



Financial Transactions and
Reports Analysis Centre
of Canada

Centre d'analyse des opérations
et déclarations financières
du Canada

Feedback on Suspicious Transaction Reporting

Casino Sector

FEEDBACK ON SUSPICIOUS TRANSACTION REPORTING: CASINO SECTOR

1.0 Introduction

This report has been prepared for the Canadian Casino sector with the objective to provide feedback on financial transaction reports that have been submitted to FINTRAC. The Centre regularly provides feedback on issues relating to this reporting, including timeliness, volume, quality of reports and areas for improvement. This document provides additional feedback to the Casino sector on FINTRAC's use of the transaction reports they have provided, with particular emphasis on suspicious transaction reports (STRs). Guidance and sanitized samples of completed STRs are also provided. Additional guidance on suspicious transaction reporting can be found in *Guideline 2: Suspicious Transactions* from the Guidelines page of FINTRAC's Web site (www.fintrac.gc.ca).

1.1 Reporting Volumes

The *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (PCMLTFA) and its Regulations oblige the following persons and entities (known as "reporting entities") to make reports to FINTRAC:

- financial entities (includes banks, credit unions, trust and loan companies, etc.);
- life insurance companies, brokers or agents;
- securities dealers;
- persons engaged in the business of foreign exchange dealing and money services businesses;
- agents of the Crown that sell money orders;
- accountants and accounting firms;
- real estate brokers and sales representatives; and
- casinos.

In addition to meeting client identification and record keeping requirements, these reporting entities must provide the following information to FINTRAC:

- suspicious transaction reports (STRs) related either to money laundering or to terrorist activity financing regardless of dollar value;
- international electronic funds transfer reports (EFTRs) involving \$10,000 or more;
- large cash transaction reports (LCTRs) of \$10,000 or over; and
- terrorist property reports (TPRs) that report the existence of terrorist property in their possession or control, or information about a transaction or proposed transaction in respect of such property.

The Casino sector reported over 400 STRs and over 39,000 LCTRs in fiscal 2005-06. A detailed breakdown on reporting volumes is included in Annex 1.

1.2 How Reports are Used in FINTRAC Cases

Reporting entities are critical partners in Canada's efforts to detect and deter money laundering and terrorist financing. Success in combating these crimes depends, to a considerable degree, on their vigilance in complying with the reporting, record keeping and client identification requirements of the PCMLTFA. The accuracy, completeness and timeliness of reports are fundamental to FINTRAC's effectiveness.

A main product of FINTRAC's analysis of the reports received from reporting entities is the case disclosure to law enforcement. Reports, along with other information available, are analysed to uncover connections among parties and to identify financial activity associated with patterns of suspected money laundering and terrorist activity financing. Once FINTRAC determines there are reasonable grounds to suspect that the information would be relevant to the investigation or prosecution of a money laundering or terrorist activity financing offence or threats to the security of Canada, FINTRAC must disclose "designated information" to the appropriate police force or security agency.

A case disclosure includes the following types of information:

- name and address of companies or individuals involved in the transactions;
- date, time and amount of the transaction;
- citizenship;
- transaction, transit and account numbers; and
- relevant publicly available information.

As shown in Figure 1, reports from the Casino sector were included in 16% of money laundering and terrorist activity financing case disclosures in 2005-2006.

