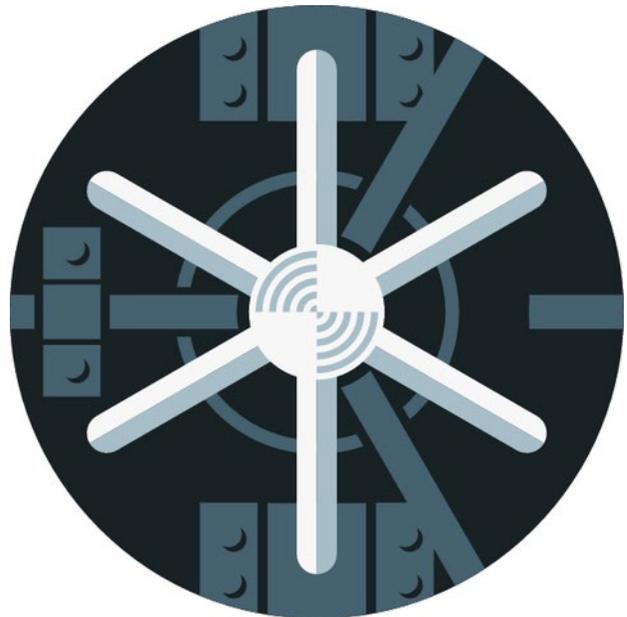




# British Columbia Lottery Corporation (BCLC)

Independent Assessment of Anti-Money Laundering ("AML")/Anti-Terrorist Financing ("AFT") and Sanctions Compliance Program

**December 13, 2022**



This report is intended solely for the information and internal use of British Columbia Lottery Corporation (BCLC), and should not be used or relied upon by any other person or entity.

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## Report Preamble

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This report will not be used by or circulated, quoted, disclosed, or distributed to, nor will reference to such reports or other materials be made to, anyone except the Financial Transactions and Reports Analysis Centre of Canada ("FINTRAC") and BCLC's regulatory oversight body, the Gaming Policy and Enforcement Branch ("GPEB"), without Deloitte's prior written consent.

BCLC is solely responsible for, among other things: (a) making all management decisions and performing all management functions; (b) complying with regulatory requirements, and BCLC policies and procedures; and (c) establishing and maintaining internal controls, including, without limitation, monitoring ongoing activities.

This report was based on documentation and information provided by BCLC management and identified stakeholders who were interviewed and consulted during this assessment between September 16, 2022 and November 30, 2022.

This independent assessment is intended to support BCLC with its obligations to comply with the requirements set out in the Proceeds of Crime (Money Laundering) and Terrorist Financing Act ("PCMLTFA"), including associated Regulations ("PCMLTFR"), and FINTRAC guidelines, as applicable. As described in the Statement of Work ("SOW"), this report is exception-based and summarizes the program-related observations which do not meet the statutory requirements. Detailed observations are outlined in **Appendix D**.

## Background and Overview

The PCMLTFA, read with the associated Regulations, require reporting entities, including casinos, to conduct an effectiveness review of their Anti-Money Laundering and Terrorist Financing (“AML”) Program every two years. BCLC is responsible for meeting the obligations of the PCMLTFA and associated Regulations. BCLC engaged Deloitte to complete this review in accordance with the requirements outlined within the PCMLTFA, PCMLTFR and FINTRAC guidelines (“the assessment”). The assessment was performed in accordance with the scope agreed-upon in the Statement of Work dated September 12, 2022.

### Scope

All areas of the AML compliance program as prescribed by FINTRAC were included in the scope of our review:

- The appointment of a person who is responsible for the implementation of the compliance program (compliance officer);
- The development and application of written compliance policies and procedures that are kept up-to-date and that cover:
  - Know Your Client requirements
  - Reporting requirements
  - Record keeping requirements
- Conducting a risk assessment of business activities and relationships;
- The development and maintenance of a written ongoing compliance training program for employees, agents, and others authorized to act on behalf of BCLC; and
- The institution and documentation of an effectiveness review of the compliance program

### Testing period

The assessment covered a testing period of:

- January 1, 2022 to June 30, 2022 for land-based activities; and
- July 1, 2021 to June 30, 2022 for online activities.

### Out-of-scope

- AML Program Areas:
  - Information Technology (IT) specific testing of semi-automated and automated controls (e.g. testing of code, system queries, and business and technical rules)
  - Detailed root cause analysis for identified findings
  - Validation of AML models and systems
- BCLC Product Areas:
  - Lottery
  - All Sports Betting
  - The BCLC reward program (“Encore”) is excluded from scope as there are no funds that are deposited or disbursed from these accounts and are thus not relevant for the AML program.

- Other Areas:
  - Controls under the purview of service providers

### **Exclusions**

The following AML sub-components were not applicable as part of our review:

- There were no Terrorist Property Reports ("TPRs") and International Electronic Funds Transfers ("EFTs") during the review period, and thus no operating effectiveness testing in these areas.
- Large Cash Transactions Reports ("LCTRs") do not apply to online gaming as cash is not accepted. Design and operating effectiveness testing for LCTRs were thus not applicable for online gaming.
- BCLC does not extend credit to its clients; credit extensions were thus inapplicable for our review.
- BCLC does not accept virtual currency; virtual currencies were thus inapplicable for our review.

