



*Gambling, Law Enforcement Systems Issues
Conference*

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Organized Crime Section – Illegal Gambling Unit History

The Ontario Provincial Police (OPP) have been involved in illegal gambling enforcement since 1942. At that time over 25 officers were dedicated to full time illegal gambling enforcement.

Over the years, that number was gradually reduced to enable the OPP to provide resources in other areas such as the investigation of child pornography. In 1985, the unit consisted of only 4 officers.

In 1996, the Solicitor General and the Attorney General of Ontario jointly announced funding for the OPP to take a leadership role in a province-wide co-ordinated enforcement initiative to combat illegal gambling and, specifically, to target organized crime involvement in the illegal gambling industry.

This initiative was an integral component of the government's comprehensive gaming strategy, which included funding to other government areas to combat organized crime and enforcement initiatives focusing on profit motivated crime.

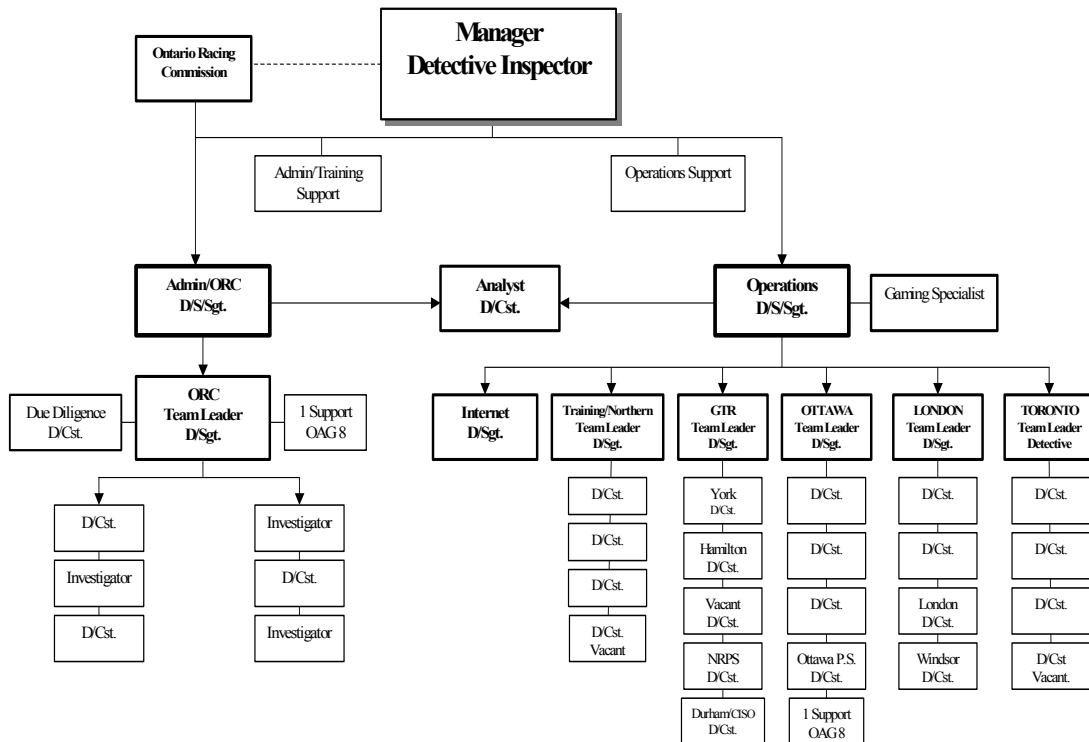
Utilizing the Gaming and Proceeds of Crime provisions of the *Criminal Code*, the unit provides investigative leadership with respect to the detection, investigation and prevention of illegal gambling. In addition, the unit works in concert with the media, Crime Stoppers, community groups and the private sector, as well as other areas of the government, to ensure the timely and effective dissemination of awareness and crime prevention strategies.

Government support enabled the creation of the multi-jurisdictional Ontario Illegal Gaming Enforcement Unit in April 1997.¹ Forty members, comprised of OPP and

¹ The Ontario Illegal Gaming Enforcement Unit was renamed in early 2002 to Organized Crime Section – Illegal Gambling.

municipal officers, were assigned to the program. The members are divided into five squads that are strategically located throughout the province. Designated Proceeds of Crime officers are assigned to the unit and are involved in every investigation. The Illegal Gambling Unit also has a dedicated Crown Attorney and other crowns have had some training in prosecutions. Additionally, the Centre of Forensic Sciences has dedicated resources to provide expertise in the examination of gambling machines, etc.

