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**To:** General Purposes Committee **Date:** December 19, 2018  
**From:** Cecilia Achiam **File:** 09-5000-01/2018-Vol  
General Manager, Community Safety 01  
**Re:** **Countering Organized Crime, Money Laundering and Elicit Gaming**

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### Staff Recommendation

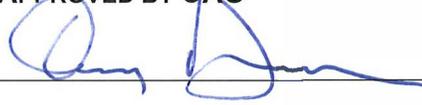
That:

1. the City write a letter to the Minister of Public Safety and Solicitor General, the Minister of Attorney General and Mr. German to advocate the need for the Province:
  - i. to increase funding for enforcement of organized crime, money laundering, and illicit gaming;
  - ii. to develop, in consultation with the federal and local governments, a comprehensive organized crime policing plan that will establish key enforcement targets and outcomes; and
  - iii. to expand training for provincial gaming services employees;
2. the City write a letter to the federal Minister of Finance and the provincial Expert Panel on money laundering and the BC Minister of Finance for which the purpose is to assert the need for legislative reforms that will create transparency around beneficial ownership of corporations and land;
3. the City write to the British Columbia Lottery Corporation (BCLC) and request that a limit be placed on casino purchases;
4. the City write a letter to the Federal Office of the Superintendent of Financial Institutions requesting that it mandate that all Canadian banks ensure that the name of the remitter be identified on all bank drafts;
5. the City put forward a resolution to the UBCM requesting legislative reform to create transparency around beneficial ownership of corporations and land; and

- 6. Staff bring forward amendments to Business Regulation Bylaw No. 7538 to include criminal record checks and other regulations for operators of money exchange businesses.



Cecilia Achiam  
General Manager, Community Safety  
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| REPORT CONCURRENCE   |                                     |
|--|-------------------------------------|
| <b>ROUTED TO:</b>  | <b>CONCURRENCE</b>                  |
| Business Licencing   | <input checked="" type="checkbox"/> |
| RCMP   | <input checked="" type="checkbox"/> |
| Law  | <input checked="" type="checkbox"/> |
| <b>REVIEWED BY STAFF REPORT /<br/>AGENDA REVIEW SUBCOMMITTEE</b>   | <b>INITIALS:</b><br>CS              |
| <b>APPROVED BY CAO</b><br> |                                     |

## Staff Report

### Statutory Closed Meeting Criteria:

This report meets the following statutory closed meeting criteria:

90(1)(f) law enforcement, if the council considers that disclosure could reasonably be expected to harm the conduct of an investigation under or enforcement of an enactment

90(2)(b) the consideration of information received and held in confidence relating to negotiations between the municipality and a provincial government or the federal government or both, or between a provincial government or the federal government or both and a third party

This report contains information and analysis derived from law enforcement agencies pertaining to ongoing investigative strategies and intergovernmental collaborative efforts and negotiations.

### Recommendation on Disclosure

This report will be subject to routine review to determine whether the need for confidentiality has passed and will be brought forward to Council with a recommendation on disclosure when appropriate.

It is anticipated that this matter could be released publicly following the completion of intergovernmental outreach initiatives and investigative projects.

### Origin

At the Closed General Purposes Committee on December 3, 2018, Superintendent Will Ng, Officer-in-Charge (OIC) provided a briefing on the issues of money laundering and organized in the City in response to a series of recent and high profile media reports.<sup>1</sup> Following the OIC's briefing, the Committee passed the following resolution:

*That the matter be referred to staff to report back on effective steps to be taken in the City of Richmond in relation to money laundering, illicit gaming and related issues.*

This report supports Council's 2014-2018 Term Goal #1 A Safe Community:

*Maintain emphasis on community safety to ensure Richmond continues to be a safe community.*

*1.4. Effective interagency relationships and partnerships.*

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<sup>1</sup> <https://globalnews.ca/news/4658156/fentanyl-making-a-killing-introduction/>

## **Background**

### Federal and Provincial Organized Crime Resources

#### *Federal Serious and Organized Crime (FSOC)*

The RCMP's Federal Serious and Organized Crime (FSOC) works closely with international, national and municipal police forces and agencies to ensure the safety and security of Canadians and their institutions, at home and abroad. FSOC has resources located in RCMP "E" Division of British Columbia as well as throughout the country. Its mandate is broad and includes intelligence gathering and enforcement against: drug trafficking, human smuggling, investment frauds and scams, counterfeit currency and goods, terrorism and organized crime. FSOC is comprised of multi-disciplined groups or teams with expertise and training in national security, transnational organized crime, money laundering and border security.

