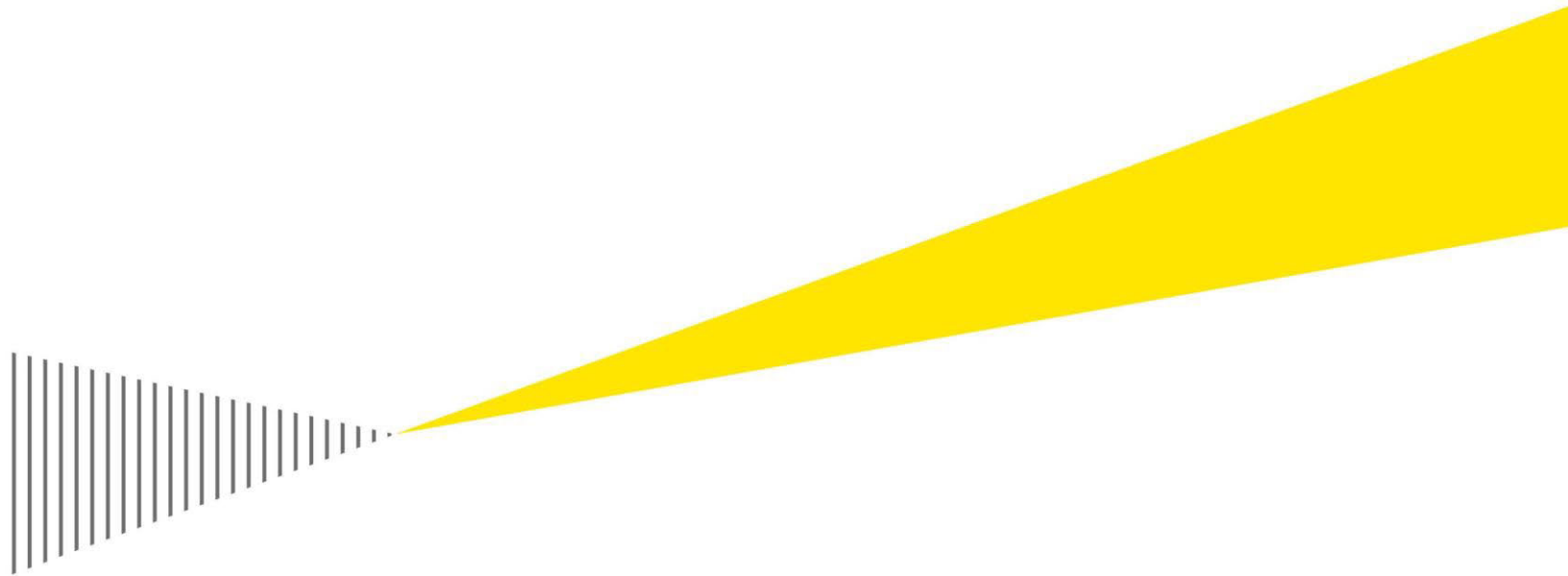


British Columbia Lottery Corporation

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

DECEMBER 5, 2017



Building a better
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British Columbia Lottery Corporation
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Attention: Rob Kroeker
Job Title: Vice President of Corporate Security and Compliance

5 December 2017

Assessment of BCLC's Anti-Money Laundering (AML) and Sanctions Compliance Program

Dear Rob:

Attached please find our report on the Assessment of BCLC's Anti-Money Laundering (AML) and Sanctions Compliance Program for your attention, pursuant to our engagement agreement. We appreciate the opportunity to have been of service to you and to BCLC.

Very truly yours,

Ernst & Young LLP, Canada

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1. Overview and Intended Use

Ernst & Young LLP, Canada (“EY”) has completed an independent assessment of British Columbia Lottery Corporation’s (“BCLC”) 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 1, 2017.

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 the PCMLTFA and BCLC’s training program to test their effectiveness. The assessment of risks related to PCMLTFA includes all the components of the risk-based approach, where applicable, as explained in FINTRAC Guidelines, including risk assessment, risk mitigation and ongoing monitoring.

As agreed with BCLC, EY’s assessment procedures focused on an evaluation of processes and controls over pertinent AML and sanctions compliance-related functions since BCLC’s last assessment. This assessment has included reading key documents (e.g., policies, procedures, and risk assessments), conducting process walkthroughs and other inquiries, and performing detailed, sample-based effectiveness testing with particular emphasis on:

- Resolution of Prior Assessment Issues
- Employee Training and Knowledge of AML Responsibilities
- AML and Sanctions Risk Assessments
- Compliance Policies and Procedures
- Customer Identification, Due Diligence and Enhanced Due Diligence (“EDD”)
- Transaction Monitoring / Sanctions Screening
- Case 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 BCLC’s 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 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.

