

2017/18 FINTRAC Examination Findings Overview

The Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) acknowledged that BCLC has made “*significant progress in improving its [Anti-Money Laundering (AML)] program over the years, and continues to enhance its maturity and effectiveness,*” as part of its last periodic examination.

The examination – the scope of which was from March 1, 2017 to February 28, 2018 – is designed to assess the effectiveness of BCLC’s AML program in managing money-laundering and terrorist-financing risks, and compliance with legislative requirements. While FINTRAC acknowledged BCLC’s progress, it did make some findings regarding BCLC’s record-keeping and reporting obligations.

By April 1, 2019, BCLC addressed each of FINTRAC’s observations and findings, summarized below:

- **Suspicious Transaction Reports (STRs)** – BCLC submitted 752 STRs during the period examined. In three instances, FINTRAC found that BCLC did consider all relevant factors but disagreed with BCLC’s assessment that the transactions did not rise to the statutory standard for suspicion. It found that BCLC should have concluded the circumstances were suspicious and submitted reports. Specifically, FINTRAC provided new advice/guidance to BCLC that an STR is required in every instance where a customer is the subject of two or more previous STRs; a customer is mentioned in a BCLC document related to another individual suspected of criminal activity; or a customer is the subject of a request for information by RCMP. BCLC has since filed STRs for all three instances, and has incorporated the new guidance from FINTRAC into its policy.
- **Large Cash Transaction Reports (LCTs)** – During the period examined, BCLC submitted 32,815 LCT reports to FINTRAC, which reviewed a sample of 9,970. FINTRAC found that in 814 (8%) of instances it considered the “occupation” field to be lacking sufficient detail, in that the secondary information for “employer/company name” was not included along with the occupation information. For example, where “CEO” is the occupation, FINTRAC stated that the LCT must also include the company name. FINTRAC examinations in 2014 and 2016 cited no deficiencies in recording and reporting of customer occupations, and BCLC has not changed any procedures related to the recording and reporting of customer occupations since the 2014 and 2016 examinations, nor have the legislative requirements changed in this regard. BCLC has implemented new processes and automated systems to ensure compliance with this new guidance from FINTRAC.

- **Casino Disbursement Reports (CDRs)** – For the period examined, BCLC submitted 82,919 CDRs to FINTRAC, which reviewed a sample of 9,998. FINTRAC found that in 510 (5%) of instances it considered the “occupation” field to be lacking sufficient detail, similar to the example above. The solution that BCLC implemented for the “occupation” field of LCTs noted above will also address it for CDRs. FINTRAC also cited two CDRs (of 454 reviewed) within PlayNow.com that BCLC did not report. BCLC has since submitted the CDRs and implemented further process checks to ensure future compliance.
- **Compliance Policies and Procedures** – FINTRAC found that BCLC policy did not sufficiently document which policies and procedures comprise the legislatively prescribed Enhanced Due Diligence (EDD) measures and that the EDD measures taken for high-risk customers were not set out in sufficient detail. BCLC has rewritten its policy in this area to address this finding.

FINTRAC also reviewed BCLC’s online gaming accounts opened between June 17, 2017 and February 28, 2018. In several accounts it was found that players had used a mailing address (i.e. PO Box) that did not disclose their physical location, as this was the address that was matched against the credit file to ascertain identification.

FINTRAC provided BCLC with two observations related to the need to record the physical addresses for these accounts, as well as training to ensure consistent understanding on the part of service providers of enhanced Source of Funds requirements implemented in January 2018.

BCLC is committed to working with our partners to safeguard B.C. casinos from the ever-evolving risk of criminal activity. In addition to FINTRAC’s examinations, BCLC engages independent, nationally recognized accounting firms to conduct reviews of its AML program every two years. These reports are available on bclc.com.

Scroll down to read FINTRAC’s Compliance Examination Findings and BCLC’s Action Plan Response.



November 14, 2018

PROTECTED B

Mr. Rob Kroeker
Chief Compliance Officer & VP
Legal, Compliance, Security
British Columbia Lottery Corporation (BCLC)
2940 Virtual Way
Vancouver, British Columbia V5M 0A6

Dear Mr. Kroeker,

Subject: Compliance Examination Findings
Exam Number: EXAM-2018-0037
Examination Dates: July 3-4, 2018 and July 17-27, 2018
Examination Period: March 1, 2017 to February 28, 2018
Examination Scope: As indicated in FINTRAC's letter dated March 27, 2018

Purpose of the Letter

The purpose of this letter and the attachments is to communicate and summarize the FINTRAC compliance examination findings, resulting from our recent examination to assess British Columbia Lottery Corporation's ("BCLC") compliance program (the "Program") with Parts 1 and 1.1 of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (the Act) and its associated regulations. Our findings and expected actions were discussed with you and other representatives of BCLC on July 31, 2018.

Agency Mandate

As Canada's financial intelligence unit, FINTRAC is responsible to ensure compliance of reporting entities with the legislation and regulations to assist in the detection, prevention and deterrence of money laundering and the financing of terrorist activities. FINTRAC's financial intelligence and compliance functions contribute to the safety of Canadians and the protection of the integrity of Canada's financial system.

Objective

The objective of the examination was to evaluate the effectiveness of BCLC's Program and its ability to comply with applicable regulatory requirements including:

- Part 1 and Part 1.1 of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* ("PCMLTFA" or the Act); the *Proceeds of Crime (Money Laundering) and Terrorist Financing Regulations* ("PCMLTFR"); and the *Proceeds of Crime (Money Laundering) and Terrorist Financing Suspicious Transaction Reporting Regulations* ("PCMLTFSTRR"); and
- FINTRAC Guidance.

Summary of Examination

FINTRAC acknowledges that BCLC has made significant progress in improving its Program over the years, and continues to enhance its maturity and effectiveness. An example of this includes the new source of funds requirement for buy-ins of \$10,000 or more in a 24-hour period that has been implemented to mitigate BCLC's risks of money laundering. FINTRAC's previous onsite compliance examination of BCLC was conducted in 2016. Based on the current examination, FINTRAC acknowledges that the previous deficiency identified has been addressed by BCLC.

