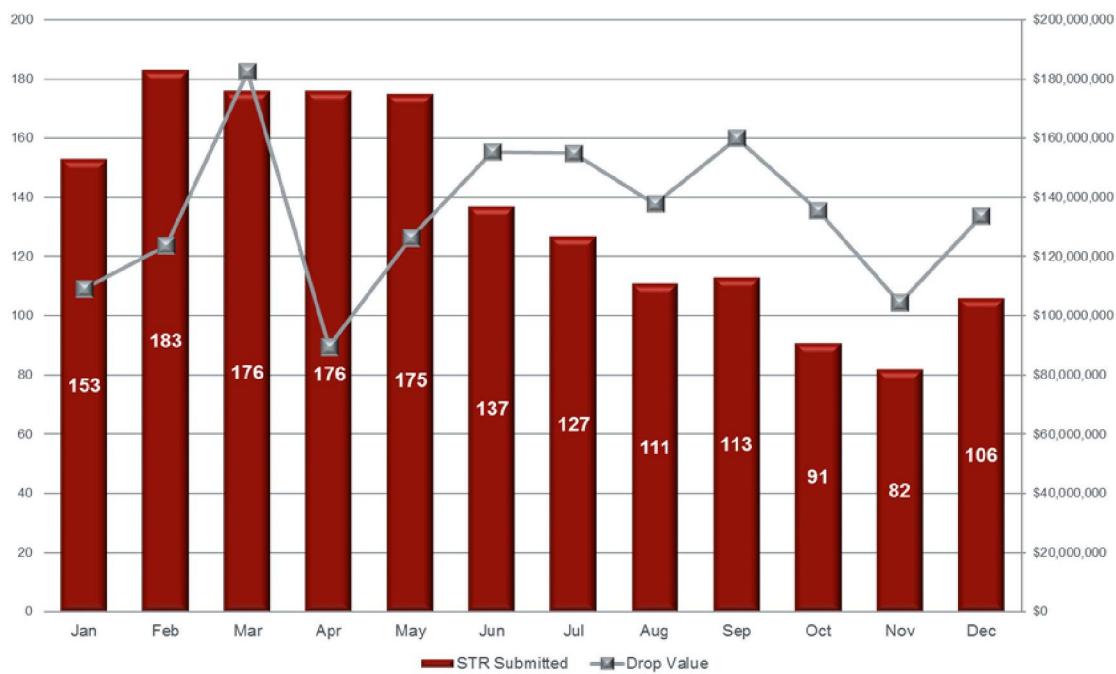
As noted, the high STR numbers for the December 2015 – March 2016 period are in part attributable to an underreporting issue by the River Rock Casino Resort discovered by BCLC in November 2015. Rectification of that issue involved the filing of STRs related to transactions from earlier periods in 2015 in the December 2015 – March 2016 period which inflated the numbers for that 4-month period.

