



Introduction

In this century's infancy, Vancouver was a sanctuary for drug kingpins, where effortless commerce yielded riches from the street sales of illicit drugs. It even came with an assist from the city's government-owned casinos. There, young miscreants loitered near the gaming tables, supplying Chinese gamblers with bricks of banknotes often stuffed in hockey bags, the final step in an international lending scheme. Sometimes they carried a million or more.¹ Puzzled casino employees wondered where they managed "to find these massive amounts of twenty-dollar bills [...] it never seems to dry up."²

You didn't need to be a genius. Anyone with any street sense or who has watched television crime dramas knows small bills are what drug dealers amass, from sales to tweakers, smack rats, and other drug users. The legal tender came from methamphetamine and synthetic opiate sales on street corners like East Hastings and Main Street. Business was booming, and the margins were insane. Dealers scored the product at bargain prices from Asia, fetching markups as high as twenty times their initial investment.

Yet, the drug traffickers faced one last hurdle. Ill-gotten gains are useless if they attract law enforcement scrutiny when spent. Money laundering is a cloak, making dirty money look like it came from

legitimate origins. In this case, the Chinese gamblers paid back the loans in their home country with no paperwork tying it to the drug money.

This deception complicates the efforts of law enforcement to trace its unlawful beginnings. It allows criminals to inject their funds into mainstream commerce without raising suspicion.³ With ‘clean’ money at their fingertips, criminals indulge their every desire, snapping up prime real estate and exquisite art —where, in some locales, their laundered treasures overwhelmed markets, sending prices soaring to staggering levels.

Many governments, including Canada, have robust processes to combat the underground money laundering networks. They implemented comprehensive laws, established specialized agencies, and equipped skilled law enforcement officers to tackle this formidable task.

Casinos undeniably have served as hubs for laundering dirty money. Since the 1940s, when gangsters first cemented their hold over Las Vegas, casinos have been focal points for illicit financial dealings. Historically, law enforcement has maintained a watchful gaze over the gambling halls, aware that the endless exchange of cash offers opportunities for money laundering. However, in a baffling turn of events, Vancouver saw bags of drug money move across its casino tables unchecked for years.

Government overseers cannot shoulder the entire blame (just most of it). The casinos contributed. Almost universally, casinos must adhere to laws addressing money laundering. They demand gambling dens to report any cash dealings that raise the specter of criminal activities. As a result, they must act as vigilant gatekeepers, crucial in identifying and alerting authorities about sizable or suspicious transactions.

Yet, put to task, Canadian casino executives claimed they saw nothing suspicious. They dismissed the bundles of cash passing hands as “just friends loaning money to friends,”⁴ a standard pretext for overlooking appalling behavior. The casino bosses denied knowing that the loiterers were gang-associated or were providing cash from drug sales to Chinese gamblers, often by loan-sharking.⁵

The casino executives employed cultural sensitivity as a cover, asserting that they were too respectful to inquire about the origins of money from their Asian patrons. They claimed that if they did, these players “would lose face,” and their reputation tarnished.⁶

Perhaps it was a Canadian thing—a momentary lapse in judgment caused by a trusting society—but eight thousand miles away, police stopped a “financial advisor” attempting to deposit a plastic shopping bag of \$50 bills totaling nearly \$1 million in the Melbourne Crown Casino.⁷ Police traced the money to drug trafficking in Melbourne and Sydney by Chinese organized crime, known as Triads.⁸ The bag included instructions for transferring the money to a Hong Kong bank account.⁹

This cash remittance was no one-off incident. Crown Casino was the perfect host, providing financial services to its VIP players, some prominent in illegal pharma.¹⁰ For instance, the same casino allowed the transfer of \$500,000 to a known drug dealer and didn’t disclose it to regulators for over a year.¹¹ As the hands of time unfolded, those incidents revealed themselves to be mere murmurs in a cacophony of the billions that flowed through the casino’s coffers.

Casino opponents will brandish these anecdotes like the sharpest of daggers, crafting a disquieting tale of the gaming industry and those who oversee it. Yet, these stories alone do not prove that government-approved gambling is a blight upon society. Instead, they hint at an alternate perspective, one in which casinos are benefit to

society but some, likely unruly children need proper guidance and supervision. Nonetheless, the critics might have a point. Below the surface lies a more complex and captivating narrative, transcending isolated incidents and offering less flattering portrayal of the casino sector.