Notwithstanding the progress noted, our current examination identified a number of findings in certain areas of the program that represent non-compliance. We acknowledge the measures already taken by BCLC to improve compliance, and BCLC's commitment to address the identified issues and ensuring compliance going forward.

Our detailed findings and observations are attached and outlined in *Appendix I – Examination Findings*.

BCLC's Response and Action Plan

We require receiving BCLC's response to the findings raised in this letter and *Appendix I – Examination Findings* within **30 days** of receiving this letter. The response should include a work plan of actions taken or planned to address the deficiencies and observations, with specific milestone targets detailed by month. The action plan should identify the person(s) responsible for the measures and the steps to be taken to confirm that the action plan items have been adequately addressed. This will enable FINTRAC to monitor BCLC's implementation progress.

We thank you and your staff, as BCLC's cooperation and assistance for the duration of the examination facilitated an efficient and effective review. If you have any questions, please contact one of the undersigned.

Sincerely,

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Enclosures: Appendix – Examination Findings
Details of Deficiencies

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**Appendix I – Compliance Examination Findings
British Columbia Lottery Corporation (BCLC)
Exam Number: EXAM-2018-0037**

Introduction

The objective of the examination conducted by the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) was to evaluate the presence and effectiveness of the Anti-Money Laundering (“AML”) and Anti-Terrorist Financing (“ATF”) Program (the “Program”) at British Columbia Lottery Corporation (“BCLC”), and BCLC’s ability to comply with applicable legislative and regulatory requirements. This appendix sets out the findings and observations, resulting from the examination, which were discussed with you and other representatives of BCLC on July 31, 2018.

FINTRAC’s current examination focused on both land-based and online casinos since the definition of *casino* was changed to include “*a lottery scheme accessible to the public through the Internet or other digital network*”.

For land-based casinos, the scope for the examination focused on BCLC’s Program for the period between March 1, 2017 and February 28, 2018. For online casinos, FINTRAC’s scope for the examination focused on BCLC’s Program for the period between June 17, 2017 and February 28, 2018.

Deficiency #1: Act 7 - Reporting - STR: Reporting requirements

Act 7 - Reporting STRs

Your organization has the obligation to report to the Centre, in the prescribed form and manner, every financial transaction that occurs or that is attempted in the course of your activities and in respect of which there are reasonable grounds to suspect that the transaction is related to the commission or attempted commission of a money laundering offence or a terrorist activity financing offence as required by section 7 of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*.

FINTRAC reviewed BCLC’s policies and procedures to assess its compliance with suspicious transaction reporting requirements. This included testing the effectiveness of BCLC’s process to identify, investigate, and submit reports in a timely manner through the patrons’ profiles and financial transactions reviewed by FINTRAC. The instances identified by FINTRAC of unreported suspicious transactions provide example cases that demonstrate gaps in BCLC’s Program. However, based on the sample size reviewed, there may be other instances of unreported suspicious transactions as a result of these identified Program gaps, given the size and scope of BCLC’s operations.

BCLC has to submit a Suspicious Transaction Report (STR) to FINTRAC when there are reasonable grounds to suspect that a transaction is related to the commission or the attempted commission of a money laundering and/or terrorist financing (ML/TF) offence. BCLC’s reason for submitting an STR does not have to be verifiable (probability of ML/TF) but merely reasonable (possibility of ML/TF); and the underlying offence does not have to be proven but merely suspected or alleged.

For the purpose of ensuring compliance with the PCMLTFA as it relates to the obligation to report STRs, FINTRAC reviewed BCLC's patrons' profiles and financial transactions to test the compliance program, specifically as it relates to the obligation to report transactions occurring in the course of your activities and in respect of which there are reasonable grounds to suspect that the transaction or attempted transaction is related to the commission or attempted commission of a ML or a TF offence.

During the examination, FINTRAC reviewed BCLC's patrons' profiles and financial transactions which included: buy-ins, casino disbursements, Player Gaming Fund (PGF) Accounts, cheques issued, unsubstantiated Unusual Financial Transactions (UFTs), productions orders, and patron information. For the examination period of March 1, 2017 to February 28, 2018, BCLC submitted 752 STRs to FINTRAC.

However, during the examination, FINTRAC identified three (3) instances where the obligation for reporting a STR was not met.

Unreported STR #1 – Subject Identification Number: s 22

Production Orders

Production orders (PO) are issued by law enforcement to compel BCLC to produce certain documents or information. Where the contents of the order are unsealed and relate to ML/TF or a predicate offence, BCLC should have a formal process in place to assess its business relationships for potentially suspicious transactions.

During the examination, FINTRAC reviewed the production orders that BCLC had received during the scope period of March 1, 2017 to February 28, 2018. This instance concerns a patron (Subject Identification Number: s 22) on whom BCLC received a production order related to proceeds of crime and drug trafficking. The patron conducted transactions within the examination scope; however, these were not submitted as STRs to FINTRAC. BCLC had previously submitted STRs between 2015 and 2017 where this patron was either the conductor or associated to the conductor of the transactions. While we acknowledge that BCLC had previously submitted STRs, this does not exonerate BCLC to continue submitting the transactions where there are reasonable grounds to suspect that the transactions are related to the commission of a money laundering offence.

