



Ministry of
Public Safety
and Solicitor General

Gaming Policy and Enforcement Branch

Action Plan to Review of Anti- Money Laundering Measures at BC Gaming Facilities

August 22, 2011

Introduction

BC Government's *Summary Review: Anti-Money Laundering Measures at BC Gaming Facilities* (February 2011) "was intended to determine what anti-money laundering policies, practices and strategies were in place. Additionally, the review was to identify any opportunities to strengthen the existing anti-money laundering regime." The Review has made an important contribution by providing context and focus for the Gaming Policy and Enforcement Branch's (GPEB) continuing work with anti-money laundering diligence in BC casinos. GPEB has examined the recommendations put forward by the Review and discussed these with the British Columbia Lottery Corporation (BCLC), the RCMP and FINTRAC.

Both GPEB and BCLC have begun implementing new measures and strategies to better manage cash and improve patron safety. To that end we are developing programs that result in increased use of electronic funds, thereby decreasing the dependence on cash.

GPEB has set a goal to further strengthen the existing anti-money laundering discipline in the province. We provide this action plan to address the recommendations from the Review.

The Goal

The gaming industry in British Columbia is recognized as a leader in anti-money-laundering best practices.

Review Recommendations and GPEB Responses

While the Review found that BCLC and operators have appropriate money laundering strategies in place, it also provided opportunities for BCLC to further strengthen the anti-money laundering discipline in business operations, and for GPEB to further strengthen its regulatory oversight.

GPEB's responses to the recommendations identified in the report are below:

Recommendations for BCLC

Recommendation #1

BCLC, in consultation with GPEB, should revise its buy-in/cash-out policy to allow for cash-outs to be paid by cheque, where cash-out cheques clearly and unequivocally indicate that the funds are not from gaming winnings.

GPEB Response

GPEB agrees that the buy-in/cash-out policy requires revision.

Effective immediately, patrons may buy-in with certified cheques. This complements the policy already in place that allows buy-in to the Patron Gaming Fund accounts with certified cheques.

GPEB and BCLC are working on a policy to have cash-outs payable by cheque for amounts less than a prescribed amount (TBD: Between \$5,000 – \$10,000) to protect customers leaving casinos. These cheques will note that the funds were not from verified wins as recommended. Once other recommendations have taken effect to move the industry away from cash

dependence, GPEB and BCLC will work on a policy to phase in cheque cash-outs for other amounts.

BCLC is currently developing the details of this policy solution and will present this to GPEB for review.

Recommendation #2

BCLC should enhance training and corporate policy to help ensure gaming staff do not draw conclusions about the ultimate origin of funds based solely on the identification of a patron and his or her pattern of play. Training and business practices should result in gaming staff having a clear understanding that the duty to diligently scrutinize all buy-ins for suspicious transactions applies whether or not a patron is considered to be known to BCLC or the facility operator.

GPEB Response

GPEB agrees with this recommendation. BCLC has undertaken this initiative.

Recommendation #3

BCLC holds the view that gaming losses on the part of a patron provide evidence that the patron is not involved in money laundering or other related criminal activity. This interpretation of money laundering is not consistent with that of law enforcement or regulatory authorities. BCLC should better align its corporate view and staff training on what constitutes money laundering with that of enforcement agencies and the provisions of the relevant statutes.

GPEB Response

GPEB agrees with this recommendation. GPEB is working with BCLC to update policies and procedures to ensure consistency with that of law enforcement and other regulatory authorities.

Recommendation #4

Gaming is almost entirely a cash business in B.C. This presents opportunities for organized crime. Transition from cash transactions to electronic funds transfer would strengthen the anti-money laundering regime. BCLC, in consultation with GPEB, should take the steps necessary to develop electronic funds transfer systems that maximize service delivery, create marketing opportunities, and are compliant with anti-money laundering requirements.

GPEB Response

Executive from GPEB and BCLC have met and agreed to a common goal of transitioning the gaming industry away from its current state as a cash dependent industry. This transition will have a profound impact on the industry's resistance to money laundering. As noted, BCLC and GPEB have agreed to allow certified cheques to be used to cash-in at gaming facilities. GPEB believes that accepting certified cheques from patrons to buy-in at gaming facilities is an immediate positive measure to reduce the cash basis of the industry and improve patron safety.