2. Summary of Observations

BCLC has developed, administered, and maintained 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 relies on an internal and BCLC casino policy document as well as a compliance manual to address AML policy. These policy manuals, with their supporting standards and procedures allow BCLC to continuously keep the program aligned with legal and regulatory requirements.

BCLC's FINTRAC Compliance Matrix Summary

FINTRAC guidelines state that a reporting entity has specific obligations related to developing and implementing a compliance program. The following terminology is used in this report as the basis of assessing elements of FINTRAC regulatory requirements where improvements can be made.

- **Findings:** Findings reference the impact of the effectiveness of BCLC's compliance regime directly to established FINTRAC guidelines.
- **Observations:** Observations consist of operational improvements for BCLC to consider implementing as industry leading practices; however, do not directly attribute to non-compliance under a specific FINTRAC guideline.

The following matrix is prepared based on EY's review of the AML and sanctions program documentation provided, walkthroughs and interviews, and sample testing conducted on a risk-based approach for service providers operating in British Columbia. Details on our methodology can be found in Section 3 of this report, Scope and Approach.

FINTRAC Guideline	Findings/Observations
Five Elements of a Compliance Regime	
1. The appointment of a compliance officer	No identified issues
2. The development and application of compliance policies and procedures. These policies and procedures have to be written and kept up to date. If you are an entity, they also have to be approved by a senior officer	No identified issues
3. An assessment and documentation of risks related to money laundering and terrorist financing, as well as the documentation and implementation of mitigation measures to deal with those risks <ul style="list-style-type: none"> a. Risk assessment b. Risk mitigation c. Keeping client identification, beneficial ownership and business relationship information up to date d. Ongoing monitoring of business relationships e. High risk situations for certain sectors 	Observation: Section 4: Item 9

FINTRAC Guideline	Findings/Observations
4. If you have employees or agents or any other individuals authorized to act on your behalf, an ongoing compliance training program for them. The training program has to be in writing and maintained.	Finding: Section 4: Item 1
5. A review of your compliance policies and procedures to test their effectiveness. The review has to cover your policies and procedures, your assessment of risks related to money laundering and terrorist financing and your training program. The review also has to be done every two years.	No identified issues
Know Your Client Requirements	
<ul style="list-style-type: none"> a. When to identify individuals and confirm the existence of entities b. Methods to identify individuals and confirm the existence of entities c. Business relationship requirements d. Ongoing monitoring requirements e. Beneficial ownership requirements f. Third party determination requirements g. Politically exposed persons and heads of international organizations 	<p>Observation: Section 4: Item 7</p> <p>Observation: Section 4: Item 4</p> <p>Observation: Section 4: Item 6</p> <p>Finding: Section 4: Item 3</p> <p>Observations: Section 4: Item 10</p> <p>No identified issues</p> <p>Findings: Section 4: Item 2</p> <p>No identified issues</p>
Transaction Reporting Requirements	
<ul style="list-style-type: none"> a. Suspicious transactions b. Terrorist property reports c. Large cash transactions d. Alternative to large cash transactions 	<p>Observation: Section 4: Item 5</p> <p>No identified issues</p> <p>No identified issues</p> <p>No identified issues</p>

FINTRAC Guideline	Findings/Observations
e. Electronic funds transfers	No identified issues
f. Casino disbursements	No identified issues
Record Keeping Requirements	
a. Suspicious transaction report records	Observation: Section 4: Item 8
b. Large cash transaction records	Observation: Section 4: Item 8
c. Casino disbursement records	No identified issues
d. Records of remitting or transmitting funds of \$1,000 or more	No identified issues
e. Foreign currency exchange transaction ticket records	No identified issues
f. Account records	No identified issues
g. Records of credit extension of \$3,000 or more	No identified issues
h. Reasonable measures records	Finding: Section 4: Item 2

BCLC has designated a Chief Anti Money Laundering Officer ('CAMLO') (BCLC Job Title: Vice President of Corporate Security and Compliance) and established a system of AML/sanctions-related policies, procedures, and related internal controls. The VP of Corporate Security and Compliance has several years of relevant experience, has been with the company since the last FINTRAC and EY AML assessments and continues to attend industry conferences and seminars. Following our onsite fieldwork, but prior to the issuance of this report, there has been a change in BCLC's governance structure within management at the BCLC Director of AML and Operational Analysis position. Given that the change happened after our fieldwork, this change was not considered in any of our findings or observations.

BCLC utilizes widely available technology solutions to facilitate compliance with applicable regulatory requirements (e.g. [s 15\(1\)](#)) for screening, suspicious activity monitoring and regulatory filings. During EY's last assessment in 2015 EY noted that many processes were manual in nature. BCLC indicated that they were in the process of implementing [s 15\(1\)](#) software for transaction tracking and monitoring. They have since decided to use the [s 15\(1\)](#) software as a data repository and case management for KYC and CDD and continue to scan patrons using [s 15\(1\)](#) software.