GRAPH 1

**Suspicious Financial Transactions Submitted to Fintrac
vs High Limit Table Drop Values
Calendar Year 2015**

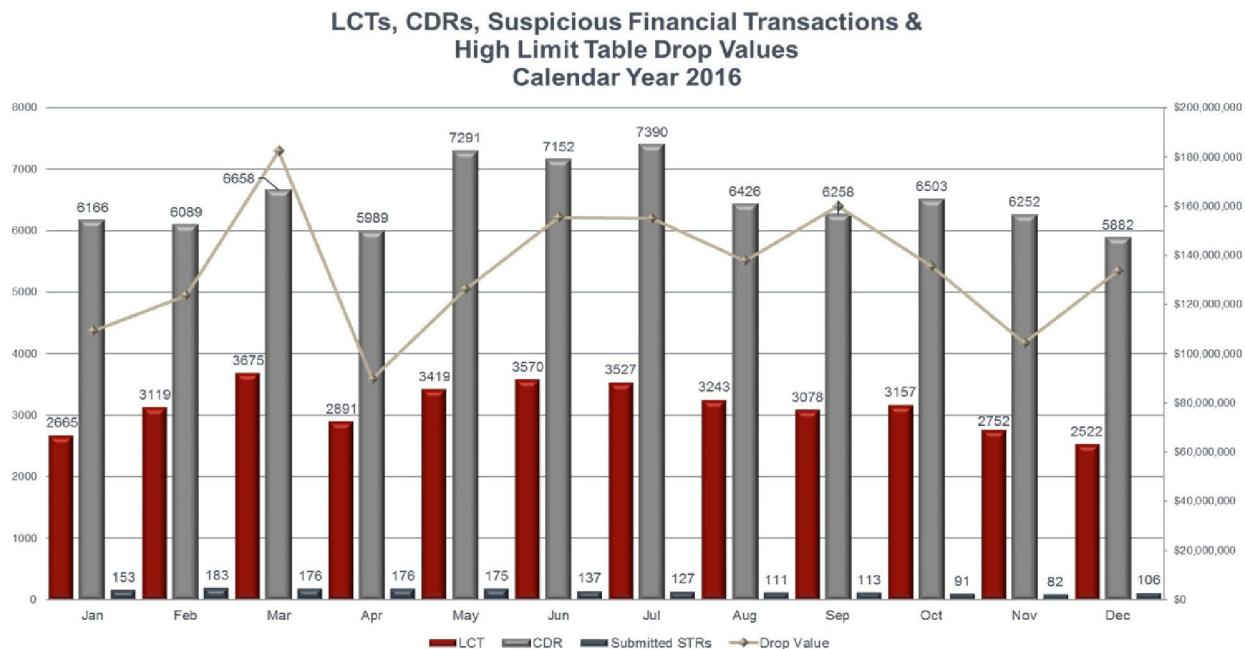
**GRAPH 2**

**Suspicious Financial Transactions Submitted to Fintrac
vs High Limit Table Drop Values
Calendar Year 2016**



GRAPH 3

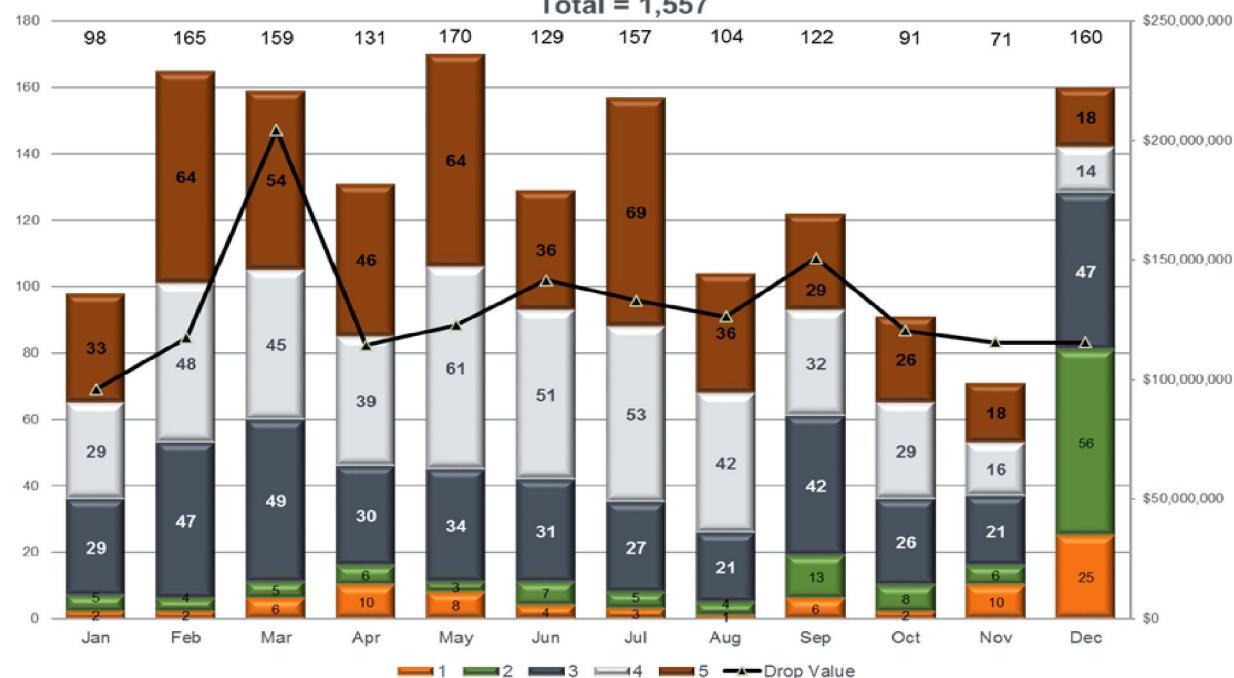
The number of Large Cash Transaction Reports, Large Casino Disbursement Reports and STRs submitted to FinTRAC by BCCLC for the calendar year 2016