### **Limitations**

- Deloitte was provided restricted access to BCLC's Casino Reporting System ("iTrak") and Customer Relationship Management System ("Salesforce"). We did not have access to the online gaming management system ("OpenBet"), the underlying system infrastructure (Enterprise Data Warehouse ("EDW"), Statistical Analytics Tool ("SAS"), network folder access, etc.) and other systems not directly related to the AML Program, such as the Gaming Management System ("GMS") related to BCLC's reward program ("Encore"). Therefore, Deloitte relied upon BCLC staff to provide the relevant data and supporting documents including transaction reports submitted by BCLC either electronically (e.g. batch file transfers) or manually through FINTRAC's reporting system ("F2R").
- For online activities, Deloitte excluded transactions pertaining to Manitoba players as BCLC acts as a third-party service provider for the Manitoba Liquor & Lotteries (MLL) who ultimately has the AML obligations as it relates to its players and transactions.

## Key activities conducted

Table 1 below provides a high-level overview of the project plan. Refer to **Appendix B** for the list of documentation examined and **Appendix C** for the list of interview participants.

*Table 1: High level project plan*

Phase	Activities
1. Planning	<ul style="list-style-type: none"> <li>• Identified and requested supporting information and documents required to conduct the program assessment</li> <li>• Held a meeting with BCLC participants to:               <ul style="list-style-type: none"> <li>– align on expectations, sampling methodology and format of draft and final deliverables;</li> <li>– validate understanding of current landscape (including risk-based approach); and</li> <li>– identify relevant stakeholders</li> </ul> </li> <li>• Developed a project plan outlining the schedule for review and testing activities</li> <li>• Developed an assessment framework based on FINTRAC regulations and guidance</li> </ul>
2. Design Assessment	<ul style="list-style-type: none"> <li>• Reviewed policies and procedures to gain an understanding of current procedures, practices and relevant systems</li> <li>• Conducted interviews and walkthroughs with BCLC representatives as well as service provider representatives to validate and complement our understanding of current procedures, practices and relevant systems</li> <li>• Performed a gap analysis between regulation requirements and current policies and practices</li> </ul>
3. Operating Assessment	<ul style="list-style-type: none"> <li>• Obtained relevant population listings and performed risk-based sampling</li> <li>• Reviewed supporting records and observation of selected samples</li> <li>• Conducted on-site procedures and interviews at the following selected sampled locations:               <ul style="list-style-type: none"> <li>– Parq Vancouver</li> <li>– River Rock Casino Resort</li> <li>– Starlight Casino</li> <li>– Chances – Maple Ridge</li> </ul> </li> <li>• Assessed the program areas and related controls for operating effectiveness</li> <li>• Validated preliminary results with relevant BCLC stakeholders</li> </ul>
4. Reporting	<ul style="list-style-type: none"> <li>• Developed a report summarizing assessment results, where applicable</li> <li>• Provided the report for review by the relevant BCLC stakeholders and incorporated feedback</li> <li>• Obtained management responses from BCLC for observations</li> </ul>

# Summary of the Results

## Overview of AML Program

Based on the key activities conducted, Table 2 provides a high-level summary of the current procedures and practices of BCLC’s AML Program components in place to meet the regulatory requirements.

Table 2: High level summary of BCLC's AML Program components

1. Regulatory requirement:	Designated Compliance Officer
<i>The appointment of a person who is responsible for the implementation of the compliance program</i>	
<p>The Vice-President (“VP”) of Legal, Compliance, and Security oversees all aspects of the AML compliance regime and is the designated Chief Compliance and AML Officer for BCLC.</p> <p>The AML &amp; Investigations Unit is currently headed by the Director of AML and Investigations who provides strategic leadership, guidance and operational management to BCLC’s AML Programs, Intelligence &amp; Investigations teams to ensure BCLC remains compliant with regulatory requirements. Three seasoned managers lead the AML Programs, AML Intelligence, and AML Investigations teams respectively. Their areas of responsibilities include delivering AML and business analysis solutions, patron due diligence, ongoing monitoring, regulatory reporting, training, and overseeing a team of investigators whose purpose is to identify and resolve AML threats to BCLC’s land-based and online operations. The AML &amp; Investigations Unit consists of approximately 35 members who each have diverse skillsets and unique experience that contribute to the fulfilment of BCLC’s AML mandate.</p> <p>There is scheduled and documented AML reporting to senior management, executive leadership and the BCLC Board of Directors (“the Board”). Management reporting in the form of Legal, Compliance and Security dashboards are circulated monthly. Executive reporting is distributed monthly, and Audit Committee and Board reporting are provided on a quarterly basis including the results of the independent AML assessments conducted at gaming facilities by Operational Gaming Compliance (“OGC”).</p> <p>The reporting items relate to AML compliance and trends, with reporting metrics including transaction and regulatory reporting (i.e., Suspicious Transaction Reports (“STRs”), Large Cash Transaction Reports (“LCTRs”), Cash Disbursement Reports (“CDRs”), unusual financial transactions (“UFTs”)) numbers, high risk patrons, trends analysis, audit and/or compliance results, etc. There is also <i>ad hoc</i> reporting to external parties upon request, including to the Gaming Policy and Enforcement Branch (“GPEB”) and the Ministry of Attorney General.</p> <p>The AML &amp; Investigations Unit has additional regular compliance meetings with stakeholders from the larger casino properties, and there is continued dialogue and information sharing between BCLC and industry stakeholders, including GPEB, the Royal Canadian Mounted Police (“RCMP”), BC Gaming Industry Association (“BCGIA”) etc. in the form of regular meetings and reporting.</p>	