Since 2015, BCLC has implemented additional measures for its compliance program. During the most recent FINTRAC examination in July 2016, BCLC was informed by FINTRAC that there was a deficiency in their ongoing compliance training program. As a result, BCLC revised their web-based AML training course that was already in place to address this finding. BCLC is changing their certification process to yearly for service provider staff. BCLC policies and procedures also state that AML training must be completed every two years after the initial AML training. BCLC policies indicate that staff members shall only be allowed to work on the gaming floor if they have satisfied the training requirement every two years. BCLC provided EY with tracking sheets for all service provider employees required to take the AML training course. The current training course includes suspicious activity red flags that are applicable to specific casino departments. EY also participated in interviews with department heads of Cage Operations, Table Games, Slots and Surveillance. These interviewees indicated that they are familiar with the AML protocols within their respective departments.

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 team in the Vancouver and Kamloops offices. This quality control process helps ensure a consistent investigative approach for determining whether cases contain substantiated or unsubstantiated suspicious activity.

BCLC maintains policies across service providers for large currency transaction reports as all twenty-four hour facilities apply the same static 'gaming day' (7:00 AM to 6:59 AM the following day) which is consistent with FINTRAC's Interpretation Notice regarding application of the twenty-four hour rule for casino operations.

In addition to the compliance matrix information covered above, EY has also noted the following developments and improvements to BCLC's Compliance program based on recommendations made from previous assessments:

- BCLC has implemented a formal approval process by the Compliance Officer of key documents associated with BCLC's compliance regime (e.g. risk assessment documentation and employee compliance training programs). EY observed approval documentation for BCLC's Anti-Money Laundering and Anti-Terrorist Financing Compliance Manual. The approvals are signed by BCLC's Project Manager, Director of AML & Investigations and the VP of Corporate Security & Compliance.
- EY tested Patron Gaming Fund (PGF) accounts for seven properties in British Columbia and noted they have consistently used the account opening checklist forms for new patron business relationships.
- One of the service providers, River Rock Casino, has implemented a 24 hour gaming rule to satisfy FINTRAC's 24 hour transaction aggregation rule for LCTR and CDR reporting. During the 2015 assessment, River Rock Casino had a gaming day rule and not rolling 24 hours rule to address daily transaction activity for reporting purposes. The shift to a 24 hour gaming rule allows for consistent regulatory filing with transactions occurring at service provider properties.
- BCLC has documented policies and procedures that include the verified win formula and cheque issuance processes. Per BCLC's policies and procedures:

- s 15(1), s 17(1)
-
-
-
- BCLC has formalized documentation to support third party verification. s 15(1), s 17(1)
- BCLC has implemented a “Cash Conditions” procedure to verify the source of wealth for patrons that attempt or make cash transactions greater than \$10,000 and are on a “condition sanctioned” list. s 15(1), s 17(1)

The following items were noted as part of observations recommended from the 2015 assessment. These are not findings, but recommendations for improvement to consider as industry leading practices:

- In 2015, s 15(1) searches were backlogged for patrons with established relationships with BCLC as defined by FINTRAC. BCLC has taken steps to improve the timing of these searches for PGF account holders as due diligence is performed when the gaming account is opened. Non PGF account holders who maintain business relationships are scanned on s 15(1) basis or sooner. This observation associated with the timing of this scan is outlined in more detail in Section 4 below.
- BCLC should provide guidance regarding the consistency in how background checks and initial due diligence screening are conducted and maintained in patron PGF files upon establishing a business relationship. Based on PGF samples tested, not all files contained hard copies of the due diligence searches that were performed (i.e. s 15(1)). During walkthroughs, BCLC indicated that s 15(1) searches are independently performed for new PGF accounts and maintained in an electronic database, thus this recordkeeping observation is noted to address the consistency of how service providers maintain initial patron due diligence documentation and not as a violation of a FINTRAC guideline.

Our scope, approach and results are outlined in Sections 3 and 4 of this report. Based on our review, Management can evaluate and decide whether to implement the recommendations noted based on their risk-based approach to the severity of the finding (e.g. a clerical error versus a systemic issue) or the impact of an operational improvement identified through an observation. The following findings are applicable to relevant FINTRAC guidelines and are detailed further in Section 4 of this report:

- Of the seven properties sampled, one of 3,955 eligible employees did not re-take the mandatory AML training within BCLC's standards for the frequency in which ongoing training should be delivered. Under FINTRAC guidelines, all employees should be periodically informed of any changes in AML or anti-terrorism legislation, policies and procedures, as well as current developments and changes in money laundering or terrorist activity financing schemes particular to their jobs.
- Of the 55 PGF account files sampled from a population of 233, an error was observed for one account. The client responded "No" to the questionnaire when asked whether the deposited funds belonged to them and not a third party. The client was still allowed to deposit the funds and no further documentation regarding the third party was noted.
- For one of 36 unsubstantiated cases that were reviewed, the case was closed with a statement that the patron's source of funds was provided by s 22. The KYC information associated to the patron in question was not current because the statement regarding the source of funds could not be supported by the due diligence on file at the time the case was closed. The patron had accumulated 91 LCT files since Mar 2016 with buy-ins ranging from \$10,000 to \$20,000. The patron's occupation was listed as s 22 and it was noted that the patron resides s 22. The source of funds for s 22 was not included in the documentation for the patron at the time the patron's play was alerted for review by BCLC.

