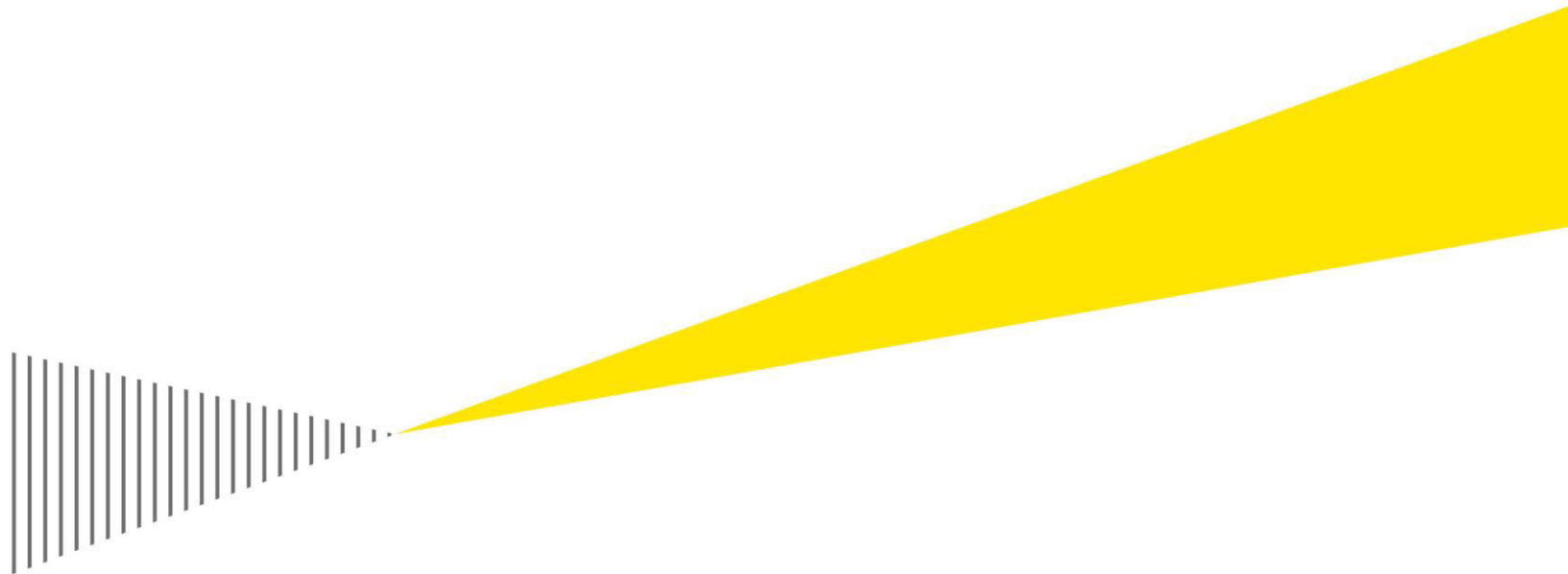


British Columbia Lottery Corporation

ASSESSMENT OF BCLC'S ANTI-MONEY LAUNDERING (AML)
AND SANCTIONS COMPLIANCE PROGRAM

NOVEMBER 23, 2015



Building a better
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1. Executive Summary

Ernst & Young LLP (“EY” or “we”) has completed an independent assessment of British Columbia Lottery Corporation’s (“BCLC’s”) Anti-Money Laundering (“AML”) and sanctions compliance programs against applicable reporting requirements outlined by the Financial Transactions and Reports Analysis Centre of Canada (“FINTRAC”). Our engagement was performed in accordance with the scope agreed-upon in our Statement of Work (“SOW”) dated August 11, 2015.

The Proceeds of Crime (Money Laundering) and Terrorist Financing Act (“PCMLTFA”) requires reporting entities to undergo a comprehensive AML review bi-annually. The AML review must cover BCLC’s policies and procedures, assessment of risks related to money laundering and terrorist financing and BCLC’s training program to test their effectiveness. The assessment of risks related to money laundering and terrorist financing includes all the components of the risk-based approach, where applicable, as explained in subsection 6 of the FINTRAC Guidelines, including risk assessment, risk mitigation and ongoing monitoring. This assessment has included reading key documents (e.g., policies, procedures, risk assessments), conducting process walkthroughs and other inquiries, and performing detailed, sample-based testing.

As agreed with BCLC, EY’s assessment procedures focused on an evaluation of processes and controls over pertinent AML and sanctions compliance-related functions, with particular emphasis on:

- Resolution of Prior Audit Issues
- Appointment of a Chief Anti-Money Laundering Officer (“CAMLO”)
- AML and Sanctions Risk Assessments
- Compliance Policies and Procedures
- Employee Training
- Customer Identification, Due Diligence and Enhanced Due Diligence (“EDD”)
- Transaction Monitoring / Sanctions Screening
- Alert Investigations
- Transaction Reporting
 - Large Cash Transactions (“LCTs”)
 - Suspicious Transaction Reports (“STRs”)
 - Casino Disbursement Reports (“CDRs”)

This report is intended solely for the information and use of BCLC to support BCLC with its obligation to comply with the effectiveness testing requirement stipulated by FINTRAC, as applicable. In executing this assessment, EY has chosen key provisions from BCLC’s written AML and sanctions policies and procedures and tested for operational application. In completing the assessment, EY therefore assumes no responsibility to any user of the report other than BCLC. Any other persons who choose to rely on our report do so entirely at their own risk.



