

**To:** Rob Kroeker [REDACTED]  
**From:** John Karlovcec [/O=BCLC/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=JOHN KARLOVCECC7E]  
**Sent:** Tue 11/28/2017 7:37:26 PM (UTC)  
**Subject:** FW: Vancouver Sun - AML story today.

Hi Rob,

Further to our discussion this morning surrounding inaccuracies in the Post media article, I have reviewed all the incidents referred to in the article and as well as additional Section 86 reports provided to me yesterday by Laura Piva Babcock and determined the following:

For example, in **June 2010, B.C.** gaming enforcement branch documents say there were “allegations of improper activities by VIP Hosts and allowing loan sharks to operate” at Vancouver’s Edgewater Casino. This was not reported to police, and it’s not known whether BCLC acted on the concerns. **Itrak file reviewed. Although this Incident was not reported to Police it was only because GPEB advised our investigators that they were taking over the investigation.**

And **in May 2010**, partly redacted documents say, a man entered River Rock Casino and bought chips with \$460,000 in \$20 bills. The casino reported “none of (the man’s) actions while in the casino were suspicious, i.e. loan sharking or money laundering.” It was the fourth such large cash transaction for the gambler that month. **Itrak file was reviewed. Incident was reported to [REDACTED] RCMP Proceeds of Crime [REDACTED]**

An **April 2010 report** at River Rock, said a number of gamblers entered the casino with \$50,000 stuffed into a shopping bag, all in \$20 bills. “They receive the chips (at a gambling area) and then with minimal play, leave the casino with \$50,000 in chips,” the casino report says. **Itrak file was reviewed. Incident was reported to [REDACTED] RCMP Proceeds of Crime [REDACTED]**

At the **Starlight Casino in New Westminster in May 2010**, a man entered carrying chips worth \$1.2 million and immediately had casino staff convert the chips to cash, a report says. The cash was stuffed into a suitcase. The man said he was about to catch a plane to Montreal and was concerned airport security would question him. He requested and was given a letter from casino staff confirming the money was a casino payout, documents say, before departing the casino as a passenger in a Lexus. **Itrak file was reviewed. Incident was reported to [REDACTED] RCMP Proceeds of Crime [REDACTED]**

The same month at Starlight Casino, a gambler lost all his money at one table, and then “gets picked up by a light coloured Toyota,” a casino report said. “(He gets) dropped back off five minutes later carrying a large white plastic bag ... holding \$300,000 in \$100 bills. He uses the money as a buy in at the cage.” **Itrak file was reviewed. Incident was reported to [REDACTED] RCMP Proceeds of Crime [REDACTED]**

**None of these incidents from 2010 was reported to police, according to documents.** In 2011, the B.C. government reviewed anti-money laundering procedures, which was purported to address concerns surrounding these red flag transactions.

Yesterday Laura Piva Babcock also provide me with six(6) Section 86 reports that she received from the reporter. Three of the Section 86 reports referenced 3 incidents noted in the article. The below three incidents were not referenced in the above article:

May 6, 2010 – Grand Villa Casino – **Itrak file was reviewed. Known patron cashed out \$110 K. Kept \$10,000 cash and turned over the rest to an associate and left the Casino together.**

**[REDACTED - FINTRAC]** but there is no notation that in the incident file that it was reported to the Police.

May 19, 2010 – River Rock Casino – **Itrak file was reviewed. Known patron arrives with two other males carrying shopping bags contained \$290 K in different denominations.**

**Incident was reported to [REDACTED] RCMP Proceeds of Crime [REDACTED]**

Incident was reported to [Redacted] RCMP Proceeds of Crime [Redacted] -

John

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**From:** Rob Kroeker

**Sent:** November-24-17 2:07 PM

**To:** Susan Dolinski <[Redacted]>; Laura Piva-Babcock <[Redacted]m>

**Cc:** John Karlovcec <[Redacted]>; Jim D. Lightbody <[Redacted]>

**Subject:** Vancouver Sun - AML story today.

Hi – in the story below there is a statement that none of the incidents listed were reported to police. John K. is fairly certain that is not true. We will do some work to confirm and let you know if we are able to verify. If we do we would like to advise Post Media their story is factually incorrect.