3. Scope and Approach

Fieldwork was conducted from August 8, 2017 through August 24, 2017. Throughout the duration of the assessment, BCLC provided access to files, documents, data, and information requested as noted in Appendix A.

EY's methodology and procedures included an assessment of BCLC's AML and sanctions compliance programs in accordance with the reporting requirements outlined by FINTRAC. EY assessed 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 and employee training materials. 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 and to the Board of Directors. EY considered 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 PGF accounts, s 15(1)

regulatory filings for large cash transactions and casino disbursements and reporting of suspicious transaction activity.

Our assessment approach considered 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), and 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
s 15(1), s 19	VP of Corporate Security and Compliance
	Director of AML & Investigations
	Manager, AML & Intelligence
	Manager, AML Programs
	AML Intelligence Analyst
	Sr. Technical Analyst, Gaming Facilities Support
	Manager, Corporate Security & Compliance

Table 2: Service Provider Personnel/On-site BCLC Casino Investigators	
Property Name	Interview Name and Title
Grand Villa Casino	██████████ (Pit Manager)

Table 2: Service Provider Personnel/On-site BCLC Casino Investigators	
Property Name	Interview Name and Title
Grand Villa Casino	██████████ (Slot Supervisor)
Grand Villa Casino	██████████ (Cashier Supervisor),
Grand Villa Casino	██████████ (Surveillance Supervisor)
River Rock Casino	██████████ (Table Games Manager)
RiverRock Casino	██████████ (Slot Shift Manager)
RiverRock Casino	██████████ (Cage Shift Manager)
RiverRock Casino	██████████ (Surveillance Shift Manager)
Edgewater Casino	██████████ (Shift Manager)
Edgewater Casino	██████████ (Surveillance Manager)
Edgewater Casino	██████████ (Cage Shift Manager)
Edgewater Casino	██████████ (Slots Operations)
Elements Casino	██████████ (Cage Supervisor)
Elements Casino	██████████ (Floor Manager)
Elements Casino	██████████ (Cage Slots Supervisor)
Elements Casino	██████████ (Surveillance Manager)
Langley Casino	██████████ (Surveillance Manager)
Langley Casino	██████████ (Slot Supervisor)
Langley Casino	██████████ (Shift Manager)
Langley Casino	██████████ (Cage Supervisor)
Hard Rock Casino	██████████ (Cage Shift Manager)
Hard Rock Casino	██████████ (Shift Manager)
Hard Rock Casino	██████████ (Slots Supervisor)
Hard Rock Casino	██████████ (Surveillance Shift Manager)

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 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 include testing on high risk patrons as identified by BCLC. Samples were also further stratified to include a representation of new PGF accounts, STR, CDR and LCT

filed and unsubstantiated cases during the audit period. The selected files and transactions represented activity that occurred within the period of January 1st, 2017 to June 30th, 2017. 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 15% confidence interval. Additional judgmental sampling was applied if systemic errors were identified within the samples. Given the value and volume of transactions associated with PGF patrons, a sample size consistent with a 90% confidence interval with a 10% confidence interval was selected.

Table 3: EY Sampling Methodology (Sample Sizes)	
<i>Population Type and Size</i>	<i>Sample Size</i>
STR - 640	38
LCT - 17,600	35
CDR - 30,617	33
Unsubstantiated Cases - 269	36
New PGF accounts - 233	55

For the testing period of January 1st, 2017 to June 30th, 2017, the population of PGF accounts was identified at 233 across seven different casinos that offer this service to their patrons. s 17(1), s 21

coupled with the elevated risk associated with opening these accounts for patrons, an overall sample size of 55 PGF accounts were selected. The number of PGF accounts selected at each property was judgmentally distributed based on the proportion of the overall PGF accounts maintained at these locations. The 55 PGF accounts included 38 accounts from s 17(1), s 21, 7 accounts from s 17(1), s 21, 2 accounts from s 17(1), s 21, 2 accounts from s 17(1), s 21, 2 accounts from s 17(1), s 21, 1 account from s 17(1), s 21 and 3 accounts from s 17(1), s 21.

For the transaction monitoring and investigations testing, EY selected investigation reports that resulted in unsubstantiated findings, and STR filings to capture both substantiated and unsubstantiated reports of suspicious activity.