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We appreciate the cooperation and assistance provided to us during the course of our work. If you have any questions, please call [REDACTED]

Yours sincerely,

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2. Summary of Observations

BCLC has developed, administered, and maintains an AML and sanctions compliance program that incorporates the provisions of the PCMLTFA and compliance requirements as documented under FinTRAC Guidelines and Interpretation Notices specific to casinos. BCLC has established three distinct standards, procedures and policy manuals to address AML policy, internal policy and BCLC casino policy. These protocols allow BCLC to continuously keep the program aligned with legal and regulatory requirements. BCLC has designated a CAMLO (Vice President of Corporate Security and Compliance) and established a system of AML/sanctions-related policies, procedures, and related internal controls, including: implementing a BCLC employee and service provider AML/sanctions training program, enrolled key personnel in continuing education and certification programs such as the certification for Certified Anti-Money Laundering Specialist (“CAMS”), conducting risk-based due diligence on new and existing patrons who establish business relationships with BCLC, and monitoring for potentially suspicious transactions and behaviors.

Collectively, the VP of Corporate Security and Compliance and Director of AML & Operational Analysis have several years of relevant experience and continue to stay abreast of emerging regulatory requirements by attending industry conferences and seminars. Additionally, BCLC utilizes commercial-grade technology solutions to facilitate compliance with applicable regulatory requirements (e.g., FinScan for sanctions/PEP/negative news screening, ██████ for suspicious activity monitoring and regulatory filings and is in the process of upgrading to ██████ software to improve automated transaction tracking and monitoring).

BCLC has also implemented measures to improve or strengthen its compliance program (based on recommendations made in prior audits). During the most recent FinTRAC examination, BCLC was informed that the narratives as part of STR sections G and H were being truncated and as a result BCLC launched an updated version of ██████ in July 2014. BCLC would not have been privy to the truncation error as the coding criteria applied would have needed to be vetted as an end user under FinTRAC in order to assess the operating effectiveness of the software. BCLC has taken measures to apply updates based on legislation changes such as Bill C-31 where updates to iTrac were initially incorporated in February 2014.

BCLC has implemented a quality control process for reviewing cases for potential suspicious activity as there are several casino investigators across multiple properties providing information to the head office. This has allowed BCLC to consistently apply an investigative approach when determining when cases contain substantiated or unsubstantiated suspicious activity. BCLC also maintains policies that are consistently applied across service providers for large currency transaction reports as all twenty-four hour facilities apply the same static ‘gaming day’ (7:00 AM to 7:00 AM the following day) which is consistent with FinTRAC’s Interpretation Notice regarding application of the twenty-four hour rule for casino operations.

EY has also identified areas where the Compliance Program could be improved. These include the following items not required under FinTRAC Guidelines, but commensurate with industry leading practices:

- Formal approval by the Compliance Officer of key documents associated with BCLC's compliance regime (risk assessment documentation and employee compliance training programs).
- Inclusion of background check and initial due diligence screening documents in patron PGF files upon establishing a business relationship with BCLC as defined by FinTRAC.
- Consistency in the use of PGF account review sheets at RiverRock Casino.
- Development written policies and procedures to reflect the current practices BCLC takes regarding [REDACTED].
- Prioritize completing [REDACTED] search from July 2015 to date to address backlog for patrons with established relationships.
- Update risk assessment to reflect current risk associated with geographic locations per BCLC internal policies and procedures.

Our scope, approach and results are outlined in Sections 3 and 4 of this report. It is management's responsibility to evaluate and implement the recommendations noted.

3. Scope and Approach

EY's onsite fieldwork was conducted from August 24, 2015 through September 24, 2015. Throughout the duration of its assessment, BCLC provided EY with access to all files, documents, data, and information requested as noted in Appendix A.

EY's methodology and procedures consisted of an assessment of BCLC's AML and sanctions compliance programs in accordance with the reporting requirements outlined by FINTRAC. EY assessed all the documents provided by BCLC including, but not limited to, the Anti-Money Laundering and Anti-Terrorist Financing Compliance Manual, the Casino and Community Gaming Centre Standards, Policies and Procedures and Internal Casino and Gaming Centre Standards, Policies and Procedures. In addition, EY was provided access to the Board of Directors minutes from meetings during the scope period, the BCLC AML team's qualifications and copies of the AML training programs provided to BCLC and service provider employees. We considered the issues and recommendations made in prior FINTRAC audits, the roles of the designated compliance officer (e.g., CAMLO), risk assessments performed, patron recordkeeping information, policies and customer's relationship acceptance policies for patron gaming fund ("PGF") accounts, [REDACTED], [REDACTED], regulatory filings for large cash transactions and casino disbursements and reporting of suspicious transaction activity.