CHRONOLOGY OF RELEVANT FACTS

- 1) In 2015, prior to the production order, BCLC submitted the following STRs to FINTRAC on transactions deemed suspicious that this patron had conducted:

<p>FINTRAC Report Number: s 15(1) Transaction Date: s 15(1) 2015 Amount: s 15(1)</p>
<p>The patron (Subject Identification Number: s 22) was listed as the individual conducting the transaction (part D) in the STR submitted to FINTRAC. In the description of the suspicious activity (part G) of the STR, the following is stated:</p> <p>s 15(1)</p>

<p>FINTRAC Report Number: s 15(1) Transaction Date: s 15(1) 2015 Amount: s 15(1)</p>
<p>The patron (Subject Identification Number: s 22) was listed as the individual conducting the transaction (part D) in the STR submitted to FINTRAC. In the description of the suspicious activity (part G) of the STR, it is explained that the buy-ins involved s 15(1) and the patron s 15(1) . The following is stated in part G of the STR submitted:</p> <p>s 15(1)</p>

- 2) Additionally, in 2016, BCLC submitted the following STR to FINTRAC on another patron based on transactions deemed suspicious where this patron (Subject Identification Number: s 22) is listed in the description of the suspicious activity (part G) of the STR:

<p>FINTRAC Report Number: s 15(1) Transaction Date: s 15(1) 2016 Amount: s 15(1)</p>
<p>The patron (Subject Identification Number: s 22) was not listed as the individual conducting the transaction (part D) in the STR submitted to FINTRAC, however, they (Subject Identification Number: s 22) were identified s 15(1) (part G). Part G of the STR explains that the individual identified in this STR s 15(1) (Subject Identification Number: s 22) at the casino site.</p>

- 3) Moreover, in 2017, BCLC submitted the following STRs to FINTRAC on another patron based on transactions deemed suspicious where this patron (Subject Identification Number: s 22) is listed in the description of the suspicious activity (part G) of the STR:

<p>FINTRAC Report Number: s 15(1) Transaction Date: s 15(1) 2017 Amount: s 15(1)</p>
<p>The patron (Subject Identification Number: s 22) was s 15(1) (part D) in the STR submitted to FINTRAC, however, they (Subject Identification Number: s 22) were identified s 15(1) (part G). Part G of the STR explains that the individual identified in this STR was s 15(1) (Subject Identification Number: s 22) at the casino site. Additionally, the following is documented about this patron (Subject Identification Number: s 22) in the action taken (part H) section of the STR: s 15(1)</p>

FINTRAC Report Number: s 15(1)
Transaction Date: s 15(1), 2017
Amount: s 15(1)

The patron (Subject Identification Number: s 22) was not listed as the individual conducting the transaction (part D) in the STR submitted to FINTRAC, s 15(1)

(part G). Part G of the STR explains that this patron (Subject Identification Number: s 22) s 15(1) this STRs 15(1) Additionally, it is explained by BCLC in the STR submitted that s 15(1)

(Subject Identification Number: s 22), s 15(1)

The following is stated in part G of the STR submitted:

s 15(1)

Additionally, in the action taken (part H) section of the STR, the following is stated about this patron (Subject Identification Number: s 22):

s 15(1)

4) BCLC received a production order dated s 15(1) 2017 on two patrons, one being the subject of this unreported STR (Subject Identification Number: s 22). The production order was for drug related offences and for the possession of and laundering of the proceeds of crime.

5) On s 15(1) 2017, the patron s 15(1)

Additionally, on s 15(1) 2017, the patron s 15(1)

which was withdrawn to play at the casino. As discussed with BCLC compliance staff during the examination, although a lookback was conducted, no STR was filed.

REASONABLE GROUNDS TO SUSPECT

Your organization is obligated, under section 7 of the *PCMLTFA*, to report every financial transaction that occurs or that is attempted in the course of its activities and in respect of which there are reasonable grounds to suspect that the transaction or attempted transaction is related to the commission or attempted commission of a money laundering offence or a terrorist activity financing offence.

Moreover, several STR indicators found in s 15(1) within BCLC's *Anti-Money Laundering and Anti-Terrorist Financing Compliance Manual* were present in the transactions identified. The indicators used by your organization are consistent with common and/or industry-specific indicators listed in *FINTRAC Guideline 2: Suspicious Transactions*¹ and are also consistent with internationally recognized money laundering indicators, such as those compiled by the Financial Action Task Force (FATF). These indicators are:

- **Has known criminal history or criminal associates**

According to the action taken (part H) section of various above-mentioned STRs submitted by BCLC to FINTRAC, s 15(1) (Subject Identification Number: s 22) s 15(1)

- **Identified by Police as being investigated for drug or proceeds of crime**

On s 15(1) 2017, BCLC received a production order on this patron related to proceeds of crime and drug trafficking. Based on the STRs submitted to FINTRAC by BCLC and the information obtained from your organization's s 15(1) system, this s 15(1)

Additionally, based on indicators listed in BCLC's s 15(1) ; this client is s 15(1) for the following reason:

- **Has history of two or more suspicious transactions**

In 2015, two STRs were submitted by BCLC to FINTRAC on this patron, and this patron was also listed in part G of STRs submitted in 2016 and 2017. Based on the STRs, the main suspicious indicator identified is that the patron (Subject Identification Number: s 22)^{s 15(1)}

and BCLC states that s 15(1)

According to the STRs submitted by BCLC to FINTRAC and information obtained from your organization's s 15(1) system, this patron is associated with a s 15(1)

¹ <http://www.fintrac-canafe.gc.ca/guidance-directives/transaction-operation/Guide2/2-eng.asp>

As discussed and confirmed with your staff during the examination, although a review of the patron's transactions was conducted upon receiving the production order, an STR was not submitted to FINTRAC as it was explained that there was no new information to be provided. Based on the facts provided, the suspicious indicators linked to the two transactions noted-above; there are reasonable grounds to suspect that the transactions are related to the commission or attempted commission of a money laundering offence. Therefore, BCLC should have submitted an STR to FINTRAC when the review of the patron's transactions was conducted upon receiving the production order.

Unreported STR #2 - Subject Identification Number: s 22

Unknown Patron Transactions

During the examination, FINTRAC reviewed BCLC's unsubstantiated Unusual Financial Transactions (UFT) reports. These are transactions that have been identified as potentially suspicious or unusual, however, upon further review; BCLC has deemed that there are no reasonable grounds to suspect that the transactions are related to money laundering and/or terrorist financing. Therefore, it was determined by BCLC that a STR is not warranted to be submitted to FINTRAC.

This instance concerns a patron who s 15(1) ; however, they s 15(1) . It was observed s 15(1) (Subject Identification Number: s 22) s 15(1)

(Subject Identification Number: s 22) s 15(1) as there may be an attempt to conceal the legitimacy of the funds and source.