EY selected 36 unsubstantiated closed cases and 38 Substantiated cases that have corresponding STRs filed. In addition, EY selected 35 LCT filings and 33 CDR filings 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 s 15(1) 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 the BCLC AML training program and tested that BCLC employees and all relevant service providers' employees have attended this training at least once in the past 2 years. Assessed AML knowledge of department leadership across sampled service provider locations.
6. Performed walkthroughs at 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 include service provider management from cage, table games and surveillance operations and casino investigators from BCLC.

EY has conducted this 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. EY was not engaged to express, and do not express, an opinion on BCLC's compliance program.

4. Detailed Findings and Observations

FINTRAC guidelines state that a reporting entity has specific obligations related to developing and implementing a compliance program. The following terminology is used in this report as the basis of assessing elements of FINTRAC regulatory requirements where improvements can be made.

- **Findings:** Findings reference the impact of the effectiveness of BCLC's compliance regime directly to documented FINTRAC guidelines.
- **Observations:** Observations consist of operational improvements for BCLC to consider implementing as industry leading practices; however, do not directly attribute to non-compliance under a specific FINTRAC guideline.

#	Program Element	Regulatory Criteria Summary	Finding / Observation Details	Finding / Observation	FINTRAC Guideline (If Applicable)
1	Ongoing Compliance Training	FINTRAC Guideline: 7. Ongoing Compliance Training <i>If you have employees, agents or other individuals authorized to act on your behalf, your compliance regime has to include training...all should be periodically informed of any changes in anti-money laundering or anti-terrorism legislation, policies and procedures, as well as current developments and changes in money laundering or terrorist activity financing schemes particular to their jobs.</i>	<p>Of the seven properties sampled, one out of a total of 3,955 eligible employees (0.03%) did not re-take the AML training within BCLC's standards for the frequency in which ongoing training should be delivered. Under FINTRAC guidelines, all employees should be periodically informed of any changes in AML or anti-terrorism legislation, policies and procedures, as well as current developments and changes in money laundering or terrorist activity financing schemes particular to their jobs.</p> <p>Upon subsequent review by BCLC, the delayed re-training for this employee was noted as a clerical error as the</p>	Finding	<p>Guideline 4: Implementation of a Compliance Regime:</p> <p>7. Ongoing Compliance Training</p>

#	Program Element	Regulatory Criteria Summary	Finding / Observation Details	Finding / Observation	FINTRAC Guideline (If Applicable)
			profile was mistakenly set as inactive. The individual has since completed the AML training on August 15 th , 2017.		
2	Due Diligence and Customer Identification for Patron Gaming Fund (PGF) Accounts	<p>FINTRAC Guideline: <i>Third party determination</i> <i>A third party is a person or entity who instructs another person or entity to conduct an activity or financial transaction on their behalf. When you are determining whether a third party is giving instructions, it is not about who owns or benefits from the money, or who is carrying out the transaction or activity, but rather about who gives the instructions to handle the money or conduct a transaction or particular activity. If you determine that the individual in front of you is acting on someone else's instructions, that someone else is the third party.</i></p> <p>BCLC Policy: s 15(1), s 17(1)</p>	<p>Of the 55 PGF account files sampled from an initial population of 233, an error was observed for one account (1.82% and 0.42% of each PGF count respectively). The client responded "No" to the questionnaire when asked if the deposited funds belonged to them and not a third party. The client was allowed to deposit the money without further investigation and without performing third party determination and KYC for that party at the time the transaction occurred.</p> <p>Subsequent to the date the file was assessed, the patron was contacted by the service provider's VIP Guest Relations Manager to verify the source of funds deposited into the PGF account. The patron confirmed that the draft was from his personal account and circled "no" on the form in error.</p>	Finding	Casinos, Know your client requirements: What if you are unable to make a third party determination

#	Program Element	Regulatory Criteria Summary	Finding / Observation Details	Finding / Observation	FINTRAC Guideline (If Applicable)
		s 15(1), s 17(1)			
3	Due Diligence and Customer Identification	<p>FINTRAC Guideline: <i>For the purposes of the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA) and its associated Regulations, ongoing monitoring is a process whereby you determine and implement a periodic review of all information regarding the clients with whom you have a business relationship...The purpose of ongoing monitoring as defined by the Regulations is to:</i></p> <ul style="list-style-type: none"> <i>detect suspicious transactions that are required to be reported to FINTRAC;</i> 	<p>For one of 36 unsubstantiated cases that were reviewed, the KYC information associated to the patron in question was not current. The patron had accumulated 91 LCT files since Mar 2016 with buy-ins ranging from \$10,000 to \$20,000. The patron's occupation was listed as s 22 The patron resides s 22</p> <p>The unsubstituted case documentation referenced the source of wealth was from s 22 and noted this as part of the rationale for closing the</p>	Finding	Know your client requirements; Ongoing monitoring requirements

