

**OPENING SUBMISSION OF THE CANADIAN GAMING ASSOCIATION
BY
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**COMMISSION OF INQUIRY INTO
MONEY LAUNDERING IN BRITISH COLUMBIA**

TUESDAY, FEBRUARY 25, 2020

**FEDERAL COURT OF CANADA
701 WEST GEORGIA STREET, VANCOUVER
COURTROOM 801**

Check Against Delivery

Good afternoon and thank you to the Commission for the invitation to appear here today.

The Canadian Gaming Association is a national trade industry working to advance the evolution of Canada's gaming industry. Our members are the leading gaming operators and suppliers to the industry, including organizations like Gateway Casinos, Caesars Entertainment, Hard Rock Casinos, Mohegan Sun Entertainment, Scientific Games, International Game Technology and many of Canada's leading law firms.

The CGA interactions with our industry and stakeholders are guided by set of principles:

- We believe in gaming as a legitimate form of entertainment and a positive contributor to our communities;
- We promote responsible use of our industry's products;
- We are Canada-wide and nationally focused;
- We balance the interests of our various stakeholders; and
- We seek insights to help the industry innovate.

Through advocacy and awareness, promoting research and innovation, we work to build a stronger understanding of our industry.

To give you a small snapshot of Canada's gaming industry:

- It directly employs more than 182,000 Canadians contributing \$11.9 billion in total labour income, with an average annual salary of \$65,000.
- Purchases more than \$14.6 billion annually in goods and services.
- Produces \$18.9 billion of valued-added GDP to the Canadian economy.

Nationally, the industry generates over \$9 billion for governments and charities each year.

In British Columbia, the gaming industry plays a vital part of the provincial economy by employing over 29,000 people and generating over \$5 billion in economic activity.

Canada's gaming industry is one of the most highly regulated industries in the country, as virtually every facet of the gaming industry is subject to regulatory oversight. Complying with the provincial regulatory frameworks, as well as applicable provincial and federal legislation is fundamental to the day-to-day operations of casinos across Canada.

At every level of employee, there is responsibility and accountability to adhering to this regulatory oversight to ensure the casino industry can continue to be not only compliant – but also to ensure we remain an enjoyable, dependable source of entertainment for the millions of adult customers we have here in British Columbia and across Canada.

The success of our business is built upon upholding the public trust – of governments, regulators and customers - by delivering fair games in safe and secure gaming environments. We deliver on that trust through the rigorous regulatory oversight and testing of gaming products, strong internal controls and polices, and world-leading responsible gaming programs.

To accomplish this – and to operate in compliance with the regulatory structure, applicable laws and enforcement agencies, the casino industry has committed extensive resources to ensure that functions like surveillance, security and compliance can meet these obligations.

Quite simply, regulatory oversight is built into the DNA of our industry.

We are committed to rigorous regulatory oversight and being be a strong partner in Canada’s anti-money laundering regime. We continue to do this by collaborating with FINTRAC, provincial gaming agencies and law enforcement, as we recognize that Canada’s AML regime operates on the basis of three interdependent pillars:

- Prevention and detection;
- Disruption and enforcement; and
- Policy and coordination;

In short, it’s a partnership that is strongest when we all work together.

Today, I’d like to focus my remarks on these three pillars.

Prevention and Detection

For casino operators, their primary role is prevention and detection through compliance with anti-money laundering regulations and identifying suspicious transactions, large cash transactions and casino disbursements. We then report that information not only to FINTRAC, but also to gaming regulators and directly with law enforcement as needed.

Our industry’s commitment to combatting financial crime is demonstrated by the deployment of a large number of dedicated and well-trained security, surveillance and compliance professionals. We also use sophisticated tools such as state-of-the-art surveillance and information management systems to monitor, record and analyze activities.

Our compliance programs are regularly audited by independent third-party firms, provincial regulators and FINTRAC.

Despite the attention and media stories surrounding the issue of money laundering in Lower Mainland casinos, to the best of my knowledge it has never been asserted that gaming operators failed to detect and report suspicious activity in accordance with anti-money laundering regulations;

In fact, one GPEB report cited in the first report by Dr. Peter German stated that:

“It is believed that Casino Service Providers ... are in fact being diligent and forthright in expeditiously reporting Suspicious Currency Transactions and other matters of wrongdoing via Section 86 reports.”