CHRONOLOGY OF RELEVANT FACTS

- 1) In 2015, BCLC submitted the following STR to FINTRAC on a patron based on transactions deemed suspicious s 22 (Subject Identification Number: s 22) is listed in the description of the suspicious activity (part G) of the STR:

<p>FINTRAC Report Number: s 15(1) Transaction Date: s 15(1) 2015 Amount: s 15(1)</p>
<p>The patron (Subject Identification Number: s 22 (part D) in the STR submitted to FINTRAC, however, they were identified in the description of the suspicious activity (part G). Part G of the STR explains that this patron (Subject Identification Number: s 22) s 15(1) s 15(1) with the subject of this STR.</p>

Additionally, the following is stated in part G of the STR:
 s 15(1)

- 2) Another STR was submitted by BCLC in 2016 where the patron s 22 (Subject Identification Number: s 22) is the subject of the report:

FINTRAC Report Number: s 15(1) Transaction Date: s 15(1) 2014 Amount: s 15(1)
<p>The patron (Subject Identification Number: s 22) was listed as the individual conducting the transaction (part D) in the STR submitted to FINTRAC. In the description of the suspicious activity (part G) of the STR, it is stated that s 22</p> <p>Moreover, BCLC documented the following in part G of the STR: s 15(1)</p>

- 3) An incident report (s 15(1)) was created by Casino s 15(1) staff on s 15(1) 2017 detailing an unknown patron s 15(1)
- 4) A Form 86 was also sent to the Gaming Policy Enforcement Branch (GPEB) regarding this transaction, as according to Section 86(2) of the *Gaming Control Act*.²

"The lottery corporation, a registrant and a licensee must notify the general manager immediately about any conduct, activity or incident occurring in connection with a lottery scheme or horse racing, if the conduct, activity or incident involves or involved

² http://www.bclaws.ca/civix/document/id/complete/statreg/02014_01#section86

(a) the commission of an offence under a provision of the Criminal Code that is relevant to a lottery scheme or horse racing, or
(b) the commission of an offence under this Act.”

- 5) According to the incident report (s 15(1)), casino staff noted s 15(1)
- 6) Based on the incident report (s 15(1)), s 15(1) s 22 A
s 15(1) s 15(1)
- 7) Furthermore, according to the incident report (s 15(1)), it was observed by s 15(1) that the patron s 15(1) . The individual (Subject Identification Number: s 22) in the s 22 was confirmed by BCLC AML Investigations staff to be s 22
As documented by BCLC AML Investigations staff:
s 15(1) [name of staff] has visually identify the s 22 diver as possibly being [Subject Identification Number: s 22]”.
- 8) In the incident report (s 15(1)), BCLC AML Investigations staff noted that the individual (Subject Identification Number: s 22

Additionally, according to the incident report, BCLC AML Investigations staff documented the following:

“The investigator concurs the driver of the s 22 is most likely [Subject Identification Number: s 22]”.

“...s 22

This would also explain why s 22 sent [name of the subject of the unreported STR] in s 22 ”

- 9) The incident report (s 15(1)) noted that after the patron (Subject Identification Number: s 22) cashed the casino chips, they left the casino site immediately and were observed driving off with the individual (Subject Identification Number: s 22) s 22 in the s 22 A conclusion was made by BCLC AML Investigations staff in the incident report that based on both patrons being seen together, that Subject Identification Number: s 22 Subject Identification Number s 22 ,
- 10) On September 8, 2017, BCLC’s AML Investigations staff deemed that this transaction did not warrant an STR to be submitted to FINTRAC stating the following:

"The investigator has determined that these circumstances are not suspicious and lack notable industry indicators therefore unless further information comes to light that may suggest [name of patron SID #: s 22] or the chips redeemed this date is linked to criminal activity the investigator will not be submitting an STR to FINTRAC."

11) Moreover, in 2018, BCLC submitted the following STR to FINTRAC where patron of Subject Identification Number: s 22 is the subject of the transaction:

FINTRAC Report Number: s 15(1) Transaction Date: s 15(1) 2018 Amount: s 15(1)
<p>The patron (Subject Identification Number: s 22) was listed as the individual conducting the transaction (part D) in the STR submitted to FINTRAC. In the description of the suspicious activity (part G) of the STR, it is stated that the patron (Subject Identification Number: s 22 s 15(1) s 22 (Subject Identification Number: s 22) s 15(1) Moreover, throughout the gaming day, both patrons s 15(1) At one point, Subject Identification Number: s 22 was seen s 15(1) Subject Identification Number: s 22 .</p> <p>Additionally, in the action taken (part H) section of the STR, the following is stated about this patron (Subject Identification Number: s 22):</p> <p>s 15(1)</p>

REASONABLE GROUNDS TO SUSPECT

Your organization is obligated, under section 7 of the *PCMLTFA*, to report every financial transaction that occurs or that is attempted in the course of its activities and in respect of which there are reasonable grounds to suspect that the transaction or attempted transaction is related to the commission or attempted commission of a money laundering offence or a terrorist activity financing offence.

Moreover, several STR indicators found in s 15(1) within BCLC's *Anti-Money Laundering and Anti-Terrorist Financing Compliance Manual* were present in the transaction. The indicators used by your organization are consistent with common and/or industry-specific indicators listed in *FINTRAC Guideline 2: Suspicious Transactions*³ and are

³ <http://www.fintrac-canafe.gc.ca/guidance-directives/transaction-operation/Guide2/2-eng.asp>

also consistent with internationally recognized money laundering indicators, such as those compiled by the Financial Action Task Force (FATF). These indicators are:

- **Client appears to be acting on behalf of a third party, but does not tell you**
Based on the incident report (s 15(1)) that was created by Casino s 15(1) staff, it is confirmed by casino staff that the patron s 15(1)

Based on the s 15(1) by Casino s 15(1) staff, the patron (Subject Identification Number: s 22) s 15(1)

Subject Identification Number: s 22).

BCLC's AML Investigations staff identified the individual driving the s 22 (Subject Identification Number: s 22) as s 22 who has a s 22

- **Appears to collaborate with others to avoid record keeping, client identification or reporting thresholds**

Based on the incident report (s 15(1)), it is unknown s 15(1)

. However, as documented by BCLC

AML Investigations staff in the incident, this patron is seen driving with an individual (Subject Identification Number: s 22) in a s 22 who is s 22

A

conclusion was made by BCLC AML Investigations staff in the incident report that based on both patrons being seen together that Subject Identification Number: s 22 was s 15(1) Subject Identification Number s 22 .