#	Program Element	Regulatory Criteria Summary	Finding / Observation Details	Finding / Observation	FINTRAC Guideline (If Applicable)
		<ul style="list-style-type: none"> • <i>keep client identification, beneficial ownership information, and the purpose and intended nature of the business relationship record up to date;</i> • <i>re-assess your client-risk based on their transactions and activities; and</i> • <i>determine whether the transactions or activities are consistent with your information and risk assessment of the client.</i> 	<p>incident; however, no due diligence documentation was observed on file to support this statement. The source of wealth for s 22 was not verified at the time the case was closed.</p> <p>Subsequent to our review, BCLC remediated the supporting documentation for the case by performing a review and documenting the results in s 15(1) report for the patron and s 22 on August 24, 2017. This report was generated to indicate the results for both the patron and their source of funds through s 22. EY reviewed this document and found that the additional supporting documentation for the patron was included in the s 15(1) report.</p>		
4	Due Diligence and Customer Identification for Patron Gaming Fund (PGF) Accounts	<p>Subsection 9. (1) of the Proceeds of Crime (Money Laundering) and Terrorist Financing Regulations (PCMLFR)</p> <p><i>"[E]very person or entity that is required to keep a signature card or an account operating agreement in respect of an account under these Regulations shall, at the time that the account is opened, take</i></p>	Of the 55 PGF due diligence files sampled from an initial population of 233, one signature did not match the signature card on file (1.82% and 0.42% respectively). This is noted as an observation as the signatures were made by the same individual, but reflected either the patron's full name or their initials and were not consistent.	Observation	Casinos, Know your client requirements: When to identify individuals and confirm the existence of entities

#	Program Element	Regulatory Criteria Summary	Finding / Observation Details	Finding / Observation	FINTRAC Guideline (If Applicable)
		<i>reasonable measures to determine whether the account is to be used by or on behalf of a third party."</i>	In addition, EY observed that BCLC had flagged the signature in the file that an update was required.		
5	Regulatory Monitoring and Reporting	<p>FINTRAC Guideline: 3. What are Suspicious Transactions? 3.1 Reasonable grounds to suspect</p> <p><i>Suspicious transactions are financial transactions that you have reasonable grounds to suspect are related to the commission of a money laundering offence. This includes transactions that you have reasonable grounds to suspect are related to the attempted commission of a money laundering offence.</i></p> <p><i>Suspicious transactions also include financial transactions that you have reasonable grounds to suspect are related to the commission of a terrorist activity financing offence. This includes transactions that you have reasonable grounds to suspect are related to the attempted commission of a terrorist activity financing offence.</i></p>	For one of the 36 unsubstantiated cases reviewed, an incident was raised for potential bill stuffing activity and a subsequent cash-out for \$4,000. The rationale for closing the observed activity was not adequately documented in the original disposition language associated with the incident. This is noted as an observation as the additional support for the individual was provided and mitigated other potential red flags and no further instances involving the patrons associated to the case were noted.	Observation	FINTRAC Guideline 2: 6. Identifying Suspicious Transactions

#	Program Element	Regulatory Criteria Summary	Finding / Observation Details	Finding / Observation	FINTRAC Guideline (If Applicable)
6	Due Diligence and Customer Identification for Patron Gaming Fund (PGF) Accounts	FINTRAC Guideline: Identifying clients <i>As a financial entity, you must identify individuals and confirm the existence of entities for certain activities and transactions, as listed below...The formation of a business relationship and the ensuing obligations are tied to your requirements to identify clients. You are in a business relationship with every individual or entity that holds an account with you. For non-account-based relationships, you are considered to be in a business relationship with every individual you have had to identify at least twice, and with every entity whose existence you have had to confirm at least twice. If you have not identified an individual or confirmed the existence of an entity because an exception applied, you are still considered to be in a business relationship and must conduct ongoing monitoring and keep certain records.</i>	Of the 55 PGF due diligence files tested from the population of 233, five of the account opening agreements were incomplete (9.0% and 2.15% respectively). The country of citizenship was missing from some of the forms. This is noted as an observation as the country of citizenship was noted elsewhere in file for the patrons in these instances.	Observation	Casinos, Know your client requirements: Business relationship requirements
7	Due Diligence and Customer Identification	FINTRAC Guideline: <i>As a casino, you have record keeping requirements in addition to those described in this guidance. These</i>	Of the seven properties sampled, three have retained printed copies of due diligence checks and reports that were conducted during PGF account opening.	Observation	Casinos, Know your client requirements: When to identify individuals and