#### *Combined Forces Special Enforcement Unit (CFSEU)*

The Combined Forces Special Enforcement Unit – British Columbia (CFSEU) is both a provincial and national anti-organized crime agency. It is an integrated unit that employs over 400 highly-specialized officers from fourteen separate federal, provincial and municipal agencies.<sup>2</sup>

#### *Joint Illegal Gaming Investigation Team (JIGIT)*

Operating within CFSEU, is the Joint Illegal Gaming Investigation Team (JIGIT) whose mandate is to disrupt organized crime and gang involvement in illegal gambling and prevent criminals from using B.C. gambling facilities to legalize the proceeds of crime. Formed in 2016, the JIGIT consists of 22 law enforcement personnel and five BC Gaming Policy and Enforcement Branch (GPEB) investigators. In addition to the Federal Criminal Code, the JIGIT enforces the *Gaming Control Act*.

### Richmond Detachment Organized Crime Resources

Gangs and organized crime investigations in the City of Richmond are led by the Richmond RCMP Detachment's (the Detachment) Plainclothes Section. However, if the targets of those investigations have strong associations with or are identified by provincial and federal organized crime target lists, CFSEU becomes the lead investigative agency. The Detachment's Organized Crime Unit (OCU) targets street-level drug dealers and suppliers. The primary mandate of the OCU is to shut down as many "drug lines" as possible and prosecute suspects that are involved in drugs and organized crime.

Richmond General Duty investigators also form part of the organized crime strategy through bar, liquor and massage parlour checks. These checks have a threefold purpose: to deter high risk criminals from frequenting businesses; to gather criminal intelligence on gang-related activities; and to check for proper business practices, licencing and compliance with City bylaws and regulations.

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<sup>2</sup> <http://www.cfseu.bc.ca/en/about-cfseu-bc>

The criminal intelligence that is gathered from the above checks is further processed and analyzed by in-house Crime Analysts who work closely with their regional and provincial counterparts to conduct network analysis of targets to see if there are any links between local targets and broader organized crime networks. This intelligence gathering operation is further fed by general investigative work, street checks by General Duty Members and human source development. Richmond RCMP also works with Richmond Fire-Rescue and Community Bylaws to inspect properties and business as well as shut down any clandestine labs and illegal cannabis grow operations.

## **Analysis**

The scope of the problem of organized crime, illegal drugs and money laundering in Metro Vancouver exceeds the enforcement and prevention capacity of any one local police force. The scale of the problem necessitates that the Richmond RCMP use a strategy of integration with other provincial, national and international police units and agencies. Despite the array of resources dedicated to combat organized crime, Metro Vancouver continues to be identified as an international hub for money laundering, drug trafficking and illegal gambling. According to the media, who obtained an internal RCMP report, it is estimated that upwards of \$1 billion may have been laundered through Metro Vancouver Real Estate in 2016 and possibly \$5 billion since 2012.<sup>3</sup>

### Federal and Provincial Organized Crime Unit Actions Richmond

FSOC's organized crime enforcement efforts in Richmond have received considerable media attention, recently, due to the Federal Crown's decision to stay charges involving the RCMP's E-Pirate investigation.<sup>4</sup> E-pirate focused on organized crime groups that were alleged to have laundered \$220 million through BC casinos. Criminal charges were laid in 2017 against a money-transfer business, Silver International Investment (305-5811 Cooney Rd). Silver International Investment was alleged to have utilized a network of Richmond based underground "private money lenders" who lent cash to VIP gamblers. RCMP Inspector Bruce Ward stated that E-Pirate surveillance identified 40 different organizations linked to Asian, North American and South American organized crime groups who traffic illicit drugs.<sup>5</sup> The media have reported that charges were stayed in E-pirate due to federal prosecutors mistakenly exposing the identity of a police informant whose life would be at risk if the case proceeded.<sup>6</sup> BC Crown is seeking, through its civil forfeiture office, to seize a home and assets, associated with Silver International Investments that are valued at over \$4 million.<sup>7</sup>