Triad-linked financial irregularities occurred in major gaming hubs like Las Vegas and Macau, emerging contenders in the Philippines and South Korea, and new entrants like Laos and Vietnam. Casinos worldwide were becoming Asian organized crime's piggy banks for laundering drug money, financing drug production and distribution, and evading currency controls.

This journey unravels a modern narrative of the Triads, once secret societies in China that have expanded into powerful international criminal cartels. These gangsters infiltrated the casino industry by positioning themselves as independent contractors working on commissions to lure Chinese VIP players to the casinos.¹²

These freelancers go by different names. Nevada casinos called them “junket representatives” because they arranged groups of gamblers from a particular region. The term “junket” refers to an organized group of players who gamble under agreed-upon terms, while receiving special VIP treatment.¹³ Then, when the focus shifted to individual high rollers, these service providers garnered the names “independent agents” in Nevada, “gaming promoters” in Macau, and “international marketing agents” in Singapore. For the sake of clarity, “junket operators” will suffice.¹⁴

While the Triads didn't own or operate casinos in most places, they seized control in another way. As junket operators—middlemen who bring in VIP gamblers—they captured the lifeblood of high-end casinos: the high-rolling players. But their impact didn't stop there. Catering to their affluent Chinese clientele, the Triads expanded their

services beyond mere marketing, diving into money laundering and assisting in evading currency controls.

Currency control breaches are not as noteworthy as the weightier issue of money laundering, unless viewed through the lens of the Chinese government, which regards it with utmost seriousness. China has tight controls on its national currency, the yuan (the renminbi or RMB), making it difficult for people to move money out of China. A daily cap of RMB 20,000 (\$3,175) restricts cash withdrawals from the country.¹⁵ Likewise, China limits foreign cash withdrawals on bank cards to half that amount.¹⁶ Chinese residents cannot transfer or remove more than \$50,000 per year from China to Hong Kong, Macau, Taiwan, or any foreign destination.¹⁷

Currency control regulations manage the cross-border flow of money and currency. Authorities implement these rules to maintain stability in their domestic economy by averting extreme currency fluctuations. The effectiveness of these measures is a matter of ongoing debate, yet the demand to get around them is without question.¹⁸

The Triads circumvent these rules by arranging for the gamblers' money from China to be available for gambling at the casino of their choice worldwide. A billionaire only needs to hand over a few million Yuan in China and an equal sum of local currency appears on the tables or within a player's account at their chosen foreign casino. This occurs devoid of the inquisitive nature of banks or customs officials. These services are essential because some high rollers place enormous bets on a single turn of the cards that surpasses the daily currency transfer limit by a hundred times or more in each hand of baccarat.

The maneuvering of capital extends beyond the mere players. Affluent Chinese seeking to whisk a portion of their wealth beyond borders became customers. They might seek diversified investments across countries, providing stability against political uncertainty, policy

changes, and currency shifts. Offshore strategies also help optimize investments and taxes, such as getting better returns in investment-friendly nations. Family well-being plays a role in their desire to move money to countries offering quality educational systems and refined lifestyles.

Using the Triads as currency conduits is not without charge, a subtle toll concealed within the modest edge casinos have across their games. The junket operator's players must engage in agreed minimum wagering before the casinos will transfer their balances to secure financial havens in foreign lands.

In the VIP world, the Triads held the keys to untold wealth. From Australia and Vancouver to Macau, their underworld services directed hundreds of billions onto the casinos' tables, turning these privileged gambling rooms into veritable treasure troves. Where the laws permitted, the casinos engaged in fierce competition for the highest-producing junket operators, vying to outdo one another to pay commissions of up to half of their players' losses.

The lucrative junket business was pivotal in catapulting the Triads to their status as one of the globe's wealthiest and most influential criminal syndicates. This financial powerhouse not only funded their various illicit operations—from drug trafficking to extortion—but also paved the way for their expansive influence in the gaming world, encompassing ownership of both physical casinos and digital platforms, including online casinos and sports books.

Understanding the historical entanglement between the American Mafia and the casino industry allows for nuanced insights into why the present situation was not only avoidable but also incredulous.