Our assessment approach followed the FINTRAC Guidelines for casinos. EY analyzed relevant documents (e.g. policies & procedures), conducted interviews (refer to Table 1 and Table 2 for an illustrative list of key BCLC and service providers personnel interviewed), performed process walkthroughs at both corporate and selected service provider locations and conducted sample-based testing.

Table 1: BCLC Head Office Personnel Interviewed

BCLC Representative	Position
	VP of Casinos and Community Gaming
	VP of Corporate Security and Compliance
	Director of AML & Operational Analysis
	Manager of Cash Alternatives & Special Projects
	AML Specialist
	Intelligence Analyst for AML & Operational Analytics
	Sr. Technical Analyst, Gaming Facilities Support
	Assistant Manager, Casino Security & Surveillance
	Policy Analyst, Information Privacy & Security
	Compliance and Trend Analyst

Table 2: Service Provider Personnel/On-site BCLC Casino Investigators

Property Name	Interview Name and Title
Grand Villa Casino	(Casino Investigator)
Grand Villa Casino	(Cage Supervisor)
Grand Villa Casino	(Shift Manager),
Grand Villa Casino	(Surveillance Supervisor)
Starlight Casino	(Casino Investigator)
Starlight Casino	(Cage Supervisor)
Starlight Casino	(Casino Shift Manager)
Starlight Casino	(Surveillance Manager)
RiverRock Casino	(Casino Investigator)
RiverRock Casino	(Cage Shift Manager)
RiverRock Casino	(Floor Gaming Manager)
RiverRock Casino	(Surveillance Shift Manager)
Edgewater Casino	(Casino Investigator)
Edgewater Casino	(Surveillance Manager)
Edgewater Casino	(Cage Manager)
Edgewater Casino	(Director of Cage Operations)
Edgewater Casino	(Casino Shift Manager)
Hard Rock Casino	(Casino Investigator)

Sampling Methodology and Sample Selection:

EY's sampling methodology was used to select samples of regulatory reports and investigation files for testing. EY considered the following factors in selecting our samples: population size, risk, and complexity and criticality of the processes being tested. EY's sampling methodology uses a variety of techniques, including professional judgment.

Judgmental or risk-based sampling uses the judgment of the assessment team as a basis to select the sample. Judgment can be based on risk, information obtained from previous regulatory examination reports, prior audit reports or other facts learned during the course of the assessment.

EY utilized judgmental sampling techniques to focus its testing on high risk patrons as identified by BCLC. Samples were also further stratified to include a representation of all new PGF accounts, all STR, CDR and LCT filed and all unsubstantiated cases during the audit period. The selected files and transactions represented activity that occurred within the audit period of October 1st, 2013 to July 31st, 2015. The sample sizes were selected to achieve a 90% confidence level based on control frequency.

When determining the sample size, EY considered the level of risk and the population size. Both of these components are important in the sample selection process. Per the EY methodology, there is a statistical basis for the sample sizes articulated in Table 3 below. EY elected to follow a sample that at least represented a 90% confidence level with a 10% confidence interval.

Table 3: EY Sampling Methodology (Sample Sizes)	
<i>Population Type and Size</i>	<i>Sample Size</i>
STR - 3,019	30
LCT - 62,808	31
CDR - 123,800	31
Unsubstantiated Cases - 186	26
New PGF accounts - 478	60

For the testing period of October 1, 2013 to July 31, 2015, the population of PGF accounts was identified at 478 across five different casinos that offer this service to their patrons. [REDACTED] coupled with the enhanced nature of review associated with opening these accounts for patrons, an overall statistical sample of 60 PGF accounts were selected. The number of PGF accounts selected at each property was judgmentally selected given the proportion of the overall PGF accounts maintained at these locations. EY selected 30 accounts from [REDACTED], 16 accounts from [REDACTED], 5 accounts from [REDACTED], 5 accounts from [REDACTED] and 4 accounts from [REDACTED].

For the transaction monitoring and investigations assessment, EY judgmentally selected investigation



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reports that resulted in unsubstantiated findings, and STR filings to capture both substantiated and unsubstantiated reports of suspicious activity.

EY selected samples of 26 unsubstantiated closed cases and 30 Substantiated cases that have corresponding STR filed. In addition, EY selected sample of 31 LCT and 31 CDR to test and assess the FINTRAC reporting function of BCLC.