Organizational Chart



Mandate

The mandate of the unit is to provide a quality, dedicated, multi-jurisdictional investigative and enforcement response to illegal gambling in Ontario with an emphasis on Traditional Organized Crime. The unit is provincially funded and its specialized service is available to all police agencies in Ontario. A component of the unit is dedicated to, and funded by, the Ontario Racing Commission to provide specialized expertise in the investigation and regulation of the horse racing industry by the enforcement of the Criminal Code of Canada and the Ontario Rules of Racing.

The mandate of the Organized Crime Section's Illegal Gambling Unit is based on the theory that without sustained province-wide illegal gambling enforcement, illegal gambling will continue to co-exist with legalized gaming.

Strategic Objectives

In order to ensure an effective, efficient and accessible investigative unit to combat illegal gambling and establish the Ontario Racing Commission as a leader in Horse Racing Regulation, the Organized Crime Section – Illegal Gambling Unit will meet the following strategic objectives. It will:

- Combat organized crime involvement in Illegal Gambling.
- Provide multi-jurisdictional investigative and enforcement response to illegal gambling in Ontario.
- Provide investigative leadership with respect to the detection, investigation and prevention of illegal gambling.
- Provide expert advice and operational assistance to police services across Ontario.

- Utilize Part VII of the Criminal Code and Proceeds of Crime legislation, by targeting the offences committed by and profits derived from organized crime.
- Provide education and training to police officers across Canada to ensure a common investigative standard.
- Provide leadership and investigative expertise to the Ontario Racing Commission so it can ensure that all facets of the horse racing industry operate with honesty and integrity.
- Ensure positive media coverage of unit and investigations to increase awareness of unit mandate.

Key Functions

The unit's key function is to provide a dedicated, co-ordinated, multi-jurisdictional investigative and enforcement response to illegal gambling in Ontario, and to support the Ontario Racing Commission's mandate in maintaining the integrity of horse racing, ensuring that the public interest in the sport is safeguarded. The Illegal Gambling Unit performs the following functions:

- Conducts investigations into illegal sports bookmaking operations.
- Conducts investigations into video and other types of gambling machines/devices.
- Conducts investigations into card rooms and underground casinos (Gaming Houses).
- Conducts investigations into pyramid and other illegal schemes and lotteries.
- Conducts investigations and provides expertise into Internet gambling.
- Inspects and enforces Part VII of the Criminal Code of Canada at carnivals, fairs and midways.
- Ensures assets and monies derived from illegal gambling are identified and seized through Proceeds of Crime legislation.
- Provides education and training in illegal gambling investigations.

- Supports the Ontario Racing Commission's mandate in maintaining the integrity of horse racing and ensuring the public's interest in the sport is safeguarded.

Illegal Gambling Statistics April 1997 - present	
Occurrences	1,370
Persons Charged	2,069
Charges Laid	3,517
Machines Seized	2,034
Value of Items Seized	\$ 6,016,505.00
Cash Seized	\$ 1,233,763.87
Fines and Forfeitures	\$ 2,839,533.37

Present State of Criminal Activity Related to Gambling

The Canadian Security Intelligence Services (CSIS) has identified three transnational crimes - money laundering, drug trafficking and illegal gambling as growing risks to national security.²

Illegal gambling, while appearing to be a minor part of a Traditional Organized Crime (TOC) network, is actually a foundation upon which most other illicit activities are supported. Illegal bookmaking, card dens and video gambling machines are Traditional Organized Crime's main source of revenue. Illegal gambling and related crimes such as loan sharking, money laundering and corruption provide working capital to invest in more legitimate enterprises, thereby strengthening their entire illicit operation.

At least 8 murders have been committed in the Toronto area over the past 3 years that can be directly related to Organized Crime members dealing with the illegal gambling industry, whether by gambling debts or turf wars between the different Organized Crime Groups.

Because illegal gambling offences rarely result in jail time, TOC groups find various forms of illegal gambling to be an attractive source of income. There are tremendous profits involved and few significant deterrents associated to the criminal activity. In the case of sports wagering or bookmaking, they don't even have to provide a product, just a service. A major deterrent to combat illegal gambling under the Criminal Code is the use of Proceeds of Crime Legislation.

The "Proceeds of Crime" is the incentive that motivates criminals to conduct continuous illegal enterprises. To effectively combat enterprise criminal organizations requires the expropriation of the financial structure. Proceeds of Crime legislation provides the police with the necessary tools to dismantle these criminal organizations.