2. Regulatory requirement:	Compliance Policies and Procedures
<i>The development, application and maintenance of written compliance policies and procedures.</i>	
<p>Written policies and procedures are in place and provide an overview of BCLC's AML compliance program to ensure that regulatory requirements are fulfilled. Overall, these key documents cover the required program areas: patron identification and due diligence; risk assessment activities; ongoing monitoring; transaction reporting requirements; training; and record retention requirements.</p> <p>Policies and procedures are reviewed and updated on a regular basis by the AML &amp; Investigations Unit, with reviews triggered by legislative changes, directives, findings from independent reviews etc., and are signed-off by a senior officer, notably by the VP of Legal, Compliance, and Security. Version control and an audit trail of the review and sign-offs are primarily managed by a Policy Analyst within the Information Privacy function ("BCLC Policy team") under the Director of Casino Operations. The latest AML policy inventory includes a Compliance Manual (dated June 30, 2022), an eGaming Investigation Procedure Manual (last updated September 22, 2022), and the AML Control Procedures (dated March 25, 2022).</p> <p>The Casino and Community Standards, Policies, and Procedures document ("SPPs") is aimed at casino service providers, and outlines the minimum standards onsite personnel should adhere to. The document can be found on BCLC's intranet site and service providers have electronic copies available for easy reference. The AML &amp; Investigations Unit works closely with the Policy Analyst to address any necessary policy updates and revisions are communicated to the service providers and BCLC staff. These communications are circulated as part of the BCLC's corporate policy review process, or as soon as the changes are implemented, in situations which warrant immediate amendments to current processes.</p> <p>Key procedures and practices are summarized as follows:</p> <ul style="list-style-type: none"> <li>• Know your client <ul style="list-style-type: none"> <li>○ Account opening for land-based gaming – Patrons are identified when they open a Patron Gaming Fund ("PGF") account.</li> <li>○ Account opening for online gaming – Players are identified when they register for a PlayNow account.</li> <li>○ Service providers are required to identify players when conducting a transaction that triggers a KYC obligation including LCTRs, CDRs, STRs and receipts of funds over \$ 3,000 or more.</li> </ul> </li> <li>• Ongoing monitoring and enhanced monitoring <ul style="list-style-type: none"> <li>○ Land-based gaming – Service providers are expected to monitor unusual activities and escalate them as appropriate. In addition, the BCLC AML &amp; Investigations Unit reviews a variety of alerts and transaction reports to assess whether transactions require further escalation.</li> <li>○ Online gaming – The BCLC AML &amp; Investigations Unit reviews a variety of alerts and transaction reports to assess whether transactions require further escalation.</li> <li>○ s 15(1)</li> </ul> </li> <li>• Regulatory Reporting <ul style="list-style-type: none"> <li>○ Land-based – LCTRs and CDRs are automatically submitted to FINTRAC using the iTrak batching process. STRs are submitted once AML Investigators have reviewed the unusual transaction incident reports and concluded that they are substantiated.</li> <li>○ Online – CDRs are manually completed by eGaming Investigators and submitted to FINTRAC. A record of submission is detailed within the Salesforce system. STRs are submitted similar to the land-based process.</li> </ul> </li> <li>• Record keeping <ul style="list-style-type: none"> <li>○ Land-based – Patron information and reported transactions are kept within the iTrak system. Records are retained for at least 5 years.</li> <li>○ Online – Player information is kept within the OpenBet system and reported transactions are kept on Salesforce and iTrak. Records are retained for at least 5 years.</li> </ul> </li> </ul>	

3. Regulatory requirement:	Risk assessment
<p><i>A risk assessment of BCLC’s business activities and relationships.</i></p>	
<p>The AML &amp; Investigations Unit follows a risk-based approach to managing potential money laundering and terrorist financing risks, and performs both a business-based and relationships-based risk assessment of the land-based casino properties and eGaming.</p> <p>As it relates to the business-based risk assessment, the AML &amp; Investigations Unit has a documented AML risk register which is compiled by the AML Intelligence Manager with input from the AML Program and eGaming teams. The AML risk register contains the following: the AML &amp; Investigations Unit’s risk rating methodology; Patron Risk Assessment, Product Risk Assessment, Channel Risk Assessment and Geographical Risk Assessment for both land-based casinos and eGaming; an analysis of the inherent risk, its impact, the likelihood of the risk occurring as well as an action plan and tracking thereof. The AML risk register is updated by the AML &amp; Investigations Unit’s management team at least every 6 months, and the updates were approved by the Director of AML and Investigations on June 30, 2022. The AML risk register informs the enterprise-wide risk register compiled by BCLC Enterprise Risk Management Services (“ERMS”) and is submitted to the Board and executive leadership.</p> <p>s 15(1)</p>	