- **Occupation does not match the level or type of play with no known explanation for the difference**

According to the incident report (s 15(1)), the patron had never been observed playing at the casino site and did not have an existing patron number on file. s 15(1)

s 22

BCLC did not s 15(1)

. Additionally, based on the STRs submitted by BCLC in 2015, 2016, and 2018 (see above paragraphs #1, 2, and 11) on Subject Identification Number: s 22 , it is documented in the reports that it is s 15(1)

These STRs submitted by BCLC on Subject Identification Number: s 22 note that the s 15(1)

Based on the facts provided, the suspicious indicators linked to the transactions, there are reasonable grounds to suspect that the transaction is related to the commission or attempted commission of a money laundering offence. Therefore, BCLC should have submitted a STR to FINTRAC after the transaction and incident were reviewed.

Unreported STR #3 - Subject Identification Number: s 22

Patron Gaming Funds (PGF) Account

During the examination, FINTRAC reviewed the Patron Gaming Funds (PGF) accounts held at the casino sites. This instance concerns a PGF account held at s 15(1) Casino where a patron brought in large quantities of bank drafts in large values from various financial institutions. However, based on the due diligence conducted by your organization, the source of wealth information obtained does not support their level and types of transactions.

CHRONOLOGY OF RELEVANT FACTS

- 1) This patron who holds a PGF account at s 15(1) Casino has their address listed in s 22 and their occupation as s 22. Based on s 15(1) information obtained by BCLC, your organization concluded that this patron is s 22.
- 2) In 2017, BCLC submitted the following STR to FINTRAC on transactions deemed suspicious that this patron had conducted:

FINTRAC Report Number: s 15(1) Transaction Date: s 15(1) 2017 Amount: s 15(1)
The patron was listed as the individual conducting the transaction (part D) in the STR submitted to FINTRAC. In the description of the suspicious activity (part G) of the STR, the following has been documented by BCLC: s 15(1)

- 3) Additionally, based on the above-mentioned STR submitted by BCLC to FINTRAC in 2017, the patron has been s 15(1) as of s 15(1) 2017:

s 15(1)
- 4) A Form 86 was also sent to the Gaming Policy Enforcement Branch (GPEB) regarding this transaction, as according to Section 86(2) of the *Gaming Control Act*⁴:

⁴ http://www.bclaws.ca/civix/document/id/complete/statreg/02014_01#section86

"The lottery corporation, a registrant and a licensee must notify the general manager immediately about any conduct, activity or incident occurring in connection with a lottery scheme or horse racing, if the conduct, activity or incident involves or involved (a) the commission of an offence under a provision of the Criminal Code that is relevant to a lottery scheme or horse racing, or (b) the commission of an offence under this Act."

- 5) During the examination, BCLC provided an s 15(1) report conducted on this patron on s 15(1) 2017. This report included information obtained from s 15(1)

The information found in the searches noted the following about the patron:

- s 22 (which the company website no longer has a presence online to date)
- s 15(1) searches did not find s 22 listed as s 22
- s 15(1) was obtained for the address the patron had provided as their residence, s 22

- 6) During the examination scope period of March 1, 2017 to February 28, 2018, the patron s 15(1)

s 15(1) However, no STRs were filed for the following transactions:

Date	Issuer of Draft or Cheque	Amount
s 15(1) , 2017	Financial Institution A	s 15(1)
s 15(1) 2017	Out of Province Casino Service Provider A / Out of Province Casino Service Provider B	
s 15(1) , 2017	Financial Institution A	
s 15(1) , 2017	Financial Institution A	
s 15(1) , 2017	Financial Institution A	
s 15(1) , 2017	Financial Institution B	
s 15(1) 2017	Financial Institution C	
s 15(1) 2017	Out of Province Casino Service Provider B	
s 15(1) 2017	Out of Province Casino Service Provider B	
s 15(1) 2017	Financial Institution D	
s 15(1) , 2017	Financial Institution A	
s 15(1) , 2017	Financial Institution D	
s 15(1) 2017	Financial Institution D	
s 15(1) , 2017	Out of Province Casino Service Provider A	
s 15(1) , 2017	Out of Province Casino Service Provider A	
s 15(1) , 2017	Out of Province Casino Service Provider A	

s 15(1)	, 2017	Financial Institution D	s 15(1)
s 15(1)	, 2017	Financial Institution D	

- 7) When asked during the examination, BCLC AML staff indicated that additional due diligence was not conducted on the patron after s 15(1) as the patron no longer brought in cash for buy-ins. Additionally, BCLC AML staff indicated that deposits to player gaming fund (PGF) accounts by using instruments such as bank drafts and casino cheques reduces the risks related to money laundering.

REASONABLE GROUNDS TO SUSPECT

Your organization is obligated, under section 7 of the *PCMLTFA*, to report every financial transaction that occurs or that is attempted in the course of its activities and in respect of which there are reasonable grounds to suspect that the transaction or attempted transaction is related to the commission or attempted commission of a money laundering offence or a terrorist activity financing offence.

Moreover, several STR indicators found in s 15(1) within BCLC's *Anti-Money Laundering and Anti-Terrorist Financing Compliance Manual* were present in those transactions. The indicators used by your organization are consistent with common and/or industry-specific indicators listed in *FINTRAC Guideline 2: Suspicious Transactions*⁵ and are also consistent with internationally recognized money laundering indicators, such as those compiled by the Financial Action Task Force (FATF). These indicators are:

- Activity is inconsistent with that would be expected from declared business.**
 The s 15(1) document obtained by BCLC listed the patron as s 22 and according to documents provided by BCLC, the patron is the s 22. However, when BCLC conducted s 15(1) s 22 and there was no additional confirmation that this patron is involved in the stated s 22. Based on a search conducted to date by FINTRAC, the website s 22 that shows the patron is s 22 is no longer in existence.
- Transaction seems to be inconsistent with the client's apparent financial standing or usual pattern of activities.**
 BCLC conducted an s 15(1) search on the address provided by the patron to demonstrate their source of wealth. However, based on the information obtained by BCLC, the patron is not listed as the owner of the residence and the value of the home is s 22. Moreover, based on the bank drafts deposited into the patron's PGF account during the examination scope period, there are instances where the patron is buying-in at over half the value of their stated residence. Therefore, the volume of the transactions conducted by this patron is not supported by the due diligence documentation obtained by BCLC.