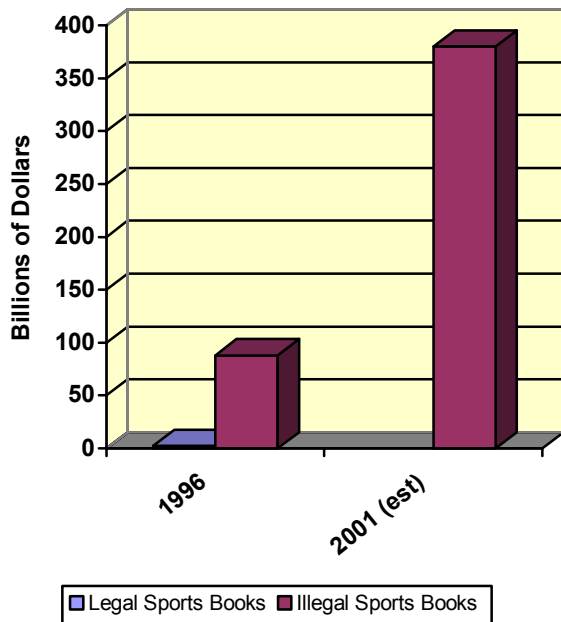
² Criminal Intelligence Service Canada, Annual Report 2000

Actual forfeiture of cash and/or property as well as *Fine instead of forfeiture: Section 462.7* have proven to be very successful deterrents when dealing with TOC involved in illegal gambling operations. Forfeitures and restraints from illegal gambling enterprises totalled almost \$1.3 million in 1998, just under \$1.8 million in 1999 and almost \$2 million in 2000. In real property, the unit has seized and forfeited 5 vehicles and 1 vacant building lot.

When a fine in lieu is court ordered and there is a default in payment, the judge shall impose a term of imprisonment based on the amount of the fine, as outlined in the Schedule of Default Terms in the Criminal Code.

Bookmaking

One of the main areas TOC uses in illegal gambling is sports bookmaking. Illegal sports betting is a multi-billion dollar industry throughout North America. The ratio between legal and illegal sports betting is astounding. For example in Nevada, the State's 153 legal sport books total about \$2.5 billion in betting action annually. The United States Legislature estimates that the legal books represent less than one percent of an estimated \$380 billion bet illegally around the nation every year on amateur and professional sports.³



In April 1996, Gaming and Wagering magazine reported that legal sports betting accepted wagers of \$2.6 billion in comparison to \$88 billion accepted by illegal sports books (\$1.00 bet legally to \$34.00 bet illegally). In five years time legal sport books have declined while illegal sport books have quadrupled. This present ratio of \$1.00 bet legally to every \$152.00 bet illegally does not take into consideration the billions of dollars bet illegally with bookmakers in Canada where no legal sport books exist.⁴

Members of the Organized Crime Section – Illegal Gambling Unit have conducted numerous bookmaking investigations, alone or in partnership with other Police agencies, which have resulted in the arrest and prosecution of many TOC figures and seizure of their assets through use of the Proceeds of Crime Legislation.

³ National Gambling Impact Study Commission, Final Report, 1999.

Bookmaking operations have to conduct their business with the use of phones and or computers. The only way to collect the appropriate information to prosecute TOC members involved in this activity is through a Part VI judicial authorization.

Since its inception, the Illegal Gambling Unit has conducted sports bookmaking investigations in Windsor, London, Bowmanville, Toronto, Hamilton, Ottawa and Montreal. Each of these has been successful and can all be linked to TOC organizations. The following is an overview of a few of these investigations.

PROJECT WINDFALL

Windfall was a Part VI investigation into illegal sports betting and the distribution of illegal gambling machines. The project targeted the Musitano Organized Crime Family in the Hamilton and Niagara Falls area. At the conclusion of the investigation, officers were able to use information gathered off the lines to lay charges against several well-known TOC figures and several other associates.

All charged parties were convicted of bookmaking. The investigation also lead to 15 illegal gaming house warrants being executed. Forty more individuals were charged with various gambling offences in relation to the gaming houses. Investigators also gathered information that assisted Project "Expiate" investigators and was used to convict members of the family with two homicides related to the Papalias, prominent crime family members from the Hamilton area. Investigators believe the homicides were the result of a turf war related to the gambling trade.

Criminal Intelligence Service Canada (CISC) presented the Ontario Illegal Gaming Enforcement Unit a Mark of Excellence award in recognition of the unit's dedication and leadership in combating organized crime in relation to project "Expiate" at their annual conference in Ottawa in the fall of 1999.

⁴ International Gaming and Wagering Business, April 1996.

PROJECT VIG

VIG was an investigation into a large-scale bookmaking organization operating in Toronto and surrounding regions. The investigation entailed two judicial authorizations. During the course of the interceptions, it was determined that in excess of \$4.6 million in illegal betting action was generated over a 90-day period.