#	Program Element	Regulatory Criteria Summary	Finding / Observation Details	Finding / Observation	FINTRAC Guideline (If Applicable)
	for Patron Gaming Fund (PGF) Accounts	<p><i>additional requirements are detailed in the following Know your client guidance documents:</i></p> <ul style="list-style-type: none"> • <i>Methods to identify individuals and confirm the existence of entities</i> • <i>Business relationship requirements</i> • <i>Ongoing monitoring requirements</i> • <i>Third party determination requirements</i> 	These reports consisted of due diligence searches and reports aside from searches conducted in s 15(1). The other four service providers did not keep the same documents on file. This is noted as an observation as all new PGF accounts are subject to scans through s 15(1) as part of the onboarding due diligence process.		confirm the existence of entities - Casinos
8	Regulatory Monitoring and Reporting	<p>FINTRAC Guideline: Record keeping requirements for casinos</p> <p><i>In order to comply with your record keeping requirements, you are required to keep records in a manner in which they can be provided to FINTRAC within 30 days upon request. These records may also be requested through a judicial order, by law enforcement to support an investigation of money laundering or terrorist activity financing. A record (or a copy) may be kept in a machine-readable</i></p>	For one of the sampled 35 LCTRs from the population of 17,600 (2.86% and less than 0.01% respectively), we identified there was an instance where an older passport number was used when BCLC maintained a newer passport on file. This is an observation as valid identification information was still provided as part of the regulatory filing. Also, an inconsistency was identified for one of 38 STRs from the population of 640 reviewed (2.63% and 0.16%) respectively where the address information inputted in form field from	Observation	Casino, Record keeping: Record keeping requirements for casinos

#	Program Element	Regulatory Criteria Summary	Finding / Observation Details	Finding / Observation	FINTRAC Guideline (If Applicable)
		<p><i>or electronic form, so long as a paper copy can easily be produced.</i></p> <p>An LCTR was filed with an expired passport ID and an STR report had incomplete KYC information.</p>	s 15(1) differed from the details section in the STR. This is an observation because an ID for the patron with the correct address is maintained on file.		
9	Compliance Governance and Risk Assessment:	Updates to certain tabs within BCLC's Anti-Money Laundering Risk Assessment document have not been completed per the timeline memorialized in BCLC's AML policies and procedures.	While the primary AML risk tab was updated as of June 2017, the tabs for Product, Channel and Geographic risks have not been updated in the last six months as required per BCLC's AML policies and procedures. For example, Elements Casino now has active PGF accounts, but the last update in the Geographic Risk tab (May 2016) reflects that they have been approved for PGF accounts. It is unclear since May 2016 if the impact of active PGF accounts has changed the geographic risk for that location. This is noted as an observation as all tabs containing an assessment of risk to BCLC have been updated within the last two years in accordance with FINTRAC Guidelines.	Observation	N/A

#	Program Element	Regulatory Criteria Summary	Finding / Observation Details	Finding / Observation	FINTRAC Guideline (If Applicable)
10	Due Diligence and Customer Identification	In 2015 EY noted s 15(1) searches were reviewed on a delayed basis for patrons with established relationships as defined by FINTRAC. This delay has been remediated for PGF account holders; however, when business relationships for non-PGF account holders are established, searches in s 15(1) are conducted on s 15(1) basis.	s 15(1) searches for patrons where business relationships are established with BCLC are generally performed on s 15(1) basis. During our assessment, EY noted that non-PGF account holders may not be searched in s 15(1) until s 15(1) after the business relationship is established, although new PGF account holders are screened immediately. FINTRAC specifies that due diligence be performed under a risk based approach and does not specify a specific timeframe, thus this due diligence process is noted as an observation.	Observation	Casinos, Know Your Client Requirements, Ongoing Monitoring Requirements

5. Appendix A: Source Documentation

a. Sub-Process: Oversight and Management

1. Chief Anti-Money Laundering Officer's (CAMLO's) resolution evidencing the approval of BCLC's current AML and sanctions compliance programs:
 - 2017 04 04 BCLC's Anti-Money Laundering and Anti-Terrorist Financing Compliance Manual v.5 FINAL.pdf
 - 2017-05-08 AML Compliance Manual Sign-off (version 5) - RK.pdf
 - Corporate Security and Compliance Management Report - AML + Analysis - Board Meeting - July 25, 2017.docx
 - Corporate Security and Compliance Management Report - AML + Analysis - Board Meeting - May 11, 2017.docx
2. Current BCLC organizational charts (e.g., Compliance, Front Office, Operations).
 - 2017-08-03 BCLC Org Chart - Senior Executives.pdf
 - 2017-08-03 CS+C Divisional Org Chart.pdf
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.
 - AML UNIT BIOS.docx
4. Current BCLC AML / sanctions risk-assessments.
 - 2017-08-03 AML Risk Register Approval (version 07 31 2017) - signed by Rob.pdf
 - Current AML Risk Register - Copy.xlsx
 - Geographic Risk Values Region - Copy.msg
5. Board/executive management meeting minutes specifically related to AML/Terrorist Name List Scanning matters during the scope period.
 - 2017-07-21 BCLC and Service Providers AML Meeting - AGENDA.pdf
 - AML SP Meetings.docx
 - STR Meetings conducted on the following dates.docx
 - Corporate Security and Compliance Management Report - AML + Analysis - Board Meeting - July 25, 2017.docx
 - Corporate Security and Compliance Management Report - AML + Analysis - Board Meeting - May 11, 2017.docx

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.
 - List of ALL SP AML training Reports for employees.