4. Regulatory requirement:	Ongoing compliance training program
<p><i>The development and maintenance of a written ongoing compliance training program for employees, agents, and others authorized to act on BCLC’s behalf.</i></p>	
<p>As part of the onboarding process, all BCLC staff, as well as the front-line employees of casino service providers who deal with patron transaction activity and handle funds, are required to complete the BCLC AML online training course before they are allowed to commence work. In addition to training at the onboarding stage, all relevant employees (e.g., AML Compliance, Cage, Table Games and Slots) at the gaming facilities staff must complete an annual training and BCLC staff must complete their training every 2-years (within 30 days after date of expiry).</p> <p>The training content is developed by the BCLC AML managers and approved by the Director, AML and Investigations. The training covers money laundering concepts; AML requirements including patron identification, transaction reporting and record keeping responsibilities; suspicious behaviour indicators; and incorporates interactive slides and scenario-based examples relevant to the gaming industry. Employees are required to complete an assessment at the end of the training module.</p> <p>The Manager of the AML Intelligence team regularly monitors BCLC staff training status leveraging a weekly tracking report. The Manager follows up with employees as appropriate.</p> <p>The AML &amp; Investigations Unit highlighted that it is the service providers’ responsibility to follow up on any outstanding training and that the service providers’ Human Resources staff are responsible for maintaining the data in the Learning Management System (“LMS”) to ensure it is accurate and up-to-date. The Manager of the AML Intelligence team tracks status for service provider employees on a quarterly basis.</p> <p>Relevant external training is available to the BCLC AML &amp; Investigations Unit. Staff are able to attend various AML and gaming compliance-related conferences, seminars and external courses. BCLC has an enterprise Association of Certified Anti-Money Laundering Specialists (“ACAMS”) membership, and AML staff may obtain “CAMS” certification as desired.</p>	

5. Regulatory requirement:	Two-year effectiveness review
<p><i>The institution and documentation of an effectiveness review of BCLC's compliance program every two years (minimum).</i></p>	
<p>BCLC has contracted with independent reviewers to conduct biennial independent reviews of their AML Program. The Director, AML and Investigations, supported by the Manager of AML Intelligence, coordinates the independent reviews performed by external and internal auditors as well as those initiated by provincial and federal regulators. This responsibility includes reviewing and addressing the audit findings, in consultation with the appropriate business areas, to determine a course of action to correct any issues identified and tracking action items.</p> <p>BCLC's Internal Audit Services team also assists, to a limited extent, with certain specialized AML audits such as testing transaction reporting and the completion of Reasonable Measures (RM) / Source of Funds (SOF) forms. The OGC function also performs periodic compliance reviews throughout the year at the casino service provider level, and the report results are shared with the BCLC AML &amp; Investigations Unit, among others.</p>	

## Overall results

Summary results for each area, including the sample-based testing results, are presented below in Table 3 and Table 4 respectively. Findings have been risk assessed based on the following definitions:

- **Low Risk** - Minor exceptions observed with limited impact on the effectiveness of the AML program or a component thereof.
- **Moderate Risk** - Exceptions observed with impacting the effectiveness of the AML program or a component thereof.
- **High Risk** - Significant exceptions observed where the AML program or a component thereof may be ineffective in managing AML risks.

No high risk findings were identified as part of our assessment.

Observations have been thematically grouped under three themes categorized as “findings” and have been outlined across the AML program areas in the table below. Observations are detailed **Appendix D**.

*Table 3: Summary of findings per assessment area*

Program Component	Land-Based		eGaming	
	Design Effectiveness	Operating Effectiveness	Design Effectiveness	Operating Effectiveness
Compliance officer	-	-	-	-
Policies and procedures	-	-	-	-
Know your client	<b>Finding #2</b> (Observation 3)	<b>Finding #3</b> (Observation 5)	-	-
Ongoing monitoring	<b>Finding #1</b> (Observations 1 & 2) <b>Finding #2</b> (Observation 4)	-	<b>Finding #1</b> (Observation 1) <b>Finding #2</b> (Observation 4)	-
Record keeping	-	-	-	-
Reporting	-	<b>Finding #3</b> (Observation 6)	-	-
Risk assessment	-	-	-	-
Training	-	-	-	<b>Finding #3</b> (Observation 7)
Effectiveness review	-	-	-	-

## Design Effectiveness Findings

### **Finding #1 – Manual and non-formalized process for a subset of ongoing monitoring activities**

- As part of BCLC's various ongoing monitoring activities, one of the key processes consists of AML Analysts and Investigators reviewing a variety of automated alerts and transaction reports to assess whether activities are unusual and warrant further review. The process is summarized as follows:
  1. Individuals from the AML Intelligence and Investigations team are assigned to review these reports on either a daily, weekly, monthly or ad-hoc frequency dependent on each report type.
  2. The individuals review the reports and assess whether there are any transactions or events that warrant further review or whether there are no further actions required.
  3. If transactions and events are deemed to warrant further review, they are tracked and reviewed in shared trackers and systems (i.e., iTrak and Salesforce) and undergo various levels of quality assurance reviews.
  4. If transactions and events are deemed not to warrant further review, the analysis is documented in the individuals' own personal trackers and/or working papers and no second-level reviews are conducted.