E-pirate's investigation uncovered what money laundering expert John Langdale termed the "Vancouver Model" whereby transnational organized crime groups utilize sophisticated

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<sup>3</sup> <https://globalnews.ca/news/4658157/fentanyl-vancouver-real-estate-billion-money-laundering-police-study/>

<sup>4</sup> <https://vancouver.sun.com/news/staff-blogs/real-scoop-no-details-yet-about-why-e-pirate-charges-stayed>

<sup>5</sup> <https://www.timescolonist.com/news/b-c/charges-laid-in-probe-of-alleged-b-c-money-laundering-1.23068949>

<sup>6</sup> <https://globalnews.ca/news/4816822/exclusive-epirate-crown-exposing-police-informant-killed-b-c-money-laundering-probe/>

<sup>7</sup> <https://theprovince.com/news/local-news/company-laundered-up-to-220-million-b-c-civil-forfeiture-office-alleges/wcm/8d073b98-6098-4403-9ff1-37eec2f8dc73>

underground banks, casinos, real estate and luxury items to launder money between Asia and Vancouver. Staff consulted with Mr. Langdale who has warned governments and law enforcement agencies in Europe and Australia that the “Vancouver Model” is not limited to Vancouver but has been replicated in other regions throughout Europe, the Middle East and Australasia.

Canadian media have questioned whether the issue of money laundering was exacerbated by inadequate resourcing of provincial and federal organized crime units. In October 2014, over 300 RCMP investigations, largely targeting organized crime, and \$100 million in funding were diverted to national security following the terrorist attacks on Parliament in Ottawa. Public Safety Canada internal briefing notes from 2015 further noted that:

*“Since the terrorist attacks in Canada in October, 2014, high-priority, national-security investigations have diverted resources away from organized-crime investigations, including those focused on major drug trafficking and money laundering...approximately 320 other federal investigations[are]being put on hold.”<sup>8</sup>*

#### Richmond Detachment Organized Crime Actions

As per the “2018-2019 Richmond Detachment Annual Performance Plan” (APP)<sup>9</sup>, organized crime is a community policing priority. The Detachment’s strategy is two pronged: first, it focuses on prevention programs such as the Drug Abuse Resistance Education program (DARE) and the “Adopt-a-School” program; second, it features enforcement activities and gang unit patrols.

In 2018, there were 36 proactive gang unit patrols resulting in 454 business checks. The locations patrolled include various bars, restaurants, massage parlours, the night market, pool halls, internet gaming locations and the casino. A number of drug investigations and arrests have resulted from these enforcement activities. These checks serve as a visible reminder of police presence and help make Richmond an unwelcoming place for individuals involved in organized crime and drug trafficking. In the 2018, 604 drug files were created including possession, trafficking, importation and production—79 of these files resulted in criminal code charges.

In April 2016, Richmond General Duty police officers uncovered an illegal gaming and criminal enterprise operating at 8880 Sidaway Road after responding to a call that a hostage was being held at gunpoint. Police officers found gaming tables, casino chips, playing cards, money counters and table surveillance equipment.<sup>10</sup> BC Civil Forfeiture applied to the BC Supreme Court to seize the residence and the \$2.4 million in net sale proceeds from a property transfer in May, 2018.

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<sup>8</sup> <https://www.theglobeandmail.com/news/national/mounties-put-hundreds-of-files-on-hold-in-shift-toward-anti-terrorism/article36285597/>

<sup>9</sup> REDMS 6009495

<sup>10</sup> <https://vancouver.sun.com/news/local-news/b-c-government-trying-to-seize-richmond-mansion-claiming-it-was-used-for-violent-crime-and-money-laundering>

While organized crime investigations are usually initiated on the basis of provincial criminal intelligence, the 2016 case demonstrates that detachment resources can play a pivotal role in identifying and disrupting gaming/money laundering operations. In the report titled “Richmond RCMP Detachment Three Year Resource Plan, 2019-2021”, the OIC has requested an increase of two police officers for the detachment’s organized crime section as well 14 general duty police officers, two property crime section police officers and one crime prevention police officer.