Procedures:

In executing this approach, EY performed the following steps:

1. Read documentation pertaining to BCLC's AML and sanctions compliance program including all documentation that falls under FinTRAC guidelines for an effective compliance regime.
2. Held discussions with relevant BCLC and service provider personnel to obtain a further understanding of the AML program, changes to monitoring systems procedures and processes and day-to-day practices; personnel spoken to included compliance and operations teams as well as senior executives at BCLC.
3. Performed walkthroughs of due diligence and reporting procedures such as those conducted for PGF account opening and the use of iTrac and FinScan systems. EY met with relevant BCLC personnel to understand the practical application of these process and systems. Walkthroughs consisted of BCLC employees explaining or performing procedural tasks whilst an EY team member observed.
4. Performed targeted testing, where deemed relevant, on a sample of data/reports; for example, STR, LCT, CDR reports, unusual financial transactions, Unsubstantiated closed cases, and customer due diligence files.
5. Tested BCLC AML training program and confirm that all BCLC employees and all relevant service providers' employees have attended this training at least once in the past 2 years.
6. Performed walkthroughs at sampled service provider properties to assess how AML specific procedures and processes from BCLC's Casino and Community Gaming Centre Standards, Policies and Procedures were being applied; personnel spoken to included service provider management from cage, table games and surveillance operations and casino investigators from BCLC.
7. Recorded notes and observations from all execution steps performed. Where additional information was needed for clarification, supplementary discussions and walkthroughs were held.

We have conducted our engagement to address the AML provisions of the PCMLTFA, compliance requirements of FinTRAC and international sanctions compliance as related to BCLC's AML and sanctions compliance program. We were not engaged to express, and do not express, an opinion on BCLC's compliance program. This assessment contains our findings and observations concerning BCLC's AML and sanctions program in accordance with the guidelines established by FINTRAC.

4. Detailed Findings and Observations

#	Program Element	Finding / Observation Summary	Finding / Observation Details	Finding / Observation	FINTRAC Guideline (If Applicable)
1	Training	There is evidence that the Compliance Officer at BCLC (Vice President of Corporate Security and Compliance) is involved with the AML training program based on the meetings he has been a part of over the scope period. While the Compliance Officer formally approves BCLC policies and procedures, there is no such approval process for the AML training program and content.	BCLC's Anti-Money Laundering and Anti-Terrorist Financing Compliance Manual states that the Manager of AML and Operational Analysis will oversee and approve training plans. Based on EY's discussion and evidence of AML related meetings attended by the Compliance Officer, he is a participant of these conversations, but does not provide formal sign-off. The AML policies and procedures state that the BCLC AML training program is created by a few individuals and ultimately approved by a committee. Additionally, EY has not seen formal documentation reflecting that the Compliance Officer has delegated his or her responsibilities associated with reviewing the training program in the manner noted in the AML policies and procedures.	Observation	Guideline 4: "For consistency and ongoing attention to the compliance regime, your appointed compliance officer may choose to delegate certain duties to other employees. For example, the officer may delegate an individual in a local office or branch to ensure that compliance procedures are properly implemented at that location. However, where such a delegation is made, the compliance officer retains responsibility for the implementation of the compliance regime. "

#	Program Element	Finding / Observation Summary	Finding / Observation Details	Finding / Observation	FINTRAC Guideline (If Applicable)
2	Compliance Governance and Risk Assessment	There is evidence that the Compliance Officer at BCLC (Vice President of Corporate Security and Compliance) is involved with reviewing and providing input on the risk assessment based on the meetings he has been a part of over the scope period. While the Compliance Officer formally approves BCLC policies and procedures, there is no such approval process for the risk assessment.	<p>EY received documentation that reflects the Compliance Officer reviewed and provided comments for the BCLC AML manual. As part of the review, there is a section on risk assessment and methodology he approved. While this is evident, there is no formal approval process noted for the specific areas covered under BCLC's AML risk register.</p> <p>Several tabs within the AML risk register indicate that updates were made to information noted; however, corresponding sign-offs by the personnel assigned to these areas of the AML risk register was not noted. The Compliance Officer participated in meetings regarding quarterly risk, but the delegation of duties to the individuals noted in the assessment is not formally documented.</p>	Observation	Guideline 4: "For consistency and ongoing attention to the compliance regime, your appointed compliance officer may choose to delegate certain duties to other employees. For example, the officer may delegate an individual in a local office or branch to ensure that compliance procedures are properly implemented at that location. However, where such a delegation is made, the compliance officer retains responsibility for the implementation of the compliance regime. "
3	Due Diligence and Customer Identification for Patron Gaming Fund (PGF)	Due diligence measures for account opening, such as the verification that patrons are not on the sanctions and terrorist watch lists	Of the 60 PGF due diligence files tested, 50 (83.33%) were missing evidence that the requisite sanctions and background checks had been conducted at account	Observation	N/A

#	Program Element	Finding / Observation Summary	Finding / Observation Details	Finding / Observation	FINTRAC Guideline (If Applicable)
	Accounts	maintained by the Office of the Superintendent of Financial Institutions (OSFI), are not typically documented, as required by BCLC's policies and procedures. "An account based business relationship is established when a patron opens a Patron Gaming Fund (PGF) account. BCLC policies and procedures outline all required information that must be collected in order to establish a PGF account."	opening. Background checks in [REDACTED] are initiated when a business relationship is established with BCLC, but may not occur until the patron has already initiated transactions at service provider locations where they maintain accounts.		
4	Due Diligence and Customer Identification for Patron Gaming Fund (PGF) Accounts	The account process review sheet, which has been incorporated by BCLC as an industry leading practice, is not consistently completed and added to the file by the Casino investigator.	Of the 60 PGF account files tested, eight (13.33%) did not contain this review sheet. All of the eight files in question belong to the RiverRock Casino, suggesting that this missing compliance check could be isolated to this specific property.	Observation	N/A
5	Sanctions Policies and Procedures	Through interviews and a walkthrough of BCLC's due diligence process, there is evidence that screening for patrons takes place through the use of FinScan. While the process takes place, there are	While there is evidence that BCLC applies [REDACTED] due diligence searches to patrons who maintain a business relationship with the corporation, there are no documented policies and procedures in place that address	Observation	N/A

