

The purpose of this fact sheet is to set out anti-money laundering measures currently in place at casino operations in BC. In order to appreciate the purpose and function of anti-money laundering measures protocol, it is important to understand the following:

What is Money Laundering?

Money laundering is the process or techniques through which profits from criminal activity (dirty money) are converted into funds that appear to have been acquired through legal means (clean money). This is typically achieved by moving the illegal funds through a rapid series of financial transactions. Successful money laundering will hide the criminal acts which generated the money and the identity of the individuals responsible.

What is Anti-Money Laundering?

Anti-money laundering, often referred to as AML, refers to measures implemented by businesses, often mandated by government, which are put in place to counter and prevent money laundering from occurring.

Who Regulates Money Laundering and AML requirements in Canada?

Laundering the proceeds of crime is an offence under the Criminal Code of Canada (section 462.31)

Specific sectors of the economy are subject to AML requirements mandated by the federal government. These sectors include banks, credit unions, securities dealers, accountants, real estate brokers, dealers in precious metals and stones, money service businesses and casinos.

The federal government agency responsible for overseeing and auditing businesses required to have AML programs is the Financial Transactions and Reports Analysis Centre of Canada – better known as FinTRAC.

In the BC gaming industry, additional oversight is provided by the BC Lottery Corporation and the Gaming Policy Enforcement Branch, as well as police agencies.

Who has to comply with Anti-Money Laundering Regulations?

Only those businesses listed in the federal Proceeds of Crime (Money Laundering) and Terrorist Financing Act are required to have AML Programs.

Examples of such businesses include:

- Banks and credit unions
- Securities dealers
- Real estate brokers
- Money services businesses
- Casinos

Overview Of Reports Made To And By Fintrac

Table 1. Large Cash Transaction Report Count by Sector – Last Three FinTRAC Fiscal Years

REGULATED SECTOR	2010-2011	2011-2012	2012-2013	Total
Financial Institutions	989,618	1,103,298	1,170,710	3,264,204
Banks ¹	904,112	1,018,298	1,083,338	3,005,848
BC Credit Unions ¹	85,506	85,578	87,272	258,356
Money Services Businesses	6,783	8,175	8,031	22,989
Real Estate	0	4	3	7
Casinos	19,933	21,846	24,141	65,920
Securities Dealers	0	1	0	1
Dealers in Precious Metals and Stones	32	88	71	191
Life Insurance	0	1	2	3
British Columbia Notaries	0	0	1	1
Total of all sectors				3,353,316

1. Subset of Financial Institutions

Reporting Responsibilities Related to Anti-Money Laundering:

Organizations and businesses governed by AML laws are subject to transaction reporting requirements. All cash transactions of \$10,000 or more and suspicious transactions in any dollar amount are required to be reported to FinTRAC.

Specific to gaming industry reporting requirements, casinos must complete a large cash disbursement report related to a payout of \$10,000 or more resulting from chip redemption, withdrawals from gaming accounts, payment of winnings and other similar transactions.

Specific Anti-Money Laundering Practices in BC Casinos:

For each of the listed potential money laundering vulnerability, an AML countermeasure has been put in place.

1. Casino Chips

Situation: A customer purchases casino chips with a large amount of cash. The customer plays for a short period of time with small bets. The customer then asks to redeem chips for a generic casino cheque. If successful, this would allow the customer to attempt to claim the funds used to purchase the chips were winnings from a casino – a purported legal source of the funds.

AML Procedure: Under this circumstance, the casino will clearly brand or label the face of any issued cheque as “return of funds – not gaming winnings”. This language makes it clear that the funds were not derived from casino winnings. Cheque branding makes it clear whether funds were generated from gaming winnings or not and have the added benefit of creating an audit trail for law enforcement when the cheque passes through the banking system. If this type of transaction is attempted at a casino in BC, the attempted transaction and the individual’s identity are reported to FinTRAC.

It is also important to note that in the case of casino winnings, cheques are only issued where the win amount can be verified. Those cheques are branded “verified win”.

2. Small Denominations Exchanged for Large Denomination Bills

Situation: An individual wanting to launder money by exchanging a large sum of small denomination bills for \$50 or \$100 bills.

AML Procedure: This money laundering technique cannot be used as BC casinos do not permit the exchange of bills to occur. If such an activity is attempted, the details of the situation and the individual's identity would be reported to FinTRAC, provincial gaming regulators and police.

3. Credit Cards

Situation: In order to launder money through credit cards, an individual would have to deposit cash obtained through illegal activity to personal or business accounts that would then be transferred to a credit card. The individual would then try to purchase casino chips with the loaded credit card.

AML Procedure: Current AML procedures dictate that casino customers are not permitted to purchase gaming chips with a credit card. This type of situation would be reported to FinTRAC, provincial gaming regulators and police.

4. Casino Accounts

Situation: Some casinos allow their guests to open a personalized casino account into which they can deposit bank drafts and other monetary instruments that are later used for gambling. These accounts may be susceptible to money laundering as customers can deposit large sums of cash, purchase chips, choose to gamble or gamble a small amount and redeem chips for a casino cheque or a wire transfer.

AML Procedure: BC casino operations do not permit guests to be paid out with a casino cheque from their account for funds that are not verified wins. Additionally, guests are not permitted to deposit cash to their casino accounts or wire funds out of their accounts. If such a situation were to occur, the attempted transactions and individuals would be reported to FinTRAC, provincial gaming regulators and police.

What the experts are saying:

In a 2016 report titled "Casinos & Money Laundering Q&A", international anti-money laundering expert and criminal lawyer Christine Duhaime outlines facts around money laundering and highlights preventative measures put in place across Canadian casinos to comply with anti-money laundering laws and mitigate financial risk. The report, which was prepared on behalf of the Gaming Security Professionals of Canada, concludes that due to its strict regulations and enforcement of anti-money laundering law, "Canadian casinos [are] unattractive to would-be money launderers." (Duhaime, 2016, "Casinos & Money Laundering Q&A")

Sources

Duhaime, Christine. "Casinos & Money Laundering Q&A". **Gaming Security Professionals of Canada**. August 2016. <<http://gspc.ca/casinos-money-laundering-q-a/>>.