### Richmond Bylaw and Business Licence Enforcement

The Business Regulation Bylaw No. 7538 includes specific requirements for categories of businesses which require additional oversight. This includes businesses such as massage parlours, bed and breakfasts, amusement centres, gas stations, animal grooming and boarding and adult entertainment. Money exchange businesses are not currently among the list of regulated business types. Although gaming and casinos are not within the City’s jurisdiction to regulate, other than through Zoning and Land Use, the Provincial government has acknowledged the need for regulatory reform. Community Bylaws and Business Licence staff will continue to execute joint-inspections/projects with the RCMP and JIGIT to disrupt illegal gaming operations.

### Provincial Money Laundering Reviews

On March 31, 2018, the Ministry of the Attorney General released an independent review of money laundering and casinos in the Lower Mainland authored by Peter German. Mr. German’s report put forward a comprehensive list of 48 recommendations<sup>11</sup> of which nine have been implemented. The Provincial government endorsed Mr. German’s report and announced the formation of two parallel reviews: a review of money laundering in BC real estate, luxury car sales and horse racing by the Minister of Attorney General; and a review of ideas on how to strengthen legislative or regulatory protections against money laundering .

### Recommendations

*BC Minister of Public Safety and Solicitor General, the BC Minister of Attorney General and Mr. German*

It is recommended that that the City write a letter to the Minister of Public Safety and Solicitor General, the Minister of Attorney General and Mr. German to advocate the need for the Province:

- i. to increase funding for enforcement of organized crime, money laundering, and illicit gaming;
- ii. to develop, in consultation with the federal and local governments, a comprehensive organized crime policing plan that will establish key enforcement targets and outcomes; and
- iii. to expand training for provincial gaming services employees;

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<sup>11</sup> “Dirty Money: An Independent Review of Money Laundering in Lower Mainland Casinos conducted for the Attorney General of British Columbia,” pg.13. [https://news.gov.bc.ca/files/Gaming\\_Final\\_Report.pdf](https://news.gov.bc.ca/files/Gaming_Final_Report.pdf)

Addressing the issues surrounding organized crime and money laundering requires a sustained effort from all levels of government and a multi-agency approach. Given the scale of this problem and the recent impact of the *R. v. Jordan* decision on existing police resources, the Province should consider the adequacy of funding levels for CFSEU. Without a defined multi-year strategy and plan for provincial organized crime resources, there will continue to be a risk that police resources could be diverted away towards another priority. While JIGIT has provided training to BC Lottery Corporation (BCLC), the Gaming Policy and Enforcement Branch and Lower Mainland gaming service, this educational outreach should be expanded and enhanced province-wide. In particular, casino workers require regular training on identifying the latest tactics and signs of money laundering and when to notify the GPEB.

*BC Minister of Finance, Provincial Expert Panel and Federal Minister of Finance*

It is recommended that the City write a letter to the federal Minister of Finance and the provincial Expert Panel on money laundering and the BC Minister of Finance for which the purpose is to assert the need for legislative reforms that will create transparency around beneficial ownership of corporations and land. The BC Minister of Finance has acknowledged the need for legislative reform and has announced the need for a new *Land Owner Transparency Act*, which would establish a public registry regarding beneficial ownership of land. According to a BC government news release, “the registry would help give tax authorities and law enforcement the information they need to crack down on tax evasion, and identify tax fraud and money laundering”.<sup>12</sup> Similar changes could be made to the *Business Corporations Act* regarding the disclosure of beneficial owners of private companies. Prior to the introduction of section 49, the public and the media could easily obtain information on the ownership of companies.

Similar to the above provincial recommendations, there is a need for reform at the federal legislative level to corporate beneficial ownership and trusts. A study by Transparency International Canada, entitled “No Reason to Hide: Unmasking the Anonymous Owners of Canadian Companies and Trusts”, found that almost half of Metro Vancouver’s most valuable residencies were held through structures that hide their beneficial ownership. The same study found that almost “one-third of the properties were owned through shell companies, while 11% have a nominee listed on the title”. Transparency International Canada further recommended that:

*“The Government of Canada should work with the provinces to establish a central registry of all companies and trusts in Canada, and their beneficial owners. The registry should be available to the public in an open data format. Corporate directors and trustees should be responsible for submitting beneficial ownership information and keeping it accurate and up to date.”<sup>13</sup>*

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<sup>12</sup> <https://www2.gov.bc.ca/gov/content/housing-tenancy/real-estate-bc/consultations/land-owner-transparency-act-consultation>

<sup>13</sup> <http://www.transparencycanada.ca/wp-content/uploads/2017/05/TIC-BeneficialOwnershipReport-Interactive.pdf>

The intent of the above disclosure changes regarding business and land ownership would be to identify the person on whose behalf the company or registered holder of the title is acting. Transparency around beneficial ownership could lead to: increased tax revenue, enhanced economic analysis and planning; and enhanced law enforcement ability to target money laundering. Federal legislation could also be introduced to expedite the deportation of foreign residents who engage in money laundering.