⁵ <http://www.fintrac-canafe.gc.ca/guidance-directives/transaction-operation/Guide2/2-eng.asp>

- **Client appears to have accounts with several financial institutions in one area for no apparent reason.**

Based on the bank drafts deposited into the PGF account during the examination scope period, the patron utilized four different financial intuitions. BCLC did not conduct any due diligence that provided rationale as to why this patron is depositing bank drafts from different financial institutions into their PGF account, especially given the high values of the bank drafts.

Based on the facts provided and the suspicious indicators linked to the transactions, there are reasonable grounds to suspect that the transactions are related to the commission or attempted commission of a money laundering offence. Therefore, BCLC should have submitted an STR to FINTRAC.

We request that your organization submits all unreported transactions to FINTRAC identified in the attached *Details of Deficiencies*. It is further expected that your organization conducts a review of its transactions outside of the examination period and submit to FINTRAC all reportable transactions that your organization may have failed to submit.

Additionally, please refer to FINTRAC's *Guideline 2: Suspicious Transactions* and *Guideline 3A: Submitting Suspicious Transaction Reports to FINTRAC Electronically* for additional information on your organization's STR obligations.

Deficiency #2: PCMLTF Regulations 40(1)(a) - Reporting - Large Cash Transactions

Your organization has the obligation to report the receipt of an amount in cash of \$10,000 or more in the course of a single transaction, together with the information referred to in Schedule 1, as required by section 40 of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Regulations*.

Large Cash Transaction Reporting Quality

BCLC has the obligation to identify and report transactions with complete and accurate information. The PCMLTFR contains schedules that set out the information to be provided in the various fields within each part of the report.

FINTRAC's reporting validation process concentrates on presence, format and content checks; and while presence and format checks are binary in nature, the validations for content cannot be programmed to cover all scenarios. For that reason, FINTRAC conducts post-filing reviews to further assess the quality of the reports as part of the examination. BCLC needs its own proactive quality assurance practices independent of FINTRAC's processes.

FINTRAC assessed BCLC's compliance with the Regulations pertaining to reporting through its Technical Compliance Review (TCR) Package, which is an analysis of the quality of a random sample from BCLC's submission of reports within the examination scope period.

During the examination, 9970 Large Cash Transaction Reports (LCTRs) that were submitted by BCLC during the scope period were reviewed for accuracy and completeness of the information reported, and timeliness of report submission. Upon reviewing the 9970 LCTRs, there were 814

occurrences (8%) where the occupation of the conductor is inadequate as it is not sufficiently detailed to assist in determining whether the level and type of activity being conducted is consistent with the member's profile. Examples of occupations considered inadequate include: "President," "CEO," "Manager," and "Company Director" (Field D.17).

Moreover, FINTRAC reviewed BCLC's internal systems and it was determined that at the time of the transaction, your organization had additional information as it relates to the individual's occupation, such as their employer's name or industry they are employed in. However, in other LCTRs submitted by BCLC, details related to the individual's occupation such as their employer or industry were provided.

It should be noted that of the 814 occurrences where the occupation of the conductor was found to be inadequate, there were 117 unique patrons involved. Furthermore, in 739 of these 814 occurrences, 59 patrons were identified to have at least 3 or more LCTRs submitted on them.

FINTRAC acknowledges that BCLC has provided complete and accurate information related to other fields of the LCTRs, especially as it is unique to the patron (i.e., address, date of birth, etc.). However, for FINTRAC, client occupation has analytical and intelligence value as this information can set expectations of a client's transactional activity and may provide context surrounding a client's financial capacity. An occupation of "Manager", as noted above for example, would not provide any intelligence of analytical value. The occupation field for LCTRs has a 30 characters limit⁶, therefore, additional information could have been provided for the occupations of the patrons.

Please find a copy of the enclosed *Details of Deficiencies* detailing the deficiencies cited above and all instances as discussed during the examination

Additionally, please refer to FINTRAC's *Guideline 7A: Submitting Large Cash Transaction Reports to FINTRAC Electronically* for additional information on your organization's LCTR obligations.

Deficiency #3: PCMLTF Regulations 42(1) - Reporting - Large Casino Disbursement: Reporting the disbursement of \$10,000 or more in the course of prescribed transactions, together with the prescribed information

Your organization has the obligation to report the disbursement of \$10,000 or more in respect of prescribed transactions, together with the information set out in Schedule 8, as required by paragraph 42(1) of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Regulations*.

Casino Disbursement Reporting Volume

BCLC is required to ensure that all Casino Disbursement Reports (CDRs) are accurately identified and reported in accordance with subsection 42(1) of the PCMLTFR.

⁶ <http://www.fintrac-canafe.gc.ca/reporting-declaration/batch-lots/mod3-eng.asp>

During the examination, FINTRAC reviewed approximately 83,000 disbursements of \$10,000 or more at land-based casinos for the scope period of March 1, 2017 to February 28, 2018. Disbursements of \$10,000 or more for your online casino was reviewed for the scope period of June 17, 2017 to February 28, 2018.

Specifically, of the 454 online gaming disbursements of \$10,000 or more reviewed, the examination revealed two (2) instances where the obligation for reporting a Casino Disbursement Report (CDR) was not met. FINTRAC acknowledges that these two instances were subsequently submitted as CDRs on July 16, 2018, and July 17, 2018 when it was brought to the attention of your staff.

Your organization is required to submit a CDR to FINTRAC within 15 calendar days after the transaction if:

- You make a disbursement in an amount of \$10,000 CAD or more in the course of a single transaction; or
- You make two or more disbursements of less than \$10,000 CAD that total \$10,000 CAD or more within 24 consecutive hours of each other by or on behalf of the same individual or entity.