The observations noted in this process are as follows:

- The end-to-end process including the frequency of activities and related roles and responsibilities is not documented as part of policies and procedures; and
  - For transactions and events deemed not to warrant further review (i.e., as described in item #4 above), quality assurance controls are not in place to validate the appropriateness and reasonability of the analysis.
- BCLC's process to categorize patrons as high risk patrons ("HRPs") is a manual process where BCLC employees manually update the patron's risk profile in iTrak. Further, no quality assurance controls are in place to ensure risk rankings in the system are appropriately inputted. Due to the manual nature of this process combined with the lack of quality assurance controls, there is an increased risk that high risk patrons may not be appropriately categorized as such and thus not subject to enhanced due diligence (EDD) activities as intended by BCLC's policies and procedures. As part of our review, we identified 23 patrons that were not appropriately categorized in the system as HRPs and were thus not subject to EDD as required by BCLC's policies and procedures.

### **Finding #2 – Undefined and undocumented regulatory requirements for third-party determination during account openings, and maintaining client information**

- BCLC has neither defined nor documented a process to conduct third party determinations when opening Patron Gaming Fund ("PGF") accounts as part of its policies and procedures and relevant account opening forms. This said, ongoing

monitoring activities have been implemented by BCLC to monitor the risk related to the involvement of third parties. Specifically BCLC has controls in place to detect the potential involvement of third parties during account funding, play activities and funding withdrawals.

- BCLC has implemented controls to ensure that client information is updated upon reporting events (e.g., LCTRs, CDRs, STRs); this ultimately enables BCLC to maintain client information up to date, leveraging a risk-based approach. However, BCLC has not defined:
  - This process as part of its policies and procedures; and
  - The process and underlying circumstances to update client information for non-reporting events (e.g., Receipts of Funds over \$3,000).

## Operating Effectiveness Findings

### Finding #3 – Operating effectiveness findings

Operating effectiveness findings across the AML program areas have been summarized in Table 4 below.

Table 4: Sample-based testing results

Program Component	Land-Based		eGaming	
	Sample Size	Exceptions	Sample Size	Exceptions
<b>Know your client / Record keeping / Reporting</b>				
Large cash transactions (LCTs)	25	1 <b>Finding #3</b> (Observation 5)	N/A – No cash transactions	
Suspicious transactions (STRs)	11	2 <b>Finding #3</b> (Observation 6)	14	-
Casino disbursements (CDRs)	15	-	10	-
Receipt of funds of \$3,000 or more	13	-	12	-
Foreign currency exchange transactions of \$3,000 or more	14	-	N/A – Foreign currency exchange cannot be requested	
Initiation of an electronic funds transfer (EFT) of \$1,000 or more	Non-occurrence		25	-
Player account records and account opening	10	-	15	-
International electronic fund transfers of \$10,000 or more (EFTRs)	Non-occurrence		Non-occurrence	
Terrorist property (TPRs)	Non-occurrence		Non-occurrence	
<b>Ongoing monitoring</b>				
Alert and other corporate monitoring	15	-	10	-

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Enhanced due diligence	12	-	13	-
Unusual (unsubstantiated) financial transactions (UFTs)	14	-	11	-
<b>Training</b>				
BCLC Weekly Training Compliance Monitoring	N/A – Weekly report is obtained for BCLC employees		13	<sup>1</sup> <b>Finding #3</b> <i>(Observation 7)</i>
Service Provider Employees	12	-	N/A – Only BCLC employees operate in eGaming environment	

Refer to **Appendix D** (“Detailed Findings”) for the detailed results.

# Appendix A: List of In-scope Regulations and Guidance

The following table outlines the FINTRAC regulations and guidance that constituted the basis of our assessment.

Regulatory Reference
PCMLTFA and PCMLFTR

Guidance Reference
FINTRAC compliance program requirements
FINTRAC guidance on the risk-based approach to combatting money laundering and terrorist financing
FINTRAC know your client requirements – Casinos
FINTRAC record keeping requirements – Casinos
FINTRAC reporting guidelines
FINTRAC ML & TF indicators – Casinos

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## Appendix B: Summary of Documentation Examined

The following table provides a high-level summary of the documentation that was examined for each in-scope program assessment area.