#	Program Element	Finding / Observation Summary	Finding / Observation Details	Finding / Observation	FINTRAC Guideline (If Applicable)
		no specific policies and procedures to address that sanctions screening occurs and the impact of FinScan searches performed in attempts to identify any parties that may be on OSFI's published list.	screening for potentially sanctioned patrons. In addition, there are no policies and procedures in place that speak to specific on-going due diligence processes, such as performing FinScan searches and how these searches are conducted, recorded and applied to patron subject profiles. BCLC's Anti-Money Laundering and Anti-Terrorist Financing Compliance Manual only mentions that OSFI maintains a list of individuals and terrorist groups that BCLC would be prohibited from interacting with.		
6	Sanctions Screening	BCLC relies solely on FinScan to perform sanctions screening for individual patrons. While this practice generally occurs on a monthly basis, EY observed that during their recent assessment that the searches for patrons as of July 2015 have yet to be conducted.	██████████ for patrons where a business relationship is established with BCLC are generally performed on a monthly basis. During EY's assessment, as of September 3, 2015, all of the patron's names with established business relationships with BCLC in July 2015 had not yet been entered ██████████. This backlog appears to be specific to this timeframe noted and is not representative of the full scope	Observation	N/A

#	Program Element	Finding / Observation Summary	Finding / Observation Details	Finding / Observation	FINTRAC Guideline (If Applicable)
			period. FinTRAC specifies that due diligence be performed under a risk based approach and does not specify a specific timeframe, thus this documentation is observational in nature.		
7	Compliance Governance and Risk Assessment:	Updates to the Anti-Money Laundering Risk Assessment document under the Geographic Risk tab have not been updated per BCLC's AML policies and procedures.	Hard Rock Casino was assessed to have no PGF account activity under the risk factor 'transactions with high risk geographic locations'. Hard Rock Casino does in fact have PGF account activity and this should be considered in the location assessment. In addition, several of the geographic risk assessments have not been updated in the last six (6) months as noted in BCLC's AML policies and procedures.	Observation	N/A

5. Appendix A: Source Documentation

a. Sub-Process: Oversight and Management

Compliance officer resolution evidencing the approval of BCLC's current AML and sanctions compliance programs

- a. Overarching AML and sanctions policy
 - b. Customer Due Diligence (CDD) /Enhanced Due Diligence (EDD) procedures
 - c. Transaction monitoring procedures
 - d. Regulatory report filing procedures (Large cash transactions, EFTs, STRs, etc.)
 - e. Terrorist list scanning and economic sanctions policy & procedures
 - f. Record keeping/record retention policy & procedures
2. Current BCLC organizational charts (e.g., Compliance, Front Office, Operations).
 3. Copies of resumes or other acceptable documentation (e.g., CVs, bios, profiles, etc.) reflecting qualifications of the BCLC CAMLO and key individuals managing / administering the BCLC AML / sanctions compliance programs.
 4. Current BCLC AML / sanctions risk-assessments.
 - a. Listing of BCLC product(s) and/or service(s) offered.
 5. Board/executive management meeting minutes specifically related to AML/Terrorist Name List Scanning matters during the scope period.
 6. A list, description and copies of reports presented to the Board, executive management and/or senior compliance management related to BCLC AML and sanctions compliance activities.

b. Sub-process: Training

1. Written AML and sanctions training procedures (unless covered in the overarching policies).
2. List of BCLC training classes/sessions/events attended by the CAMLO and relevant Compliance staff.
3. Results of training sessions (e.g. attendance records, test scores) for AML and sanctions employees for the scope period.
4. Copies of AML and sanctions training materials used during the scope period.
5. BCLC AML and sanctions employee roster for the scope period (please indicate which employees are required to take AML and/or sanctions training, if applicable).
6. List of persons in key BCLC AML and sanctions roles and their positions and titles for which BCLC requires specific or additional AML training, other than firm-wide training.

