

Canada's Gaming Industry Believes Current AML Controls Work

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The Canadian gaming industry is pushing back against assertions that failures in its anti-money laundering (AML) controls are to blame for an organized crime ring that allegedly used a casino operated by Great Canadian Gaming Corporation to launder money.

Rather, officials insist that the industry's diligence in reporting large cash transactions and identifying suspicious individuals was critical to unveiling a massive crime ring that had stretched its tentacles far beyond just casinos.

"I would contend that the reason these people ended up being charged is because of the work of the casinos," said Paul Burns, interim president and chief executive of the Canadian Gaming Association.

"What it demonstrates in a lot of ways is that the system works," Burns said.

Casinos in Canada must report transactions in excess of \$10,000 to the government-owned lottery corporation in their province.

In the case of River Rock Casino near Vancouver, the transactions would be reported to the British Columbia Lottery Corporation (BCLC), which then relays that information to the Financial Transactions and Reports Analysis Center of Canada (FINTRAC).

"Casinos don't get to catch criminals. We provide information to law enforcement and FINTRAC. It's not against the law for us to take large amounts of cash; it is against the law to not report it, and Great Canadian reported it," said Paul Burns, interim president and CEO of the Canadian Gaming Association.

Reports emerged in September regarding allegations of shoddy, AML practices at River Rock Casino in Richmond, British Columbia, located just south of Vancouver.

The reports found that the money laundering operation, known as E-Pirate, involved criminal organizations depositing cash into an underground bank, which would then wire funds to Chinese bank accounts associated with the group.

Wealthy Chinese gamblers were recruited in Macau and other places to come to Vancouver, where they were given cash by the bank outside the casino.

The gamblers would take the cash and convert it into chips, and upon cashing out, the casino would issue the patron with a cashier's check that could then be deposited in a traditional bank or used to invest in real-estate assets.

According to reports, upon completion of a transaction, E-Pirate would transfer funds to China and the gambler would be able to elude Chinese controls successfully, restricting capital outflows from the country.

The allegations in the story are salacious, including high-roller gamblers arriving at casinos with hockey duffel bags stashed with as much as C\$100,000 in C\$20 bills.

The [Vancouver Sun](#) reported that Silver International Investment, the bank facilitating the operation, laundered some C\$220m in cash and sent C\$300m overseas in just one year.

British Columbia [attorney general David Eby](#) recently appointed an independent counsel to review AML controls in Vancouver-area casinos after the publication of a 2016 report citing concerns about River Rock and unsourced cash.

The previously [confidential report](#) found that C\$13.5m in C\$20 bills were accepted at the property during July 2015 alone.

Both Great Canadian and River Rock insist they began reporting suspicious activity as early as 2012 and have gone above and beyond their legal requirements in relation to transaction reporting and know your customer (KYC) rules.

"I would like to emphasize the following: contrary to any media reports or commentary, Great Canadian is not under investigation regarding anti-money laundering activities," said Rod Baker, CEO of Great Canadian, during the company's third-quarter earnings call on Thursday.

Great Canadian emphasized that the scenario portrayed in media reports, by which players exchanged cash for chips for cashier's checks, is untenable.

"Players at River Rock, and any casino in B.C., can only receive a check for 'verified winnings' — that is, amounts they have legitimately won through play. The check amount does not include the initial cash buy-in which is only returned to the player in cash," the company explained.

Great Canadian and the Canadian gaming industry more broadly, Burns argued, are bearing the blame for what is ultimately a larger problem of unsourced foreign money flowing into British Columbia from China and elsewhere.

"That's unfortunate because that just feeds into this whole, 'We don't know what we're doing' exercise when in fact, it's just the opposite; our industry does a fantastic job," Burns said.

BCLC did not respond to a request for comment.

The incident has also raised more questions about the process by which large cash transactions are reported and analyzed, with provincial lottery corporations acting effectively as the middlemen between casino management companies and FINTRAC.

This structure is problematic, observers say, because it creates distance between the entity on the frontline that collects the information and the entity ultimately responsible for reporting it.

"Here's the disconnect: BCLC is not operating these casinos, yet they're being held accountable," said Burns. "Clear lines of accountability and clear lines of responsibility are paramount, and I think that's where FINTRAC may need to look."

See also:

[Anti-Money Laundering Portal](#)

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