Program Assessment Area	Documents Examined
Compliance officer	<ul style="list-style-type: none"> <li>• Current AML &amp; Investigations Unit organizational structure/chart</li> <li>• Job/role descriptions/documents describing authority, roles and responsibilities for all AML / sanctions compliance personnel/positions including chief AML officer ("CAMLO")</li> <li>• Board of Directors, Executive management, and other relevant committee(s) meeting minutes related to AML / sanctions risk</li> <li>• Relevant management reports and dashboards</li> </ul>
Policies and procedures	<ul style="list-style-type: none"> <li>• BCLC Compliance Manual (effective as of 6/30/2022)</li> <li>• BCLC eGaming Investigations Procedure Manual (updated as of 9/22/2022)</li> </ul>
Know your client / Record keeping / Reporting	<ul style="list-style-type: none"> <li>• List of patron gaming fund ("PGF") accounts opened</li> <li>• List of online PlayNow accounts opened</li> <li>• List of receipt of funds of \$3,000 or more for land-based and online</li> <li>• List of domestic EFTs (incoming and outgoing) for land-based and online</li> <li>• List of international EFTs (incoming and outgoing) for land-based and online</li> <li>• List of active patrons for land-based and online (via access through Salesforce and iTrak records)</li> <li>• List of required transaction reports submitted during the testing period for land-based and online gaming: <ul style="list-style-type: none"> <li>◦ Casino Disbursement Reports (CDRs)</li> <li>◦ Suspicious Transaction Reports (STRs)</li> <li>◦ Large Cash Transactions Reports (LTCRs)</li> </ul> </li> <li>• Access to relevant transaction and reporting records for land-based and eGaming (accessed through Salesforce and iTrak)</li> </ul>
Ongoing monitoring	<ul style="list-style-type: none"> <li>• List of all high risk patron accounts during the testing period</li> <li>• List of unusual (unsubstantiated) financial transactions ("UFTs") during the test period</li> <li>• Records of enhanced due diligence ("EDD") investigation results on iTrak</li> <li>• Records to conduct monitoring including the AML Analyst Work Tracker and AML Escalation tracker</li> </ul>
Risk assessment	<ul style="list-style-type: none"> <li>• Previous and most recently completed AML / sanctions risk assessments of business activities and relationships – risk register as of 6/30/2022</li> </ul>
Training	<ul style="list-style-type: none"> <li>• AML/sanctions employee and service provider training course materials</li> <li>• Training status and compliance report</li> </ul>
Effectiveness review	<ul style="list-style-type: none"> <li>• Previous internal/external audit reports and/or compliance testing results including the engagement or scope letter/statement of work and management's response and action plans</li> </ul>

## Appendix C: Interview List

The following table lists the various personnel from BCLC who participated in interviews including other *ad hoc* discussions and meetings, during the assessment.

Meeting Dates:	Between September 28 and November 25, 2022
<ol style="list-style-type: none"> <li>1. <b>Kevin deBruyckere</b> – Director, AML &amp; Investigations (Legal, Compliance, &amp; Security)</li> <li>2. <b>Bal Bamra</b> – Manager, AML Intelligence (Legal, Compliance, &amp; Security)</li> <li>3. <b>Daryl Tottenham</b> – Manager, AML Programs (Legal, Compliance, &amp; Security)</li> <li>4. <b>Kris Gade</b> – Manager, Investigations (Legal, Compliance, &amp; Security)</li> <li>5. <b>Brad Rudnicki</b> – AML Intelligence Specialist, AML Intelligence (Legal, Compliance, &amp; Security)</li> <li>6. <b>Cameron Dodson</b> – Investigator, Investigations (Legal, Compliance, &amp; Security)</li> <li>7. <b>Chris Pasceri</b> – Senior Systems Analyst (GMS &amp; Casino Systems)</li> <li>8. <b>Shaffin Mawani</b> – Product Owner (eGaming Payments - PlayNow.com)</li> <li>9. <b>Cherilyn Leffler</b> – Senior Manager (Player Account &amp; Platform Operations)</li> </ol>	

## Appendix D: Detailed Findings

The following section details the findings<sup>1</sup> and relevant regulatory expectations.

### Finding #1: Manual and non-formalized process for a subset of ongoing monitoring activities

Observation #	Program Component	Obs. Type	Land-based / Online	Regulatory Expectation	Description of Finding
1	Ongoing monitoring	Design	All	FINTRAC regulations and guidance suggests that regulated entities must document their processes to perform ongoing monitoring.	<p>As part of BCLC’s various ongoing monitoring activities, one of the key processes consists of AML Analysts and Investigators reviewing a variety of alerts and transaction reports to assess whether activities are unusual and warrant further review. The process is summarized as follows:</p> <ol style="list-style-type: none"> <li>1. Individuals from the AML Intelligence and Investigations team are assigned to review these reports on either a daily, weekly, monthly or ad-hoc frequency dependent on each report type.</li> <li>2. The individuals review the reports and assess whether there are any transactions or events that warrant further review or whether there are no further actions required.</li> <li>3. If transactions and events are deemed to warrant further review, they are tracked and reviewed in shared trackers and systems (i.e., iTrak and Salesforce) and undergo various levels of quality assurance reviews.</li> <li>4. If transactions and events are deemed not to warrant further review, the analysis is documented in the individuals’ own personal trackers and or</li> </ol>

<sup>1</sup> This independent assessment is intended to support BCLC with its obligations to comply with the requirements set out in the PCMLTFA, including the PCMLTFR, and FINTRAC requirements as applicable. As described in the SOW, this final report is exception-based and summarizes the program-related observations which do not meet the statutory requirements. Therefore all findings identified represent areas where the current process does not appear to be in line with regulatory requirements.