The reports appear to come out of section 86 reports. The story says they obtained the details through FOI, although we know already that one reporter has lied about that source on another record so we cannot take this at face value. I have asked GPEB to confirm if they are now flowing these types of details from 86 reports to the media. Or it may be these are from old FOIs from that time period. Will let you know if we get a response. This is a concern to us if these details are being released now because we believe giving these details up actually helps money launders understand the controls we have in place and how to better avoid them.

The B.C. Lottery Corp. is being given more power to monitor B.C. casinos and hand out tougher punishments, says Attorney-General David Eby.

The mechanism will be an update of the agreement that the BCLC periodically signs with casinos to provide gambling facilities in B.C.

The move comes as an independent review continues into allegations of money laundering in B.C. casinos and as more criminal charges are expected out of the RCMP's investigation of an alleged organized crime network that used VIP gamblers in B.C. casinos to buy chips with suspected drug cash.

The BCLC's new terms of service will require casinos to submit annual business plans. Under the new rules, failing to adhere to these plans could result in penalties.

In an interview on Thursday, Eby said the agreements also allow the government to incorporate any recommendations from his appointed independent reviewer, Peter German. The government will be able to impose escalating punishments ranging from warnings to licence cancellations more quickly than in the past, Eby said.

Eby appointed German in September after an audit by MNP showed that approximately \$13.5 million in \$20 bills was accepted in Richmond's River Rock Casino in July 2015. Police fear much of the cash was proceeds of crime.

Eby said B.C. casino operators have always had the authority to reject suspicious cash on the spot, and he has asked German to examine the circumstances under which casino staff have accepted suspicious transactions, and to make recommendations.

"It is critically important for me that if Mr. German or the police or the BCLC identify any problem with a service provider not following policy, we are able to act quickly and proportionately," Eby said.

In a statement, Terrance Doyle, chief operating officer of the company that runs River Rock Casino, said: "Great Canadian was pleased to be consulted by the BCLC, along with other operators, over the last year as these operational service agreements were updated and developed. We fully support the minister for appointing Mr. Peter German to review (anti-money-laundering) practices in the industry are looking forward to the outcome of his report."

It is not clear whether BCLC's new agreement will adopt some of the tough policy recommendations already made

by MNP in its report. The new agreements will be for 20 years, and are to be signed as existing casino contracts with BCLC expire.

MNP's audit said the majority of suspect cash was presented to River Rock Casino staff by "high-roller Asian VIP clients" from China. Investigations showed some VIPs had been allowed to purchase gambling chips at River Rock with more than \$500,000 in small bills at a single time, and casino staff were accepting the cash even though there was "no known source of funds."

MNP recommended that "casinos refuse unsourced cash deposits exceeding a certain dollar threshold until the source can be determined and validated."

Other issues identified included the role of River Rock VIP "host" staff, who are given incentives to maximize high-roller revenue. These hosts should be required to report suspicious transactions, MNP says.

Details of MNP's audit and the RCMP's investigation have resonated across Canada's legal casino industry in recent months. But according to government documents **released through freedom of information**, similarly alarming transactions have been occurring widely in Metro Vancouver casinos since at least 2010.

For example, in **June 2010, B.C.** gaming enforcement branch documents say there were "allegations of improper activities by VIP Hosts and allowing loan sharks to operate" at Vancouver's Edgewater Casino. This was not reported to police, and it's not known whether BCLC acted on the concerns.

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BCLC said Thursday, in response to questions from Postmedia: "BCLC has always had the ability to set and enforce policy with respect to security and compliance matters ... Staff in casinos can and do reject transactions."