This is an important point. While we are always looking to improve our compliance programs, there is every indication that gaming operators are playing their part in the anti-money laundering regime.

Even though casino reporting represents less than 2% of the total reports received by FINTRAC in any given year, we highly value the industry’s relationship with FINTRAC. We know the value our reports provide to their analysts in “following the money”. They have been good partners to industry over the years by working on refinements and improvements in the reporting relationship.

Our industry also participates in the Department of Finance industry advisory group, and on several occasions, we have welcomed the participation of Department of Finance and FINTRAC officials in our industry’s annual conference, the Canadian Gaming Summit.

In short, gaming operators are delivering on their pillar of Canada’s AML regime: the prevention and detection of money laundering.

Disruption and Enforcement

There is a need for increased efforts by law enforcement.

In its 2016 mutual evaluation of Canada, the Financial Action Task Force noted in its key findings that:

“Law enforcement results are not commensurate with the [money laundering] risk and asset recovery is low.”

This observation was reinforced by RCMP Assistant Commissioner Joanne Crampton during her testimony to the House of Commons Standing Committee on Finance in 2018:

“Due to time constraints, resource limitations, and the efficacy of prosecuting certain charges over others in these dynamic and complex cases, following through on proceeds of crime or money laundering charges is often not tenable.”

Part of the Commission’s terms of reference involves looking at the barriers to effective law enforcement respecting money laundering in British Columbia. I do want to focus of the need for enhanced resources for law enforcement.

Across Canada, the gaming industry has strong and productive working relationships with law enforcement. It is critically important that there are resources for the industry’s reporting efforts to be acted upon. Awareness of police investigations and the ensuing arrests or seizures are visible outcomes and deterrents, as well as proof that the system works.

Law enforcement needs to be adequately trained not only in investigating money laundering and other financial crimes – but also to have a deep understanding of the industries they are investigating. Committed, long-term funding with permanent units will allow law enforcement to build expertise and be more effective – in all areas of AML enforcement including data analysis or forensic accounting.

Policy and Coordination

The CGA believes sound policy and coordination among stakeholders are critical to the foundation and success of Canada’s AML regime.

In Canada’s gaming industry, the designation of the entity responsible for federal anti-money laundering compliance largely falls to the “government of a province” that “conducts and manages” gaming in accordance with the *Criminal Code*. Most provinces have created Crown Corporations to conduct and manage gaming, so the responsibility for AML compliance and reporting under federal law has been delegated to these agencies. In British Columbia, that responsibility falls to BCLC.

But provinces also have legislation that governs the regulation and oversight of gaming and, in many cases, the provincial legislation predates federal anti-money laundering regulations. For example, gaming operators in British Columbia are required to file a “section 86” report with GPEB when they suspect any illegal activity, including money laundering. This is in addition to reporting requirements to FINTRAC.

As cited in Dr. German's first report, *“Dirty Money: An Independent Review of Money Laundering in Lower Mainland Casinos”* the transition to a risk-based or standards-based approach would be supported by the gaming industry. This model is seen in mature gaming

industries across the globe but also in other industries. Here in Canada, we have a similar model in Ontario through the Alcohol and Gaming Commission of Ontario.

As such, the CGA supports the further examination of the recommendation that Suspicious Transaction Reports (STRs) completed by service providers should be submitted directly to FINTRAC. While these reports would also be shared with BCLC.

We understand there were similar recommendations in the 2018 Report of the Federal Standing Committee on Finance in a review of the *Proceeds of Crime Act*, "Confronting Money Laundering and Terrorist Financing: Moving Canada Forward."

We would encourage policy makers to look at these recommendations seriously and also look at a comprehensive approach to preventing money laundering across the broader economy – regardless of sector – and focus compliance and reporting obligations on certain at-risk activities and transactions, versus trying to define specific industries. For example, in the United States, any trade or business that accepts \$10,000 or more in cash from a customer must file a report with the Internal Revenue Service and FinCEN. We believe this approach would allow for a more a seamless approach.

Conclusion

In summary, I want to reiterate the Canadian gaming industry's commitment to playing its part in the fight against money laundering and financial crime. As I said earlier, regulatory oversight is built into the DNA of our industry and is top of mind to every operator, every day.

The gaming industry will continue to be a strong partner in Canada's AML regime because it is strongest when we all work together.

Thank you for your time this afternoon. I hope my comments have highlighted some areas of focus for the Commission and I would be happy to take any questions.