As a result of the investigation, three well-known crime figures in the Toronto illegal gambling scene were charged and convicted of bookmaking. A combined total of just over \$135,000 in fines was ordered under the bookmaking offence and an additional \$107,000 in cash and fines and lieu was ordered under Proceeds of Crime.

PROJECT JUICE

The Combined Forces Special Enforcement Unit (CFSEU) targeted TOC members involved in the sale and distribution of illicit drugs called project "Oltre". Interceptions revealed sports betting to be a major activity on the intercepted lines. The group was well organized and sophisticated in the area of bookmaking.

In September of 2000, the Illegal Gambling Unit was contacted for assistance and as a result a judicial authorization was obtained and interceptions commenced. Interceptions revealed this TOC group had affiliations with other TOC families from Montreal to Vancouver as well as the United States. Interceptions further revealed this organization would accept between *\$2,500,000.00 and \$3,000,000.00 in betting action per week.*

During the course of the investigation, a total of 35 lines were being intercepted utilizing RCMP facilities in Newmarket and Cornwall. The investigation concluded with 38 search warrants being executed in Montreal, Ottawa, Hamilton and Toronto. In total, 54 people face 270 gambling related charges. Officers seized over \$200,000.00 in Canadian and US currency, prohibited weapons, a reVINed 1999 Lincoln Navigator and a quantity of illicit drugs.

As a result of this investigation, numerous other Police agencies across North America have been contacted by a representative of the gambling unit and apprised of the investigation. Information provided has been used to further other homicide investigations. To date, 8 persons have been convicted with \$90,000 in illegal gambling fines as well as \$35,000 in cash forfeited under Proceeds of Crime. The cases of four of the main targets are still before the courts. Negotiations are expected to produce guilty pleas and anticipated fines totalling \$500,000.

Experience has shown that in most cases as a direct result of a bookmaking Part VI authorization, information has been obtained which has led to other Criminal Code investigations to be conducted or has assisted in other ongoing investigations.

The Organized Crime Section – Illegal Gambling Unit is the only police unit that can continuously target, gather intelligence, charge and convict TOC organizations through the use of gambling investigations. Other police agencies rely upon the unit because it is the only unit in Canada with the expertise to conduct these types of investigations.

The Illegal Gambling Unit receives enough information from police agencies that are conducting TOC investigations and have compiled information from past investigations to be in the position to conduct Part VI bookmaking investigations for twelve months of the year.

It should be mentioned thinking back to that \$380 billion dollars bet illegally that it has been reported that for every dollar earned by bookmakers, ninety-two cents flows through the hands of **Traditional Organized Crime**.



Gaming Houses

Card Rooms would appear to be operating on more of a localized level than Bookmaking. The Illegal Gambling Unit has seen card rooms run by the same individuals in different cities, but the vast majority are run with TOC support on an individual basis within a community. In Ontario, there is presently a large influx of so-called “social clubs” trying to fill the void after the province discontinued the use of the roving charitable casino operators. The Illegal Gambling Unit is presently taking a strong enforcement initiative on these clubs, as the number of clubs is increasing.

Illegal gambling houses are lucrative illegal business ventures; overhead is minimal, skilled manpower abundant, solid loyal client base, difficult for law enforcement to investigate with relatively little consequence when successful.

Traditional investigative techniques have limited success due to the close-knit nature of an illegal gambling community. Undercover operations are subject to full disclosure in deference to the Stinchcombe decision. Consequently, any successful operation has served to educate the criminal element about police techniques. This has made it even more difficult to infiltrate the gambling community nearing the point of impossibility. Keepers and even players are very wary of new individuals.

A successful conviction requires observation of the house profit on more than one occasion. Conventional search warrants cannot provide this evidence. The observations of a civilian witness willing to testify or an undercover officer have been the historical methods of prosecution. The reasons outlined above have necessitated a fundamental shift in law enforcement thinking.

It is estimated that at least 3 murders and over 25 armed robberies are committed annually in the Toronto area alone that can be linked to illegal gambling houses. In addition, numerous businesses each year are lost to, or turned into money laundering

facilities by organized crime groups, as a result of gambling debts incurred by small business owners.

Video Gambling Machines

Video gaming and lottery machines are one of the newest, and possibly the largest, illicit source of gambling income available to organized crime groups according to the Criminal Intelligence Service Canada.

The machines started appearing in Eastern and Southern Ontario approximately 18 to 20 years ago. During that period of time it is estimated that there were about 20,000 illegal gambling machines in the Province of Ontario, making millions of dollars a week – tax free. Today, it is estimated that between 4,000 and 5,000 machines operate in the province. It would appear that enforcement techniques have been successful in reducing the number of illegal gambling machines in the province.