#### *British Columbia Lottery Corporation (BCLC)*

As has been reported by the media<sup>14</sup>, VIP gamblers have been allowed to buy gambling chips in excess of \$500,000. While these VIPs will no longer be able to use cash without identifying the source of funds, it is recommended that the City write to the British Columbia Lottery Corporation (BCLC) and request that a limit be placed on casino purchases. Limiting the amount that VIPs could cash-in would reduce the incentive for them to be targeted by money launderers and organized crime. It is also important that the limit not be too restrictive so as to push VIP gamblers away from casinos into illegal gaming operations.

#### *Federal Office of the Superintendent of Financial Institutions (FOSFI)*

According to JIGIT investigators, following the implementation of a key recommendation of Mr. German's report<sup>15</sup>, there has been a decline in the number cash transactions and an increase in the use of bank drafts. Currently, only a few of Canada's banks require that the name of the person requesting the bank draft, known as the remitter, to be listed on the bank draft document. As a result, money launderers could use a nominee bank customer to request a bank draft to be made out to a casino of their choice. The nominee will then return the bank draft to the money launderer to be transacted at the casino. Although bank drafts often exceed the \$10,000 amount they are not subject to verification of the source of funds by the casino because it is assumed the necessary checks were performed by the bank.

JIGIT investigators have raised the above issue to major Canadian banks and some have proactively agreed to print the name of the person requesting the draft on the bank draft itself. This simple policy change will deter money launderers from exploiting bank drafts because only the original remitter would be able to utilize the draft at the casino. However, not all banks have agreed to implement this policy. It is, therefore, recommended that the City write a letter to the Federal Office of the Superintendent of Financial Institutions (FOSFI), the agency which oversees banks, requesting that it mandate that all Canadian banks ensure that the name of the remitter be identified on all bank drafts.

#### *UBCM and Regional Policing Forums*

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<sup>14</sup> <https://vancouversun.com/news/local-news/river-rock-vip-host-investigated-for-alleged-anti-money-laundering-violations>

<sup>15</sup> The BC Minister of Attorney General announced in January, 2018 casino employees must now verify the source of patron funds if they seek to buy \$10,000 or more in chips within a 24-hour period at a casino in B.C. – whether they use cash, bank drafts or certified cheques. <https://www.theglobeandmail.com/news/british-columbia/bc-rolls-out-new-casino-rules-aimed-at-tackling-money-laundering/article37570414/>

It is recommended that the City put forward a resolution to the UBCM requesting legislative reform to create transparency around beneficial ownership of land and corporations. Given the province-wide reach of this issue, it is critical to explore how local governments can coordinate their enforcement and regulatory efforts against organized crime and the businesses that facilitate money laundering.

At the regional level, staff can consult with other municipal, provincial and RCMP partners to explore how to coordinate efforts against organized crime. These concerns could be tabled at the the CAO/Principle Policing Contact meetings. It is also possible for staff to raise the issue of the strategic deployment of the Lower Mainland Integrated Teams police resources to target organized crime. Staff could also raise these issues with the Integrated Teams Advisory Committee.

#### *Richmond Bylaw and Business Licence Enforcement*

It is recommended that the City amend Business Regulation Bylaw No. 7538 to include criminal record checks and other regulations for operators of money exchange businesses (criminal record checks for operators of massage businesses is already a bylaw requirement). Staff have consulted with JIGIT who has asserted that further regulation and scrutiny of money exchange businesses could have both a disruptive and deterrent effect on money laundering. Community Bylaws and Business Licence staff will report back to Council with recommendations on this matter.

#### **Financial Impact**

None.

#### **Conclusion**

The parallel reviews by the BC Ministry of Attorney General and BC Ministry of Finance present an opportunity for the City to ensure its concerns are documented in their final reports. It is important to note that the deadline for the public engagement/submission period for both reviews will conclude January 31, 2019 and their respective reports will be finalized in March 2019.



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