7. BCLC supplemental training materials for the scope period (e.g., e-mails, webcasts, required reading) as related to AML and sanctions, if applicable.
8. AML/Terrorism/sanctions BCLC training schedule with dates, attendees and topics for the scope period.

c. Sub-process: Customer Due Diligence (CDD) and Enhanced Due Diligence (EDD)

1. Customer risk rating methodology policies and procedures (Please note the date(s) approved by the CAMLO, if applicable).
2. If separate from the AML Program request above, current BCLC CDD / EDD policies and procedures (Please note the date approved by the CAMLO, if applicable)
 - a. Copies of BCLC loyalty account (e.g. Encore Rewards) application/opening forms.
 - b. For sample selection purposes, a listing of BCLC customer relationships opened during the scope period.
 - c. For sample selection purposes, a listing of BCLC high-risk customer relationships opened during the scope period.
 - d. List of all loyalty accounts in the name of or for the benefit of politically exposed persons (PEPs), politically exposed foreign persons (PEFPs), or of an immediate family member(s) opened during the scope period.
 - e. BCLC PEP/PEFP acceptance policies and procedures, in addition to any PEP/PEFP forms or documentation.
 - f. List of potential customers who were denied a loyalty account on the basis of their PIP/KYP information during the scope period.
 - g. List of customers who were banned from having a relationship with BCLC due to money laundering/terrorist financing risks or activities designated as suspicious.
 - h. List of any customer relationships established on an exceptional basis (e.g., not having met the requisite CDD/EDD requirements).

d. Sub-process: Transaction Monitoring and Suspicious Transaction Reporting (STRs)

1. If separate from the AML and sanctions program request above, current transaction monitoring and suspicious transaction reporting policies and procedures (Please note the date approved by the Compliance Officer, if applicable)
2. List of AML and sanctions transaction monitoring red flag detection scenarios (including applicable parameters or thresholds) used to alert BCLC to potentially suspicious activity occurring during the scope period

3. Copies of reports used for the identification and monitoring of potentially suspicious transactions (may include, but not limited to: customer watch list reports, investigative files, suspicious transaction reports (STRs) and other regulatory filings)
 - a. Suspicious transactions
 - i. For sample selection purposes, listings of all STRs that were filed during the scope period, if applicable
 - b. Terrorist property
 - i. For sample selection purposes, listings of all potential Terrorist related activity that was noted during the scope period, if applicable
 - c. Large cash transactions
 - i. For sample selection purposes, listings of all large cash transactions involving amounts of \$10,000 or more received in cash during the scope period, if applicable
 - d. Funds transfer
 - i. For sample selection purposes, listings of all funds transfers (incoming and outgoing) greater than \$10,000 during the period scope period, if applicable
 - e. Casino disbursements
 - i. For sample selection purposes, listings of all casino disbursements involving amounts of \$10,000 or more received in cash during the scope period, if applicable
 - f. Third party determination
 - i. For sample selection purposes, casino disbursements where the individual receiving the disbursement was acting on behalf of a third party during the scope period.
4. Management reports used to monitor PEPF account activity, including reports for identifying unusual and suspicious activity during the scope period

e. Sub-process: Vendor Management

1. Current service level agreements with vendors, specifically focusing on AML / Terrorist List Scanning Screening delegation and responsibilities, if applicable

f. Sub-process: Terrorist List Scanning Screening

1. List of BCLC blocked or rejected transactions with individuals or entities on Terrorist List Scanning Screening list and any associated reports submitted to the agency
2. If maintained, BCLC logs or other documentation related to reviewing potential Terrorist List Scanning matches, including the method for reviewing and clearing those determined not to be matches

3. Copy of the BCLC monthly report submitted to the responsible regulatory agency on possession of terrorist property
4. Copies of the BCLC results of any internal/external audits, compliance tests or regulatory examinations performed for Terrorist List Scanning Screening/Sanctions, including the scope or engagement letter and management's responses

g. Sub-process: Recordkeeping

1. Access to databases and/or lists containing the following information during the scope period for sample selection purposes (if not covered in previous sub-process sections):
 - a. Large cash transaction records
 - b. Patron signature cards
 - c. Copies of casino disbursement reports
 - d. Deposit slips
 - e. Copies of official corporate records (including binding provisions)
 - f. Account holder information
 - g. Records regarding the extension of credit
 - h. Foreign exchange transaction tickets
 - i. Account operating agreements
 - j. Debit and credit memos
 - k. Copies of suspicious transaction reports
 - l. Records for the remittance or transmission of \$1,000 or more and include information with certain transfers
 - m. Records of the purpose and intended nature your business relationships
 - n. Records on the measures you take to monitor your business relationships and the information you obtain as a result of your monitoring

h. Miscellaneous

1. Copies of the results of the most recent AML-related internal/external compliance testing, internal/external audit and regulatory examinations, including the scope or engagement letter and management's responses/action plans
2. AML record retention policies, procedures and schedule
3. Validation reports of monitoring systems



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Ernst and Young Audit October 2015 Findings/Observations