**GRAPH 4**

The number of STRs submitted in 2015 broken down by dollar amount categories

Orange: \$10,000 & under
 Green: \$10,001 - \$25,000
 Blue: \$25,001 - \$50,000
 Gray: \$50,001 - \$100,000
 Brown: \$100,001 & over

**Monthly STR Dollar Amount Categories
vs High Limit Table Drop Values
Calendar Year 2015
Total = 1,557**

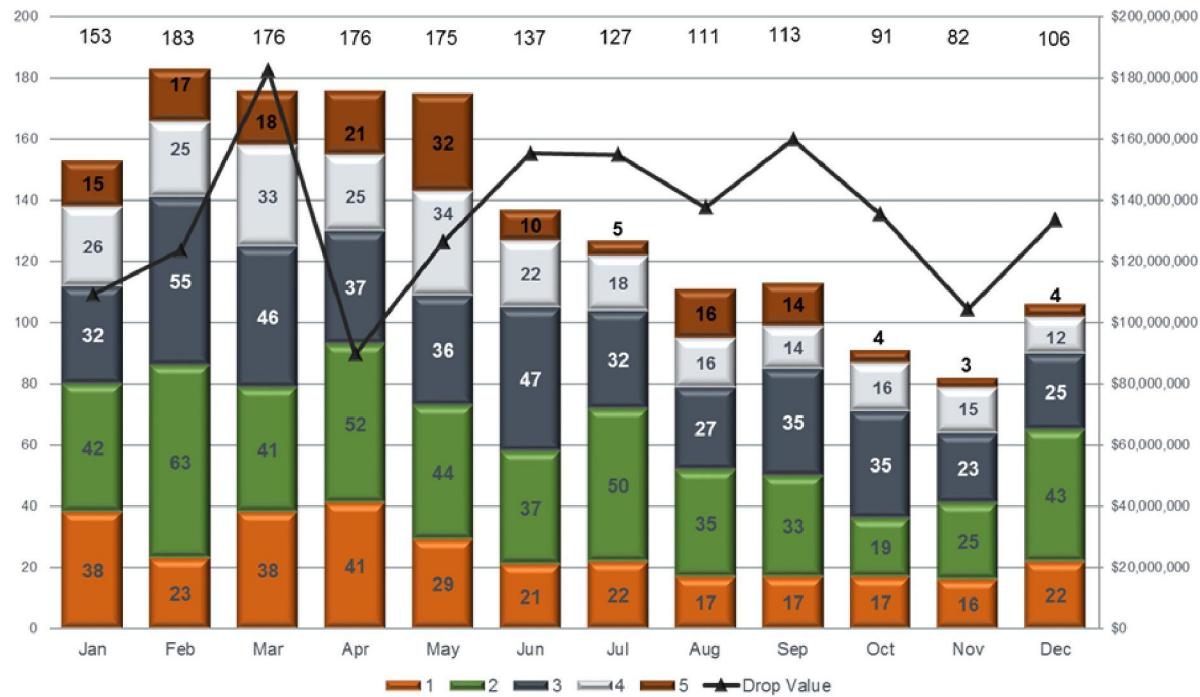


GRAPH 5

The number of STRs submitted in 2016 broken down by dollar amount categories

Orange:	\$10,000 & under
Green:	\$10,001 - \$25,000
Blue:	\$25,001 - \$50,000
Gray:	\$50,001 - \$100,000
Brown:	\$100,001 & over

**Monthly STR Dollar Amount Categories
vs High Limit Table Drop Values
Calendar Year 2016
Total = 1,630**



From: Ross Alderson <[REDACTED]>
Sent: Tuesday, January 24, 2017 3:13 PM
To: Henderson, Jeff FIN:EX
Subject: RE: Information

No problem Jeff

Ross Alderson CAMS.