4. Copies of AML and sanctions training materials used during the scope period.
 - Board of Directors_Training_DEC2016.pptx
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.
 - Online AML Training
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.
 - New PGF Accounts Edgewater 2017.docx
 - New PGF Accounts Edgewater 2017.pdf
 - New PGF Accounts Elements 2017.pdf.docx
 - Cascades New PGF Accounts.docx
 - River Rock PGF Accounts.xlsx
 - Starlight New PGF Accounts.docx
 - Villa New PGF Accounts.xlsx
 - 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)
 - AS UFT Report April 02 - April 15.docx
 - AS UFT Report April 16 - April 29.docx
 - AS UFT Report April 30 - May 13.docx
 - AS UFT Report December 25 - January 7.docx
 - AS UFT Report February 05 - February 18.docx
 - AS UFT Report February 19 - March 04.docx
 - AS UFT Report January 22 - February 04.docx
 - AS UFT Report January 8 - January 21.docx
 - AS UFT Report June 11 - June 24.docx
 - AS UFT Report March 05 - March 18.docx
 - AS UFT Report March 19 - April 01.docx
 - AS UFT Report May 14 - May 27.docx
 - AS UFT Report May 28 - June 10.docx
 - s 15(1) Summary Report.xlsx
 - s 15(1) Summary Report Sample Selection.xlsx
4. Management reports used to monitor PEPF account activity, including reports for identifying unusual and suspicious activity during the scope period
 - Bank Draft - Certified Cheque Report.xls
 - Convenience Cheque Report.xls
 - Daily FINTRAC Report Summary was executed at 10 08 2017 7 30 10 AM.msg
 - 2017 01 Monthly Security Dashboard.msg
 - 2017 02 Monthly Security Dashboard.msg
 - 2017 03 Monthly Security Dashboard.msg
 - 2017 04 Monthly Security Dashboard.msg
 - 2017 05 Monthly Security Dashboard.msg
 - 2017 06 Monthly Security Dashboard.msg

e. 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

f. 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. AML record retention policies, procedures and schedule
 - b. LCTR, CDR and STR records
 - c. Patron signature cards
 - d. Deposit and withdrawal records for PGF accounts, along with applicable personal identifying and account holder information for these patron account
 - e. Transaction ledgers and cage transaction details
 - f. Logs or other methods used to record information concerning cash transactions with patrons
 - g. Foreign and third-party transactions (if applicable)
 - h. Records regarding the extension of credit/markers
 - i. Foreign exchange transaction tickets
 - j. Slot transaction files
 - k. Surveillance logs (if computerized, provide the logs in electronic form)
 - l. Account operating agreements
 - m. Debit and credit memos
 - n. Records for the remittance or transmission of \$1,000 or more and include information with certain transfers
 - o. Records of the purpose and intended nature your business relationships
 - p. Records on the measures you take to monitor your business relationships and the information you obtain as a result of your monitoring

g. Sub-process: Independent Testing and Review

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 since the date of the previous assessment work in 2015.
 - EY Report_AML Sanctions Program Assessment of BCLC_112315_FINAL.pdf
 - Findings Letter from Fintrac 2016.pdf
 - IPSA Report ML on Slots.docx

6. Appendix B: Interview Participants

BCLC: s 15(1), s 19

SP Personnel:

- **Grand Villa Casino:** [REDACTED] (Relief Surveillance Supervisor), [REDACTED] (Slot Supervisor), [REDACTED] (Pit Manager), [REDACTED] (Cashier Supervisor);
- **Starlight Casino:** [REDACTED] (Cage Shift Manager), [REDACTED] (Shift Manager), [REDACTED] (Slots Supervisor), [REDACTED] (Surveillance Operator);
- **RiverRock Casino:** [REDACTED] (Cage Shift Manager), [REDACTED] (Floor Gaming Manager), [REDACTED] (Surveillance Shift Manager), [REDACTED] (Slot Shift Manager)
- **Edgewater Casino:** [REDACTED] (Cage Supervisor), [REDACTED] (Surveillance Manager), [REDACTED] (Slots Supervisor), [REDACTED] (Table Games)
- **Hard Rock Casino:** [REDACTED] (Surveillance Shift Manager), [REDACTED] (Slots Supervisor), [REDACTED] (Shift Manager), [REDACTED] (Cage Shift Manager);
- **Elements Casino:** [REDACTED] (Cage Supervisor), [REDACTED] (Floor Manager), [REDACTED] (Slots Supervisor), [REDACTED] (Surveillance Manager)
- **Cascades Casino:** [REDACTED] (Cage Supervisor), [REDACTED] (Surveillance Manager), [REDACTED] (Tables Shift Manager), [REDACTED] (Slots Supervisor)



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