	Recommendation / Finding	Program Area	Status	Response	Updates
1	BCLC's Anti-Money Laundering and Anti-Terrorist Financing Compliance Manual states that the Manager of AML and Operational Analysis will oversee and approve training plans. Based on EY's discussion and evidence of AML related meetings attended by the Compliance Officer, he is a participant of these conversations, but does not provide formal sign-off. The AML policies and procedures state that the BCLC AML training program is created by a few individuals and ultimately approved by a committee. OBSERVATION	TRAINING: Guideline 4 "For consistency and ongoing attention to the compliance regime, your appointed compliance officer may choose to delegate certain duties to other employees. For example, the officer may delegate an individual in a local office or branch to ensure that compliance procedures are properly implemented at that location. However, where such a delegation is made, the compliance officer retains responsibility for the implementation of the compliance regime."	<div><div></div><div></div><div></div><div></div></div>	Observation accepted. While this is not a FINTRAC specific requirement, BCLC notes that a more official sign off process would provide benefit. BCLC's Anti-Money Laundering and Anti-Terrorist Financing Compliance Manual pre-dates some current role profiles and requires updating. Changes will be implemented and Director of AML and VP of AML have met to define a better process. Board shall pass resolution to identify the compliance officer. To be completed by January 31, 2016	<p>November 13, 2015 - All formal training documents including PowerPoint presentations and on line courses for both the BCLC and SP staff have been updated and signed off on by Project Manager, Director of AML, and VP of Corporate Security & Compliance. All sign off sheets have been scanned and stored on the shared drive, folder called "Training Materials 2015". - COMPLETE</p> <p>November 16, 2015 Updates have been completed to the AML Manual. Sent to Policy Analyst to load all the changes before final copy is approved by Director AML and VP Corporate Security. Expected Completion date January 15, 2016</p> <p>Update - AML Manual changes will be completed by the Manager of Special Projects ETA January 7, 2016 for review by Director of AML. - COMPLETE</p> <p>November 27, 2015 [REDACTED] to coordinate with [REDACTED] at Board Meeting to pass resolution to identify the compliance officer. March 29, 2016 The resolution is drafted. It will be added to a Board meeting before the end of the year. December 2016 Board Minute Meetings approved Compliance Officer. COMPLETE</p>
2	Compliance Officer reviewed and provided comments for the BCLC AML manual. As part of the review, there is a section on risk assessment and methodology he approved. While this is evident, there is no formal approval process noted for the specific areas covered under BCLC's AML risk register. Several tabs within the AML risk register indicate that updates were made to information noted; however, corresponding sign-offs by the personnel assigned to these areas of the AML risk register was not noted. The Compliance Officer participated in meetings regarding quarterly risk, but the delegation of duties to the individuals noted in the assessment is not formally documented. OBSERVATION	COMPLIANCE, GOVERNANCE & RISK ASSESSMENT Guideline 4 "For consistency and ongoing attention to the compliance regime, your appointed compliance officer may choose to delegate certain duties to other employees. For example, the officer may delegate an individual in a local office or branch to ensure that compliance procedures are properly implemented at that location. However, where such a delegation is made, the compliance officer retains responsibility for the implementation of the compliance regime"	<div><div></div><div></div><div></div><div></div></div>	Observation accepted. While this is not a FINTRAC specific requirement, BCLC notes that a more official sign off and review process for Risk Register would be a better business practice. Changes will be implemented. To be completed by January 31, 2016	<p>November 16, 2015 - As part of a follow up to previous quarter Risk Register meeting the AML Unit will be reviewing the Risk Register on November 18 and will include an area for appropriate sign off. Expected to be complete December 17, 2015.</p> <p>December 15, 2015 - AML Risk Register Complete; waiting for final approval by VP Corporate Security (Signed Off January 5, 2016) COMPLETE</p>
3	Of the 60 PGF due diligence files tested, 50 (83.33%) were missing evidence that the requisite sanctions and background checks had been conducted at account opening. Background checks in [REDACTED] are initiated when a business relationship is established with BCLC, but may not occur until the patron has already initiated transactions at service provider locations where they maintain accounts. OBSERVATION	DUE DILIGENCE & CUSTOMER IDENTIFICATION FOR PATRON GAMING FUND (PGF) ACCOUNTS: Due diligence measures for account opening, such as the verification that patrons are not on the sanctions and terrorist watch lists maintained by the Office of the Superintendent of Financial Institutions (OSFI), are not typically documented, as required by BCLC's policies and procedures. "An account based business relationship is established when a patron opens a Patron Gaming Fund (PGF) account. BCLC policies and procedures outline all required information that must be collected in order to establish a PGF account."	<div><div></div><div></div><div></div><div></div></div>	Observation accepted. Currently [REDACTED] is completed by BCLC and not the service provider. There is no regulatory requirement for [REDACTED] to be completed at enrolment into a PGF account and BCLC acknowledge while there is potential risk of accepting transactions from a person on the OSFI watched list this risk is mitigated appropriately. Currently this is a manual process however the new automated AML solution will conduct [REDACTED] and that will be implemented in 2016. BCLC believe there is more risk for a transaction to occur under the reporting threshold, where transactions are anonymous and believe it is highly unlikely a person on the OSFI list would provide their personal details and identification to benefit from opening a Casino account. The OSFI list also contains almost exclusively persons of Arabic or North African background. BCLC's PGF account's belong almost exclusively to person of Asian origin. The AML Specialist currently reviews all new PGF accounts within 48 hrs of opening to look for anomalies	<p>November 16, 2015 - New automated AML solution that will conduct [REDACTED] is scheduled for August 2016. Short term solution has been to implement a process whereby AML Analysts receive alerts for all new PGF account openings. A file is then created to record that the patrons have been scanned, and notify the SP/AML on any negative findings. This is to be completed within 48 hours of PGF account opening. - COMPLETE</p> <p>November 18, 2015 PGF Policy will be amended to include that the SP must also conduct a OSFI check on account opening and to retain record of actual check COMPLETE</p>
