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Mr. Gordon Friesen
Manager, Casino Security and Surveillance
British Columbia Lottery Corporation
10760 Shellbridge Way
Richmond, B.C. V6X 3P8

November 24th, 2010

Re: Money Laundering in Casinos

Dear Gord,

Recently we have begun to see a dramatic increase in the amounts of small denomination Canadian currency used for large buy-ins by LCT patrons within Lower Mainland Casinos. Although there have been numerous similar suspicious currency transactions, one particular LCT patrons play over a 4 week period at the Starlight Casino illustrates the magnitude of this situation. This Division, the Branch, and the RCMP are very concerned about the potential money laundering by ██████ in BC casinos.

10-08-31

█████ buys in with \$200,000 in Canadian currency, \$198,000 of which is in \$20 denominations.

10-09-01

█████ buys in with \$100,000 in Canadian currency, \$94,000 of which is in \$20 denominations.

10-09-01

█████ buys in with \$190,000 in Canadian currency, all in \$20 denominations.

10-09-01

█████ buys in with \$200,000 in Canadian currency, all in \$20 denominations.

10-09-02

█████ buys in with \$100,000 in Canadian currency, all in \$20 denominations.

10-09-03

█████ buys in for \$150,000 in Canadian currency, all in \$20 denominations.

10-09-03

█████ buys in for \$250,020 in Canadian currency, \$227,020 which is in \$20 denominations.

10-09-04

█████ buys in for \$100,000 in Canadian currency, all in \$20 denominations.

10-09-06

█████ buys in for \$200,000 in Canadian currency, the denominations are not known.

10-09-08

█████ buys in for \$158,000 in Canadian currency, all in \$20 denominations.

10-09-09

buys in for \$200,000 in Canadian currency, all in \$20 denominations.

10-09-10

buys in for \$100,000 in Canadian currency, all in \$20 denominations

10-09-11

buys in for \$200,000 in Canadian currency, all in \$20 denominations

10-09-13

buys in for \$43,000 in Canadian currency, \$40,000 was in \$20 denominations.

10-09-14

buys in for \$150,000 in Canadian currency, all in \$20 denominations.

10-09-16

buys in for \$150,000 in Canadian currency, \$62,000 was in \$20 denominations.

10-09-20

produces and loses \$280,000 in chips. He leaves the casino and returns to buy in 24 minutes later for \$60,000 in Canadian currency, all in \$100 denominations.

10-09-21

loses \$260,000 in chips and \$70,000 in Canadian currency, denominations are not known. was met by a vehicle in front of the casino and takes an object from the trunk and returns to the casino. buys in for an additional \$325,000 in chips, which he eventually loses.

10-09-25

buys in for \$200,020 in Canadian currency, all in \$20 denominations.

10-09-26

buys in for \$150,000 in Canadian currency, all in \$20 denominations.

10-09-29

buys in for \$140,000 in Canadian currency, \$138,900 of which was in \$20 denominations.

The total buy-ins for during this period are \$3,111,040, of which \$2,657,940 are in \$20 denomination. This total does not include any buy-ins he had with value chips. Not included in these total are buy-ins for his play at the Starlight Casino in August, which totaled \$808,000 in Canadian currency, all in \$20 denominations. That would bring his two month total buy-ins consisting of \$20 denominations to \$3,465,940.

As previously noted, is not an isolated case and we have seen numerous similar large buy-ins with small denominations at numerous casino venues in the province. It typically involves well known LCT patrons that play baccarat and arrive with cash as a buy-in. Two questions that arise from this example; Why are these \$20 denominations not being taken to a banking facility by? Why isn't using the PGF account or being forced by the service provider and BCLC to use the PGF account?

Senior Director Joe Schalk and the writer met recently with the Officer In Charge, RCMP Integrated Proceeds of Crime Unit (IPOC), and they are well aware of this issue and are seriously concerned that the casinos are being used as a method to launder large sums of money for organized crime groups. They are of the opinion that this is, without doubt, large scale money laundering.

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They are also meeting the requirements of GPEB in relation to Section 86 (real or suspected criminal activity) of the Gaming Control Act, as well

as advising IPOC of these suspicious cash transactions. However, although identifying the suspicious nature of these transactions and complying with the legal requirements to report suspicious criminal activity (money laundering) to the regulatory authorities, the service providers continue to take these large amounts of \$20 denominations in duffle bags, paper bags, etc. to be used for gambling in the casinos. BCLC is responsible for the conduct and managing of casino gaming in British Columbia through standard operating procedures and we believe, at a minimum, as a good corporate citizen you should re-assess your corporate responsibility in allowing these large amounts of \$20 denominations to enter the casino gaming environment. A restriction of allowing a maximum of \$10,000 in \$20 denominations could remedy the situation.

The conduct and manage mandate of BCLC has a direct correlation to maintaining the integrity of gaming in the province. We believe that BCLC needs to seek solutions to the obvious, increasing, and continuous money laundering threat that is occurring, particularly involving the flood of small denomination currency, within BC casinos.

Sincerely,



Derek Dickson
Director, Casino Investigations, LMD
Gaming Policy and Enforcement Branch
Gaming Enforcement
Ministry of Public Safety and Solicitor General

CC: Derek Sturko, Assistant Deputy Minister and General Manager
Terry Towns, Vice President, Corporate Security and Compliance
Larry Vander Graaf, Executive Director, Investigations and Regional Operations, Gaming Enforcement
Joe Schalk, Senior Director, Investigations and Regional Director LMD, Gaming Enforcement