



July 14, 2016

Rob Kroeker  
Vice-President  
Corporate Security and Compliance Division  
British Columbia Lottery Corporation  
2940 Virtual Way  
Vancouver, British Columbia  
V5M 0A6

Dear Mr. Kroeker,

**Subject: Compliance Examination Findings**

**Examination Number:** EXAM-2016-0282  
**Examination Dates:** June 6-10, 2016  
**Period Examined:** September 1, 2015 to February 29, 2016  
**Examination Scope:** As indicated in our letter dated May 4, 2016

The purpose of this letter is to communicate the results of FINTRAC's recent examination to assess British Columbia Lottery Corporation's compliance with the requirements under Part 1 and 1.1 of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (PCMLTFA) and its associated Regulations.

FINTRAC would like to highlight the measures recently implemented by the British Columbia Lottery Corporation to reduce the use of cash by high limit patrons by barring patrons utilizing unsourced cash as a positive deterrence initiative.

However, as we advised you verbally during the exit interview, the following deficiency was identified resulting in non-compliance with Part 1 of the PCMLTFA for the scope and period covered by this examination:

**Deficiency: PCMLTF Regulations 71(1)(d) - Compliance Regime - Ongoing Compliance Training Program**

Your organization has the obligation to develop and maintain an ongoing written compliance training program for your employee(s), or your agents(s) to comply with the Act and as required by paragraph 71(1)(d) of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Regulations*.

Specifically, as discussed during the examination, your organization's training program is inadequate given the size and nature of your business operations. Our FINTRAC

examination team tested the effectiveness of your organization's training program by conducting interviews with 34 casino employees at three of your casino sites: River Rock Casino Resort, Starlight Casino and Edgewater Casino. At these locations, we interviewed casino employees from surveillance, table games, slots, and cage operations.

Over the three locations, the FINTRAC examination team observed the following:

- 32% of staff interviewed demonstrated limited knowledge of Suspicious Transaction indicators relevant to the Casino sector; and
- 24% of staff interviewed demonstrated limited knowledge of money laundering and terrorist financing relevant to the Casino sector.

At the River Rock Casino Resort, your organization's compliance staff acknowledged that training was deficient and this is further supported by the following facts:

- 80% of staff interviewed at River Rock Casino Resort demonstrated limited knowledge of money laundering or terrorist financing, nor were they aware of Suspicious Transaction indicators relevant to the Casinos sector; and
- A Voluntary Self-Declaration of Non-Compliance (VSDONC) was filed in January 28, 2016 whereby your organization identified that it failed to report 266 Suspicious Transaction Reports (STRs) for the period of September 1, 2014 to October 31, 2015. We acknowledge your organization subsequently submitted these STRs to FINTRAC and conducted follow-up training at that casino site.

Although staff members may receive training every two years, those interviewed during the examination demonstrated limited knowledge of money laundering and terrorist financing, especially as it pertains to Suspicious Transaction indicators relevant to the Casino sector. The limited knowledge combined with the VSDONC submitted to FINTRAC collectively determines that further enhancements to your ongoing training program are required.

As a result of this examination, no further compliance actions will be taken at this time. However, it is expected that the deficiency noted above will be addressed. We remind you that while limited non-compliance has been identified, British Columbia Lottery Corporation has an ongoing obligation to meet all applicable provisions under the PCMLTFA and its associated Regulations. Failure to meet all legislative provisions may lead to civil penalties or criminal liabilities.

During the course of our examination we also identified reports that your organization has submitted to us based on transactions that do not meet the legal definition of a reportable transaction under the PCMLTFA and associated Regulations.

Specifically, during the examination we identified the following examples of large cash transaction (LCTR) transactions that were not required to be reported to FINTRAC as they are transactions where patrons at your organization's casino sites conducted non-cash deposits or withdrawals for chips to and from their Player Gaming Fund accounts (PGFs).

It should be noted that this is a select sample of transactions which should not be reported to FINTRAC and we advise your organization to provide FINTRAC a full list of all affected reports. The list should at a minimum contain the report type, FINTRAC report number, date of transaction, amount of the transaction and name of location.

FINTRAC LCTR Report #	Reporting Entity's Report Reference #	Date of Transaction	Amount of Transaction	Casino Location
324670250	FRN20160010961	February 3, 2016	\$50,000	River Rock
318905010	FRN20150100842	November 26, 2015	\$30,000	River Rock
314867578	FRN20150085292	October 5, 2015	\$385,000	Starlight
313078875	FRN20150077430	September 9, 2015	\$80,000	River Rock

We request that you delete reports that have been identified as not required to be sent to FINTRAC, as soon as possible from our database. Once all the affected reports have been deleted, please advise the undersigned. Guidance on deleting these reports is available on our website.

For Batch reporting, please refer to sections 3.4.1 and 3.4.2 of Module 1 "General specifications" of Standard ASCII Batch Reporting Instructions and Specification available at: <http://www.fintrac-canafe.gc.ca/reporting-declaration/Info/batch-lots-eng.asp#tch>

We also request that you take the appropriate measures to correct your policies, procedures, systems and/or training program to ensure transactions that are not required to be reported are not sent to FINTRAC.

We thank you for your cooperation during the examination process. If you have any questions, please do not hesitate to contact me by telephone at [REDACTED] or by email at [REDACTED]@fintrac-canafe.gc.ca

Yours sincerely,

[REDACTED]

Regional Compliance Manager

cc: [REDACTED]  
 Director, Compliance  
 Compliance Division  
 Gaming Policy and Enforcement Branch

cc: [REDACTED]  
Director, AML & Operational Analysis  
Corporate Security and Compliance Division  
British Columbia Lottery Corporation

cc: [REDACTED]  
Regional Director – West  
FINTRAC

**FINTRAC 2016 AML PROGRAM REVIEW - RESPONSE PLAN**

<b>Finding</b>	<b>BCLC Comments</b>	<b>Action &amp; Status</b>
<p>Although staff members may receive training every two years, those interviewed during the examination demonstrated limited knowledge of money laundering and terrorist financing, especially as it pertains to suspicious transaction indicators relevant to the casino sector. The limited knowledge combined with the VSDONC submitted to FinTRAC collectively determines that further enhancements to your ongoing training program are required.</p>	<p>BCLC acknowledges and accepts this finding.</p>	<p>BCLC will review its AML training program for staff. Based upon its review, BCLC will make changes or modify its training program to fully address this finding. <b>Completed Summer 2016.</b></p> <p>Based upon the finding and the review of its AML course, BCLC took the decision to completely revise the course and launch and include all new content specifically focused on enhancing AML knowledge anchored in the casino context. <b>Completed June 2017</b></p> <p>The frequency of front line casino staff AML training will move from once every two years to annually. <b>Commencing 2019</b></p>