					<p>working papers and no second-level reviews are conducted.</p> <p>The observations noted in this process are as follows:</p> <ul style="list-style-type: none"> <li>• The end-to-end process including the frequency of activities and related roles and responsibilities is not documented as part of policies and procedures; and</li> <li>• For transactions and events and deemed not to warrant further review (i.e., as described in item #4 above), quality assurance controls are not in place to validate the appropriateness and reasonability of the analysis.</li> </ul>
2	Ongoing Monitoring - Enhanced Due Diligence	Design	Land-based	FINTRAC regulations and guidance suggests that enhanced due diligence should be periodically performed on high risk clients.	<p>BCLC’s process to categorize patrons as high risk patrons (“HRPs”) is a manual process where BCLC employees manually update the patron’s risk profile in iTrak. Further, no quality assurance controls are in place to ensure risk rankings in the system are appropriately inputted.</p> <p>Due to the undocumented nature of this process combined with the lack of quality assurance controls, there is an increased risk that high risk patrons may not be appropriately categorized as such and thus not subject to enhanced due diligence (EDD) activities as intended by BCLC’s procedures.</p> <p>As part of our review, we identified 23 patrons that were not appropriately categorized in the system as HRPs and were thus not subject to EDD as required by BCLC’s procedures.</p>

## Finding #2: Undefined and undocumented regulatory requirements for third party determination during account openings, and maintaining client information

Observation #	Program Component	Obs. Type	Land-based / Online	Regulatory Expectation	Description of Finding
3	Know your client - Third party determination requirements - Account Opening	Design	Land-based	FINTRAC regulations and guidance suggests that third party determinations must be conducted when opening an account.	BCLC has neither defined nor documented a process to conduct third party determinations when opening Patron Gaming Fund ("PGF") accounts as part of its policies and procedures and relevant account opening forms. This said, third party risk is mitigated by ongoing monitoring activities to detect the potential involvement of third parties during account funding, play activities, and funding withdrawals.
4	Ongoing monitoring	Design	All	FINTRAC regulations and guidance suggests that as part of ongoing monitoring, client identification information must be kept up to date.	BCLC has implemented controls to ensure that client information is updated upon reporting events (e.g., LCTRs, CDRs, STRs); this ultimately enables BCLC to maintain client information up to date, leveraging a risk-based approach. However, BCLC has not defined: <ul style="list-style-type: none"> <li>• This process as part of its policies and procedures; and</li> <li>• The process and underlying circumstances to update client information for non-reporting events (e.g., Receipts of Funds over \$3,000).</li> </ul>

## Finding #3: Operating effectiveness findings

Observation #	Program Component	Obs. Type	Land-based / Online	Regulatory Expectation	Description of Finding
5	Know your client - Third party determination for Large Cash Transaction Reports (LCTRs)	OE	Land-based	FINTRAC regulations and guidance suggest that third party determinations must be conducted when identifying and reporting large cash transactions.	For 1 out of 25 land-based samples the LCT on iTrak did not have the reasonable measures (RM) form scanned into the system media.

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Observation #	Program Component	Obs. Type	Land-based / Online	Regulatory Expectation	Description of Finding
6	Reporting - Suspicious Transaction Reports (STRs)	OE	Land-based	FINTRAC regulations and guidance suggest that STR information must be complete and accurate.	For 2 out of 11 land-based samples, the patron identification information in the STR was incomplete whereas the information was collected on both patrons based on discussions with BCLC participants. The information was collected on paper forms but not input in iTrak: <ul style="list-style-type: none"> <li>• 1 sample did not include the patron's occupation.</li> <li>• 1 sample did not include the government-issued ID information.</li> </ul>
7	Training	OE	eGaming	FINTRAC regulations and guidance suggests that an organization's training plan should describe the frequency of the ongoing compliance training program.	BCLC has defined a requirement to conduct training during onboarding and an ongoing basis. On an annual basis for service provider employees and every 2 years for BCLC staff.  For 1 out of 13 sampled BCLC employees, the training was not completed in a timely manner (i.e., within the 2-year requirement).



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#	<u>PCMLTFA and FINTRAC Requirement</u>	<u>Finding/Details</u>	<u>BCLC Response</u>	<u>Status</u>	<u>Accountable Party</u>
<b>Manual and non-formalized process for a subset of ongoing monitoring activities.</b>					
1	<b>FINTRAC regulations and guidance suggests that regulated entities must document their processes to perform ongoing monitoring.</b>	<p>The observations noted in the reviewing of automated alerts and transactions are as follows:</p> <ul style="list-style-type: none"> <li>• The end-to-end process including the frequency of activities and related roles and responsibilities is not documented as part of policies and procedures; and</li> <li>• For transactions and events deemed not to warrant further review, quality assurance controls are not in place to validate the appropriateness and reasonability of the analysis.</li> </ul>	<p>BCLC will document end-to-end process including frequency of activities and related roles and responsibilities in our Investigations manual.</p> <p>BCLC is looking to enhance the team by hiring a Quality Assurance (QA) Manager and Analyst to validate and document the appropriateness and reasonability of the analysis. The QA resources have been approved for FY24 (April 1, 2023).</p>	<b>Complete</b>	<b>AML Unit</b>
2	<b>FINTRAC regulations and guidance suggests that enhanced due diligence should be periodically performed on high-risk clients</b>	<p>BCLC's process to categorize patrons as high-risk patrons (HRPs) is a manual process where BCLC employees manually update the patron's risk profile in iTrak. Further, no quality assurance controls are in place to ensure risk rankings in the system are appropriately inputted.</p> <p>Due to the undocumented nature of this process combined with the lack of quality assurance controls, there is an increased risk that high risk patrons may not be appropriately categorized as such and thus not subject to enhanced due diligence (EDD) activities as intended by BCLC's procedures.</p> <p>As part of our review, we identified 23 patrons that were not appropriately categorized in the system as HRPs and were thus not subject to EDD as required by BCLC's procedures.</p>	<p>BCLC has identified the issue and has since then corrected the process. There is an automated alert to ensure that HRPs are added and removed in a timely manner and all patrons requiring EDD are captured and assessed. BCLC is actively looking for automation and exploring opportunities in this area.</p> <p>The documentation has been reviewed and updated to reflect this finding.</p> <p>The 23 patrons that were not appropriately categorized in the system as HRPs and been corrected. As well, BCLC has conducted a further search to ensure there are no other affected players. s 15(1)</p>	<b>Complete</b>	<b>AML Unit</b>