4	Of the 60 PGF account files tested, eight (13.33%) did not contain this review sheet. All of the eight files in question belong to the RiverRock Casino, suggesting that this missing compliance check could be isolated to this specific property. OBSERVATION	DUE DILIGENCE & CUSTOMER IDENTIFICATION FOR PATRON GAMING FUND (PGF) ACCOUNTS: Due Diligence and Customer Identification for Patron Gaming Fund (PGF) Accounts. The account process review sheet, which has been incorporated by BCLC as an industry leading practice, is not consistently completed and added to the file by the Casino investigator.	<div><div></div><div></div><div></div><div></div></div>	Observation accepted. While this is not a FINTRAC specific requirement, BCLC notes that this is a procedure for Casino Investigators which was not necessarily being followed due to Operational Priorities.	<p>November 12, 2015 - The review sheet is not part of our current BCLC policy, but it was created to ensure that there was oversight on the process. Policy will be drafted to include the checklist as a mandatory item to be reviewed when opening PGF accounts and will be scanned into the media tab on [REDACTED] with other appropriate documentation. Will be updated for the next NTI; Form has been posted in YAK under forms for SP. - COMPLETE</p>
5	While there is evidence that BCLC applies [REDACTED] due diligence searches to patrons who maintain a business relationship with the corporation, there are no documented policies and procedures in place that address screening for potentially sanctioned patrons. In addition, there are no policies and procedures in place that speak to specific on-going due diligence processes, such as performing [REDACTED] searches and how these searches are conducted, recorded and applied to patron subject profiles. BCLC's Anti-Money Laundering and Anti-Terrorist Financing Compliance Manual only mentions that OSFI maintains a list of individuals and terrorist groups that BCLC would be prohibited from interacting with. OBSERVATION	SANCTIONS, POLICIES & PROCEDURES: Through interviews and a walkthrough of BCLC's due diligence process, there is evidence that screening for patrons takes place through the use of [REDACTED]. While the process takes place, there are no specific policies and procedures to address that sanctions screening occurs and the impact of [REDACTED] searches performed in attempts to identify any parties that may be on OSFI's published list.	<div><div></div><div></div><div></div><div></div></div>	Observation accepted. This function is presently being performed by AML Analysts as per job function and is not documented.	<p>November 16, 2015 - AML Analyst has completed a process that documents procedures to address screening for potentially sanctioned patrons and performing [REDACTED] searches and how these searches are conducted, recorded, and applied. AML Manual has been updated to include these changes. Document sitting with VP for approval and final sign off. - COMPLETE</p>
6	[REDACTED] searches for patrons where a business relationship is established with BCLC are generally performed on a monthly basis. During EY's assessment, as of September 3, 2015, all of the patron's names with established business relationships with BCLC in July 2015 had not yet been entered into [REDACTED]. This backlog appears to be specific to this timeframe noted and is not representative of the full scope period. FinTRAC specifies that due diligence be performed under a risk based approach and does not specify a specific timeframe, thus this documentation is observational in nature. OBSERVATION	SANCTIONS SCREENING: BCLC relies solely on [REDACTED] to perform sanctions screening for individual patrons. While this practice generally occurs on a monthly basis, EY observed that during their recent assessment that the searches for patrons as of July 2015 have yet to be conducted.	<div><div></div><div></div><div></div><div></div></div>	Observation noted. This is a not a regulatory requirement. A process is already in place but due to business priorities, this period was not captured in a timely manner over the summer months of 2015. This is currently a manual process.	<p>November 16, 2015 - Process is already in place but due to business priorities, this period was not captured in a timely manner. Implemented process that sanctions for screening for individual patrons will be completed the first of every month. - COMPLETE</p>
7	Hard Rock Casino was assessed to have no PGF account activity under the risk factor "transactions with high risk geographic locations". Hard Rock Casino does in fact have PGF account activity and this should be considered in the location assessment. In addition, several of the geographic risk assessments have not been updated in the last six (6) months as noted in BCLC's AML policies and procedures. OBSERVATION	COMPLIANCE, GOVERNANCE & RISK ASSESSMENT Updates to the Anti-Money Laundering Risk Assessment document under the Geographic Risk tab have not been updated per BCLC's AML policies and procedures.	<div><div></div><div></div><div></div><div></div></div>	Observation noted. Updates to Risk Factors required.	<p>November 16, 2015 AML Unit will be reviewing the Risk Register on November 18 which will include a review of risk factor updates and will include an area for appropriate sign off. Expected to be complete December 17, 2015</p> <p>January 5, 2016 Geographic risk tab still needs to be updated - COMPLETE</p>