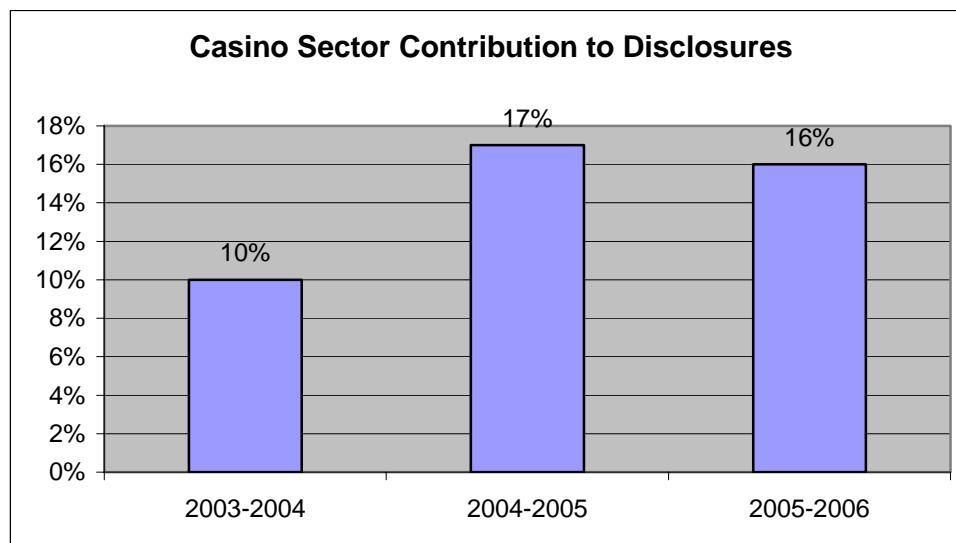


Figure 1

2.0 Tips on Reporting

2.1 The Value of an STR

Reporting entities are required to send an STR to FINTRAC when there are reasonable grounds to suspect that a transaction is related to the commission of a money laundering offence or a terrorist activity financing offence. The STR contains specific information about financial transactions and must be sent within 30 calendar days after a reporting entity has become suspicious. A suspicion in relation to a money laundering or terrorist activity financing offence may also be related to more than one transaction. In this case, all transactions that contributed to the suspicion should be included in the same report.

STRs assist FINTRAC to identify patterns of suspect financial transactions and can support identifying links and connections among individuals, entities and accounts that may otherwise not have been known. STRs, in conjunction with the LCTRs and EFTRs, provide context for the overall flow of funds. In the case of a suspicious transaction report, a detailed explanation of what led to the suspicion is also extremely important to FINTRAC's analysis. For a detailed discussion of how different report types contribute to a case disclosure, please see "Building a Case Disclosure" from the Publications page of the FINTRAC Web site (<http://www.fintrac.gc.ca>).

Completing all applicable fields in the STR makes an important contribution to FINTRAC's ability to isolate activity pointing to possible money laundering or terrorist activity financing. While STRs account for less than 0.25% of all reports

the Centre receives, they represent 16% of all of the reports disclosed to law enforcement and security agencies for investigation and possible prosecution.

2.2 What Makes a Good STR?

In addition to the reporting entity's reasons for suspicion, STRs provide valuable analytical information, such as the following:

- the names of individuals and entities involved in transactions;
- directorships and signing authorities for business entities;
- account numbers and other key identifiers (e.g. date of birth, government issued ID, addresses, telephone numbers);
- the flow of funds;
- historical transaction activity; and
- associated entities and individuals and relationships between them (e.g. family members, business associates).

The complete and consistent reporting of client details (name, address, ID documentation, date of birth, etc.) will ensure that FINTRAC has accurate information to search and verify its data holdings. Using the information on an STR, FINTRAC can also refer to open source information (e.g. media) to identify and verify links.

2.3 Reasons for Suspicion in FINTRAC's Case Disclosures

FINTRAC conducted a review of the STRs provided by the Casino sector that appeared in case disclosures and extracted reasons for suspicion from Part G of these reports. In isolation, each of the reasons below may be insufficient to raise a suspicion of money laundering, however the broader context of the entire information contained in the case disclosure allows this association to be made. Many of the reasons reported are also internationally recognized money laundering indicators.

Common reasons that the Casino sector provided for submitting STRs included in FINTRAC case disclosures include:

- Purchasing small amounts of chips with cash over a certain period of time, then returning the chips for cash or cheques with minimal game play;
- Purchasing large amounts of chips with credit cards, then cashing out with minimal game play;
- Buying chips with money that seems odd (e.g., wrapped, musty smells);
- Requesting large or frequent transfers of credit for use in a Casino in another jurisdiction;
- Converting small denomination bank notes for large denomination bank notes, chip purchase vouchers, or cheques;

- Appearing to be intentionally losing to one of the parties when betting against other players in even-money games;
- Incurring losses over a period of time that are incommensurate with stated occupation;
- Refusing to provide identification (ID) when it is required;
- Presented ID did not match previous ID provided by the individual;
- Previous reporting of the individual's activities by a third party such as a bank or another casino;
- Individual is known to the police; and
- Demonstrating extensive knowledge of casino policies, or FINTRAC reporting obligations, when purchasing chips with cash.

When completing an STR, it is important for reporting entities to describe, using narrative, why a transaction is suspicious and not to rely solely on the types of indicators set out above. The complete context of why transactions seem suspicious is key for FINTRAC's analysis as it can assist in reaching the threshold of reasonable grounds to suspect that the information would be relevant to a money laundering or terrorist financing activity investigation or prosecution.

2.4 Sample Suspicious Transaction Reports

The following are some sanitized samples from the STR's *Part G: Description of the Suspicious Activity* submitted by the Casino sector. General observations on the usefulness of the information are also provided.