Casino Disbursement Reporting Quality

BCLC has the obligation to identify and report transactions with complete and accurate information. The PCMLTFR contains schedules that set out the information to be provided in the various fields within each part of the report.

FINTRAC's reporting validation process concentrates on presence, format and content checks; and while presence and format checks are binary in nature, the validations for content cannot be programmed to cover all scenarios. For that reason, FINTRAC conducts post-filing reviews to further assess the quality of the reports as part of the examination. BCLC needs its own proactive quality assurance practices independent of FINTRAC's processes.

FINTRAC assessed BCLC's compliance with the Regulations pertaining to reporting through its Technical Compliance Review (TCR) Package, which is an analysis of the quality of a random sample from BCLC's submission of reports within the examination scope period.

During the examination, 9,998 Casino Disbursement Reports that were submitted by BCLC during the scope period were reviewed for accuracy and completeness of the information reported, and timeliness of report submission. Upon reviewing the 9,998 CDRs, there were 510 occurrences (5%) where the occupation of the conductor is inadequate as it is not sufficiently detailed to assist in determining whether the level and type of transactional activity being conducted is consistent with the member's profile. Examples of occupations considered inadequate include: "President," "CEO," "Manager," and "Supervisor" (Field C.21).

Moreover, FINTRAC reviewed BCLC's internal systems and it was determined that at the time of the transaction, your organization had additional information as it relates to the individual's occupation, such as their employer's name or industry they are employed in. However, in other CDRs submitted by BCLC, details related to the individual's occupation such as their employer or industry was provided.

It should be noted that of the 510 occurrences where the occupation of the conductor was found to be inadequate, there were 140 unique patrons involved. Furthermore, in 400 of these 510 occurrences, 49 patrons were identified to have at least 3 or more CDRs submitted on them.

FINTRAC acknowledges that BCLC has provided complete and accurate information related to other fields in the CDRs, especially as it is unique to the patron (i.e. address, date of birth, etc.). However, for FINTRAC, client occupation has analytical and intelligence value as this information can set expectations of a client's transactional activity and may provide context surrounding a client's financial capacity. An occupation of "Supervisor", as noted above for example, would not provide any intelligence of analytical value. The occupation field for CDRs have a 40 character limit⁷, therefore, additional information could have been provided for the occupations of the patrons.

It is further expected that your organization conducts a review of its transactions outside of the examination period and submit to FINTRAC all reportable transactions that your organization has failed to submit.

Additionally, please refer to FINTRAC's *Guideline 10A: Submitting Casino Disbursement Reports to FINTRAC* for additional information on your organization's CDR obligations.

Deficiency #4: PCMLTF Regulations 71(1)(b) - Compliance Program - Policies and Procedures - For Entity

Your organization has the obligation to develop and apply written compliance policies and procedures that are kept up to date and approved by a senior officer to comply with the Act and as required by paragraph 71(1)(b) of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Regulations*.

BCLC is required to ensure that all § 15(1) patrons are subject to enhanced monitoring, and an adequate assessment of ML/TF risk is documented. The adequacy of the enhanced monitoring and assessment of risk that is documented in BCLC's policies and procedures was evaluated by reviewing a sample of patrons.

During the examination FINTRAC conducted an in depth review of 70 patrons with whom BCLC has a business relationship. FINTRAC examined the patrons' profile, transactions, ongoing monitoring, and due diligence conducted to ensure that these patrons were adequately risk rated based on BCLC's compliance documents. Of the 70 patrons sampled, 40 were § 15(1) and 30 were § 15(1) FINTRAC acknowledges that BCLC adequately assesses the risks of business relationships, especially, as it relates to areas of § 15(1).

The examination process revealed that the provided policies and procedures documents are inadequate in relation to the enhanced due diligence requirements for the following reasons:

⁷ <http://www.fintrac-canafe.gc.ca/reporting-declaration/XML/mod2XML-eng.asp>

- **Enhanced Due Diligence (EDD) Schedule:** Specifically, according to BCLC's document titled s 15(1) ;
s 15(1), s 17(1)

Additionally, according to BCLC's document titled s 15(1)
:
s 15(1), s 17(1)

Of the 40 s 15(1) patrons reviewed, it was determined that six (6) of these patrons (15%) were flagged for EDD reviewed on s 15(1) however, the reviews were either not completed or they were not conducted in the prescribed time frame according to BCLC's policies and procedures. The following 6 patrons where EDD was required have been deemed to be s 15(1), s 17(1) :

- **Subject Identification Number: s 22**
- **Subject Identification Number: s 22**
- **Subject Identification Number: s 22**
- **Subject Identification Number: s 22**
- **Subject Identification Number: s 22**
- **Subject Identification Number: s 22**

The instances identified by FINTRAC where EDD was not conducted according to the prescribed timeframe documented in BCLC's policies and procedures provide example cases to demonstrate gap in BCLC's Program. However, based on the sample size reviewed, there may be other instances where s 15(1) patrons did not have EDD conducted as a result of these identified Program gap, given the size and scope of BCLC's operations

- **Enhanced Due Diligence Documentation:** Upon reviewing the EDD conducted for s 15(1) business relationships, FINTRAC determined that BCLC asked the following questions for reviews conducted in 2018:

1. s 15(1)
- 2.
- 3.
- 4.
- 5.
- 6.
- 7.
- 8.

9. s 15(1)

10.

Based on the EDD documents that were reviewed, it was determined that the Investigators respond to the questions with a s 15(1) response. Where required, s 15(1)

However, the documentation of the findings does not explain the information reviewed, or the impact they have on the patron's risk level and how the conclusion was determined.

For example, when an Investigator states s 15(1)

it does not include what was reviewed and how that conclusion was made. Another example is s 15(1) there is no

documentation of the impact there is when reviewing the transactions of the patron.