Undefined and undocumented regulatory requirements for third party determination during account openings and maintaining client information.					
3	<b>FINTRAC regulations and guidance suggests that third party determinations must be conducted when opening an account.</b>	BCLC has neither defined nor documented a process to conduct third party determinations when opening Patron Gaming Fund accounts as part of its policies and procedures and relevant account opening forms. This said, third party risk is mitigated by ongoing monitoring activities to detect the potential involvement of third parties during account funding, play activities, and funding withdrawals.	<p>The Patron Gaming Fund agreement will be updated to include the following statement:</p> <p><i>“Patron agrees that the funds deposited and used in the PGF account must be their own and must not be from or for a third party.”</i></p> <p>This is reaffirmed to the patron during completion of the account opening agreement.</p>	<b>Complete</b>	<b>AML Unit</b>
4	<b>FINTRAC regulations and guidance suggests that as part of ongoing monitoring, client identification information must be kept up to date.</b>	<p>BCLC has implemented controls to ensure that client information is updated upon reporting events (e.g., LCTRs, CDRs, STRs); this ultimately enables BCLC to maintain client information up to date, leveraging a risk-based approach. However, BCLC has not defined:</p> <ul style="list-style-type: none"> <li>- This process as part of its policies and procedures; and</li> <li>- The process and underlying circumstances to update client information for non-reporting events (e.g., Receipt of Funds over \$3,000).</li> </ul>	<p>BCLC Policy and Procedure Section 3-8.1 Cage – Large Cash Transaction, Foreign Exchange and Disbursement Reporting, Section 12.2 addresses ID validation requirements for reporting events. Thus, the first bullet point is erroneous.</p> <p>There are no requirements to update client information for non-reporting events such as Receipt of Funds, as this is ID verification only. The second bullet point is unnecessary; however, BCLC has noted this as an opportunity to update client information.</p>	<b>Complete</b>	<b>AML Unit</b>

Operating effectiveness findings					
5	<b>FINTRAC regulations and guidance suggest that third party determinations must be conducted when identifying and reporting large cash transactions.</b>	For 1 out of 25 land-based samples the LCT on iTrak did not have the reasonable measures (RM) form scanned in the system media.	The AML Unit and Internal Audit continuously monitor and review Source of Funds and Reasonable Measures for all sites. This serves to identify any trends on a random sampling basis. This is a human error issue and can only be controlled if 100% of all entries are reviewed; however, the process will be supported by the QA resources noted above.	<b>Complete</b>	<b>AML Unit</b>
6	<b>FINTRAC regulations and guidance suggest that STR information must be complete and accurate.</b>	For 2 out of 11 land-based samples, the patron identification information in the STR was incomplete whereas the information was collected on both patrons based on discussions with BCLC participants. The information was collected on paper forms but not input in iTrak: <ul style="list-style-type: none"> <li>- 1 sample did not include the patron's occupation.</li> <li>- 1 sample did not include the government issued ID information.</li> </ul>	The AML Unit continuously monitors and reviews all STRs. The ID verification information is auto-populated on the submission and is prone to human error if not observed. AML Investigators have been reminded to ensure 100% accuracy before filing an STR which will be enhanced with QA resources.  The implementation of the Everi transaction-monitoring system will resolve this issue.	<b>Complete</b>	<b>AML Unit</b>

7	<p><b>FINTRAC regulations and guidance suggests that an organization's training plan should describe the frequency of the ongoing compliance training program.</b></p>	<p>BCLC has defined a requirement to conduct training during onboarding and an ongoing basis. On an annual basis for Service Provider employees and every 2 years for BCLC staff.</p> <p>For 1 out of 13 sampled BCLC employees, the training was not completed in a timely manner (i.e., within the 2-year requirement).</p>	<p>BCLC training reports are automated and received weekly for review. All employees nearing their renewal date are reminded to take the course.</p> <p>This will be reviewed at the Executive table to ensure this is prioritized and employees are held accountable to complete this course in a timely manner.</p>	<p><b>Complete</b></p>	<p><b>AML Unit</b></p>
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