The machines can earn up to \$1,000 per machine, per week, making this an extremely lucrative business. The cost of the machines range between \$2,500 and \$5,000, which is quickly paid off from the profits. Organized crime groups including the Hell's Angels, Asian-based organized crime, Traditional organized crime, and East European-based groups are all involved in the illegal operation of these machines.⁵

Over the past few years, the machines have become more sophisticated and have changed from coin mechanism quarter machines to machines that can accept up to a fifty-dollar bill in a bill acceptor. In most cases the distributor and operators of video gambling machines are fairly open about the machines and their use and are most often in plain view in restaurants, bars, donut shops, variety stores and even laundromats. Video gambling machines are also commonly found in card dens and illegal gaming houses.

Traditional undercover techniques remain the method of choice for machine investigations. The Illegal Gambling Unit has conducted a number of video gambling

⁵ Criminal Intelligence Service Canada, Annual Report 2000

machine investigations in various parts of the province and to date have seized over 2,000 illegal gambling machines.

PROJECT TRIPLE NICKEL

In 1998, members related to Traditional Organized Crime out of Montreal were operating illegal video gambling machines throughout Northern Ontario from Timmins, North Bay, Sudbury, all the way to Thunder Bay. Upon completion, 5 persons were charged with keep machines for gambling, 402 machines were seized and \$250,000 fines imposed dealing with the offence and Proceeds of Crime.

PROJECT SOUTHEND

In 1999, a distributor from Southwestern Ontario, also employed by the same TOC family out of Montreal as was the case in Project Triple Nickel, was convicted of keep machines for gambling. The distributor was fined \$20,000. Two vehicles, a vacant building lot and \$35,000 in cash were seized, for a total of \$100,000 in Proceeds.

Internet Gambling

Internet gambling, is one of the fastest growing illegal businesses on the Internet. A literal explosion has seen the industry grow from its “early years” in 1997 with a total of 15 sites to its current 1400+ web sites being operated by approximately 300 operators in 54 jurisdictions. There are 80 publicly traded companies involved in Internet gaming with 60 software providers and 4 million online gamers using these services.⁶

Prior to 1970, most forms of gambling were illegal in Canada. In 1970 the Criminal Code was amended to legalize a broader range of activities. In 1985, Provincial Governments were given exclusive jurisdiction over lotteries, slot machines and a number of provinces permit gambling activities for charitable or religious purposes. Recently, a number of provincial governments licensed casinos to operate within their borders. However, this does not include any form of gaming on the Internet.

There is no current legislation in Canada which expressly criminalizes Internet gambling, however, the current Criminal Code provisions are broad enough to cover Internet gambling in Canada. The extraordinary character of the Internet does not make it an exception to Canadian Criminal Law.

A large number of factors combine to make Canada an attractive location to conduct Internet gaming activity. Our close, relatively open border with the United States, lack of significant prosecution, and tax structures, are but to name a few. While there are numerous entities operating illegal Internet casinos in Canada, the even more lucrative business venture lies in licensing, software creation and customer support. Through the assessment of “licensing fees”, a portion of the generated gaming revenues is paid back to the parent company.

⁶ 2001 Global Interactive Gaming Conference, Toronto, Ontario

Internet Gambling provides organized criminals with everything they could ever want from a criminal enterprise: anonymity, large amounts of cash, the ability to control the odds, very little chance of getting caught, and power. Criminals gravitate towards money and the more fast-moving the money is, the more appealing it is.

In August 2001, a Toronto resident pled guilty to the offence of pool selling. A \$10,000 fine was imposed. An investigation was initiated that dealt with an Internet hockey pool being operated as a business. A group of individuals operated a website which accepted pool bets on the results of NHL hockey games. Individuals would purchase a \$100.00 ticket to enter their pool selection and a percentage of this money was divided among the site operators with the remaining money being used as the winnings.

Conclusion

Gambling has deep roots in today's society. European settlers brought with them games of chance, along with a diversity of opinion as to the moral, social and economic propriety of gambling. Today's technology, such as computers, fax machines, pagers and cell phones, has allowed the criminal element to flourish with regard to illegal gambling. Profits realized from illegal gambling then go on to fund other illegal activities as well as some legitimate business enterprises, thereby strengthening the position of T OC in our society.

The Proceeds of Crime legislation is one of the few strong deterrents to combat illegal gambling in the Province of Ontario. It is hoped that the Illegal Gambling Unit's continued success will undermine the efforts of Traditional Organized Crime groups to control illegal gambling in the province of Ontario and help to preserve the integrity of the legalized gambling industry.