It is important to note that, in addition to *Part G* of the STR, FINTRAC also relies on the complete and accurate identification of individuals and entities (e.g. address, date of birth, complete name) in other sections of the STR (*Parts A to F*) to identify links and connections.

Suspicious Transaction Report # 1
PART G: Description of suspicious activity
<ul style="list-style-type: none"> ▪ Individual frequently exchanged a large dollar amount of chips for Casino cheques. ▪ It was noted that over 50% of the funds converted into cheques could not be confirmed as being derived from observed gaming activity at the Casino. ▪ It was suspected that third party operators converted cash into chips for the individual. Suspected third party operators were named in the STR.

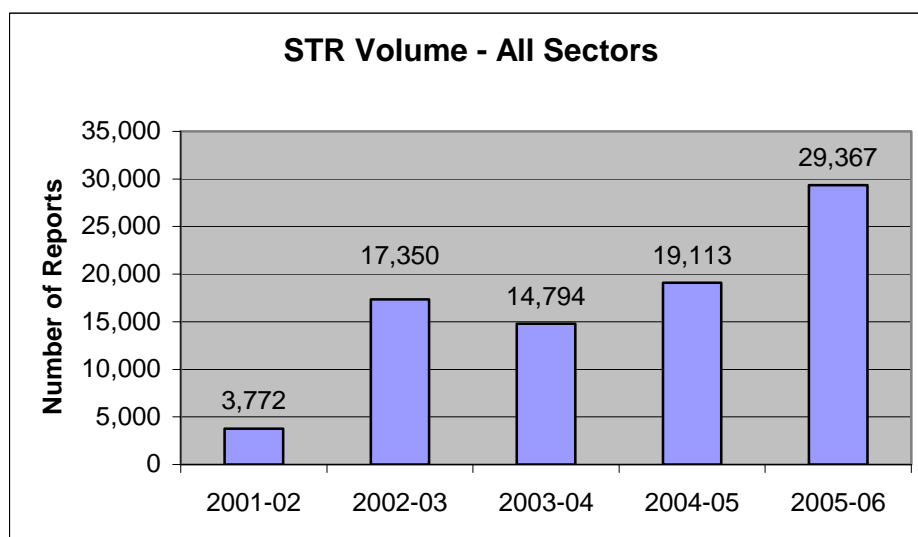
The key information provided in this STR that assisted FINTRAC to develop a case includes the following:

- narrative provided a detailed description of the suspicious activity, and emphasized the discrepancy between the funds that could be sourced and those that could not;
- report provided the names of three additional individuals who were included in the case disclosure.

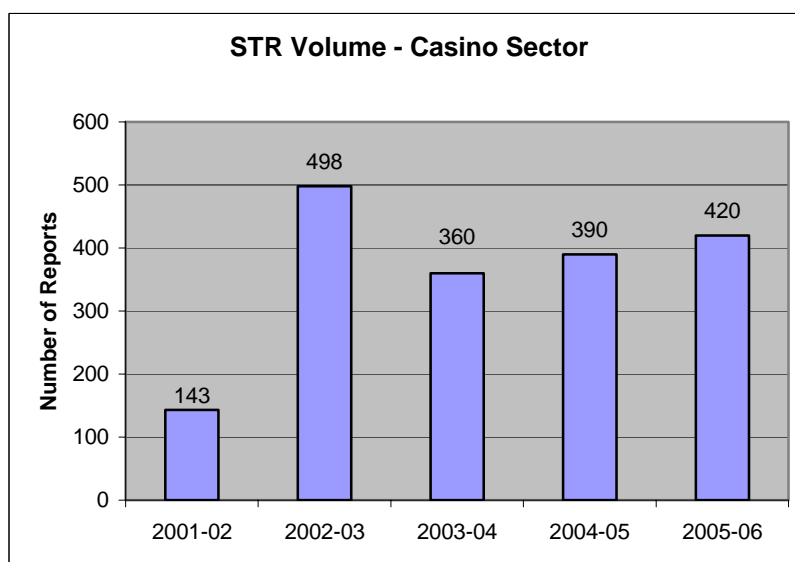
Suspicious Transaction Report # 2	
Part G: Description of suspicious activity	
<ul style="list-style-type: none"> ▪ Individual frequently purchased a large amount of chips with cash, while keeping the transactions under the \$10,000 reporting threshold. ▪ When asked to provide identification, the individual refused to provide it. 	