BCLC and GPEB have already developed and implemented a Patron Gaming Fund (PGF) program. The PGF account currently allows gaming customers to transfer money into B.C., casinos through electronic funds transfer (EFT) from bona fide Canadian financial institutions.

GPEB has established a cross-divisional working group to support the transition. Through this working group, and in conjunction with BCLC, GPEB will facilitate this transition so that protects problem gamblers, effectively addresses money laundering, and is economically responsible to the industry.

Ultimately, this strategy will have a layered approach offering a combination of convenience, incentives and requirements. This will isolate money laundering activity from legitimate gaming, enabling highly effective enforcement action.

Recommendations for GPEB

Recommendation #1

Adopting the perspective that registration, audit and enforcement/investigations lie on a compliance continuum and making sure the Branch structure, including reporting relationships, supports this integrated approach.

GPEB Response

GPEB agrees with this recommendation. The cross-divisional working group is in place. The group includes these functions, plus other related interests in the Branch. GPEB recognizes the opportunity for improvement by better integrating various regulatory functions. Changes within the Branch that have begun already will allow us to improve our strategic overview and achieve stronger regulation of AML functions. This group will ensure that GPEB has a well co-ordinated response to the recommendations, and to any future AML issues.

Recommendation #2

Developing an annual unified registration, audit and investigations plan that sets out and co-ordinates compliance objectives and priorities for each year.

GPEB Response

GPEB agrees with this recommendation. GPEB sees an opportunity to involve other interested areas of the Branch in the plan in addition to registration, audit and investigations. GPEB plans to undertake this annual process beginning this fall.

Recommendation #3

Formally involving the police agencies of jurisdiction, including those with specific anti-money laundering and organized crime mandates, in annual enforcement objective and priority planning.

GPEB Response

GPEB agrees with this recommendation. It is acknowledged that the informal network is active, and productive. Going forward, GPEB will formalize involvement of police of jurisdiction and other related agencies in our priority planning process.

Recommendation #4

Establishing more formal contacts and relationships with governance and enforcement agencies and associations in jurisdictions with large, long-standing gaming industries.

GPEB Response

GPEB agrees with this recommendation. In addition to GPEB's existing contacts and relationships, we are pursuing a more formal approach to sharing expertise with others in the field. That can include new associations within North America and globally.

Long Term Recommendations

In addition to the above recommendations, the Review identified two initiatives that the Province could consider "to more fully and accurately assess and address the potential future risk of money laundering and associated criminal activities to gaming." These initiatives and GPEB's responses are:

Initiative #1

Engaging an independent firm with expertise in establishing electronic funds transfer processes and procedures to assist with the creation of an electronic funds transfer system that delivers a high degree of service to patrons, is marketable, and is fully compliant with anti-money laundering standards found in the financial sector. This firm should also be utilized to assist with ensuring the structure and conduct of future anti-money laundering reviews not only measure conformity with anti-money laundering legislation and regulations, but also help BCLC and GPEB to go beyond regulatory compliance to meet financial sector best practices.

GPEB Response

GPEB agrees with this recommendation. Work has already been done with independent firms to incorporate best practices in this area. GPEB is working with BCLC to implement Recommendation #4 to BCLC (transitioning away from a cash industry), and we will engage appropriate help to identify and implement improved EFT practices as required to complete this effort.

Initiative #2

Creating 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.

GPEB Response

GPEB agrees with this recommendation. We will determine how best to implement this initiative after completing the other recommendations. GPEB believes that the other recommendations in this report will have a powerful effect and significantly improve the AML regime in B.C. In the interim, a more formalized approach and better co-ordination between interested agencies and BCLC has been established to ensure effective communication.

Conclusion

The B.C. government's *Summary Review: Anti-Money Laundering Measures at BC Gaming Facilities* has set a sound course. Once we have addressed its recommendations, we will continue to innovate and improve the regime to ensure that B.C.'s gaming industry is recognized as a leader in anti-money-laundering practices.