Director, AML & Investigations
Corporate Security and Compliance Division, BCLC
2940 Virtual Way, Vancouver, BC, V5M 0A6
T [REDACTED] C [REDACTED] F [REDACTED]

● *Yes, and...●*

[REDACTED]
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Last year, more than \$1 billion generated by BCLC gambling activities went back into health care, education and community groups across B.C.

From: Henderson, Jeff FIN:EX [mailto:[REDACTED]]
Sent: Tuesday, January 24, 2017 2:57 PM
To: Ross Alderson
Subject: RE: Information

Thanks for your quick response Ross.

I will follow-up with John on the briefing note and will see if it has the information that we're looking for.

I appreciate your willingness to explain the processes in person. I agree that it is quite complex and terminology and reporting does not always appear to be consistent between our organizations.

I will touch base with you again once I've had a chance to see the information that has already been provided.

Thanks again.

Jeff

From: Ross Alderson [mailto:[REDACTED]]
Sent: Tuesday, January 24, 2017 2:33 PM
To: Henderson, Jeff FIN:EX
Subject: RE: Information

Hi Jeff,

Hope you are well.

BCLC just received this week almost the same request as yours, directly from the ADM (Cheryl). Jim LIGHTBODY is in possession of the information in the form of a briefing note, which I understand will be sent to John and Cheryl sometime this week. I imagine John will then share with your group.

To properly explain the BCLC AML program, and all the different initiatives and directives, I would suggest meeting at a later date in person as it is quite complex. Based on what you have outlined below it is important you get the correct information and context. I can say that some of the terminology used by GPEB, such as Suspicious Currency Reports is not familiar to BCLC, nor can I speak to the process or methodology to which data is captured under section 86, as typically these numbers are not consistent with the official data reported to Fintrac.

I can arrange to travel to Victoria if necessary and would be happy to do so.

Regards

Ross Alderson CAMS.

Director, AML & Investigations
Corporate Security and Compliance Division, BCLC
2940 Virtual Way, Vancouver, BC, V5M 0A6
[REDACTED] C [REDACTED] F [REDACTED]

● Yes, and... ●

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Last year, more than \$1 billion generated by BCLC gambling activities went back into health care, education and community groups across B.C.

From: Henderson, Jeff FIN:EX [[mailto:\[REDACTED\]](#)]
Sent: Tuesday, January 24, 2017 12:02 PM
To: Ross Alderson <[\[REDACTED\]](#)>
Subject: Information

Hi Ross,

I hope you are doing well.

I just had a conversation with John Mazure who was speaking with Jim Lightbody this morning. I'm hoping to have a conversation with you to get some information, but thought I'd start with an email primer about what I'm looking for.

As I'm sure you are aware, MNP's AML Report from July 2016 recommended that the province implement a policy requirement that Service Providers (SPs) refuse unsourced cash deposits exceeding an established dollar limit or refuse frequent unsourced cash deposits exceeding an established threshold and time period.

In considering this recommendation and the necessity of recommending further action to the Minister, we need to have a fulsome understanding of the steps already being taken to remove unsourced cash from B.C. gambling facilities.

Through section 86 reports, we have seen a significant decline in the amount of suspicious cash from a high in July 2015. However, these reports still show a significant amount of unsourced cash being accepted.

I have seen BCLC's Standards, Policies and Procedures and AML Compliance Manual, the latter providing information on when patrons are considered to be HRPs. I also understand that directives are issued regarding HRPs that require the SP to obtain proof of a source of funds to allow a buy-in, or to interview a patron regarding source of funds to allow an unsourced cash buy-in. It looks to me like these directives, and the banning of specific patrons, is the process that is resulting in the reduction in unsourced cash. Is this correct?

I'm also interested in how you determine when these additional steps (i.e. directives) are taken and how you determine what additional steps may be taken based on the information obtained in a source of funds interview. I also don't see other instructions for SPs to refuse unsourced cash in certain circumstances (other than lack of ID for LCTs).

I'm hoping to have a few minutes of your time to discuss the above so I can have a clear understanding of the steps that BCLC is already taking to reduce unsourced cash to ensure that any recommendation we put forward is fully informed.

Thanks Ross.

Jeff Henderson
Senior Policy Analyst
Gaming Policy and Enforcement Branch
Ministry of Finance


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