The key information provided in this STR that assisted FINTRAC to develop a case includes the following:

- narrative supported the use of an internationally recognized indicator (structuring);
- description of the individual's reaction to a staff request for identification provided additional grounds for suspicion.

Annex 1 – REPORTING BREAKDOWN FOR THE CASINO SECTOR**Figure 2**

As Figure 2 illustrates, Suspicious Transaction reporting levels have, for the most part, steadily increased since the Centre's creation in fiscal year 2001-2002.

**Figure 3**

Between 2001 and 2006, the number of STRs reported by the Casino Sector increased from 143 to 420.

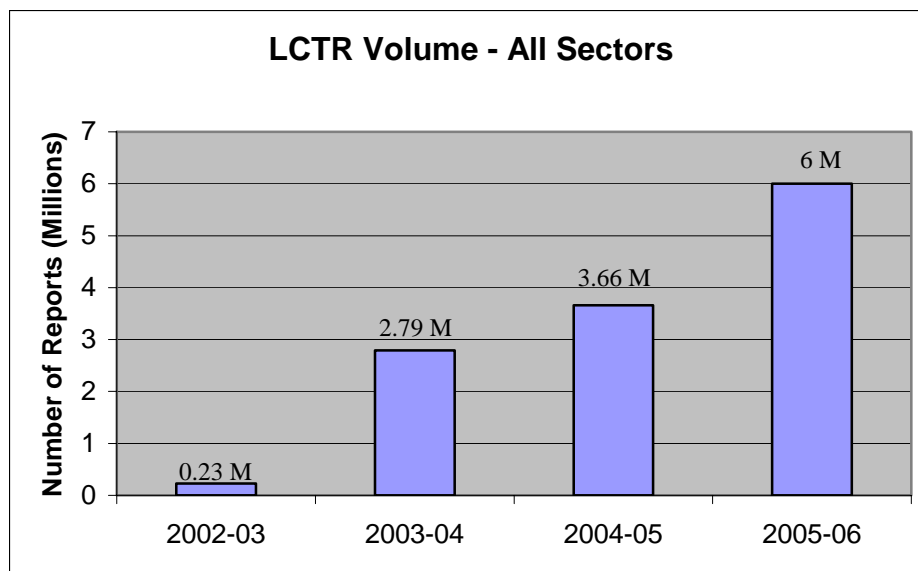


Figure 4

The number of LCTRs received by FINTRAC has also increased steadily since the Centre began receiving LCTRs in fiscal year 2002-2003, reaching 6 million reports in 2005-2006.

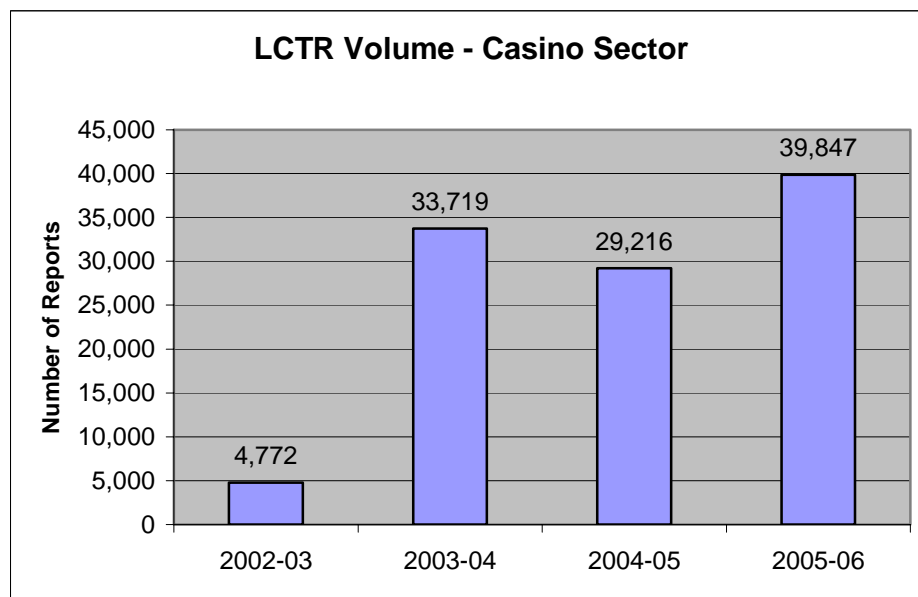


Figure 5

The number of LCTRs submitted by the Casino Sector has increased since 2002-2003 to over 39,000 reports received in fiscal 2005-2006.