Moreover, the number of substantiated UFTs identified by your organization from July to December is only reviewed s 15(1) The EDD questions utilized by BCLC do not require its Investigators to take into consideration the s 15(1)

which would impact the risk assessment of the patron. By not taking into account s 15(1), the following areas could be overlooked:

- s 15(1)

-

Your organization is required to maintain a record of the measures you take for ongoing monitoring, which includes:

- the procedures that are in place to perform periodic ongoing monitoring;
- the procedures that are in place to perform the enhanced measures for high-risk clients;
- the information that is gathered as a result of the ongoing monitoring; and
- the information that is gathered as a result of the enhanced measures for high-risk clients.

Please refer to FINTRAC's *Ongoing monitoring requirements* for additional information on your organization's obligations.

In addition to the deficiencies identified, we are including the following observations noted during the examination. The observations are not considered a deficiency given the scope and purpose of this examination. However, it is highlighted to assist in the improvement of your compliance program and to ensure that there are no future deficiencies if our examination scope is expanded, changed or if further testing for effectiveness of your compliance regime is conducted.

Observation #1: Policies and Procedures – Online Gaming Accounts

During the examination, FINTRAC reviewed BCLC's online gaming accounts that were opened during the scope period of June 17, 2017 to February 28, 2018 to ensure that the record keeping

and client identification requirements are met under the Act and associated Regulations. Based on the online gaming policies and procedures, accounts reviewed, and discussion with staff, the player provides their information at account opening. s 15(1)

However, in several accounts, it was found that the player only had a mailing address that did not provide their physical location (i.e., PO Box) as this was the address that was matched against the credit file to ascertain the identification. Moreover, as discussed and confirmed by staff during the examination, additional information would only be obtained from players if it is required for FINTRAC reporting purposes or if due diligence is conducted.

Policy Interpretation (PI-7654)

FINTRAC has previously provided a policy interpretation that the address referred to in the *Proceeds of Crime (Money Laundering) and Terrorist Financing Regulations* (PCMLTFR) is the physical address where the client lives or where the physical location of the place of business is found. In cases where the client resides in an area where there is no civic address, a description, in as much detail as possible, of all information or features that may be useful to locate the physical location of the person is required.

For intelligence analysis purposes, obtaining a s 15(1) allows s 15(1)

that are suspected of being related to money laundering, terrorist financing or other threats to the security of Canada. s 15(1) to partners, which can contribute to criminal investigations by identifying new targets or hidden proceeds of crime and by disclosing facts that are necessary in obtaining warrants.

BCLC is required to update the policies and procedures to ensure that the account opening process for online gaming accounts meets both the record keeping and the identification requirements. Additionally, BCLC is required to implement the procedures to ensure that all online gaming accounts opened where transactions have been conducted contain a physical address recorded on file. Please refer to FINTRAC's *Record keeping requirements for casinos* and *Methods to identify individuals and confirm the existence of entities* for additional information on BCLC's obligations.

Observation #2: Training – Risk Mitigation - Source of Funds

Specifically, since the last examination, BCLC has implemented measures as it relates to source of funds as a method to mitigate risks of money laundering. Examples of directives issued by BCLC include the following:

- **January 10, 2018:**
“...all cash and bearer monetary instruments (bank drafts/ certified cheques) of \$10,000 or more will require a source of funds (SOF) receipt by the patron prior to acceptance for buy-in...”
- **January 23, 2018:**
On January 4th, 2018, BCLC released a PGF Directive requiring patrons opening new PGF accounts to provide cash receipts to identify their source of funds their name, bank location and account number. The PGF Directive did not impact existing PGF account

holders, however, the \$10,000 SOF Directive now requires receipt information for all cash and bank drafts effective January 24th. To ensure consistency in the application of the Directive moving forward, BCLC will now be requiring ALL PGF account holders to produce bank draft receipts effective January 25th, 2018."

During the examination, FINTRAC conducted interviews with 22 casino staff members who handle PGF accounts. FINTRAC asked casino staff members questions about bank drafts deposited into PGF accounts and the procedures that are followed. Of the 22 casino staff members interviewed, it was observed that approximately 50% stated that receipts are not always required for bank drafts and exceptions can be made. During the interviews, casino staff members provided examples of the following responses:

- The Manager decides whether they would allow a deposit without the name or receipt of the patron.
- If a patron had a PGF account before the source of funds declaration was implemented, they do not need to bring in a receipt.
- In a few instances casino staff allows for a bank draft that does not include the patron's name to be deposited into the PGF account if they do not have a receipt.

Additionally, during the examination, FINTRAC reviewed unsubstantiated UFTs and the following incidents are two examples of where casino staff may have unintentionally assisted patrons in structuring below the \$10,000 cash threshold to avoid the Source of Fund Directive:

Subject Identification Number: s 22

As observed by Casino s 15(1) staff and BCLC AML Investigations staff on s 15(1) according to incident report (s 15(1)), s 15(1)

Within the same incident report (s 15(1)), it was noted by BCLC AML Investigations staff that after reviewing the incident s 15(1) and details provided by casino staff on s 15(1)

s 15(1)

According to the incident report (s 15(1)) and the patron's s 15(1) profile, the patron was made aware of BCLC's source of funds requirements on s 15(1)

Moreover, as documented in an incident report (s 15(1)), on s 15(1), and a supplemental report dated s 15(1), according to Casino s 15(1) staff and BCLC AML Investigations staff, s 15(1) report as documented by BCLC AML Investigations staff:

s 15(1)

Subject Identification Number: s 22

As observed by Casino s 15(1) staff and BCLC AML Investigations staff, according to an incident report dated s 15(1) 2018 (s 15(1)),s 15(1) s 15(1)

Additionally, based on an incident report dated s 15(1) , 2018 (s 15(1)), s 15(1) , as documented by Casino s 15(1) staff and BCLC AML Investigations staff.

Moreover, based on an incident report dated s 15(1) , 2018 (s 15(1)), Casino s 15(1) staff and BCLC AML Investigations staff documents s 15(1) Additionally, as noted by BCLC AML Investigations staff the incident states:

“Due to this now being the 3rd confirmed incident whereby [name of patron] is clearly attempting to circumvent the requirement to show receipts he has been placed on conditions that will require receipts for unsourced buy ins for any amount.”

The above examples are situations where casino staff has either provided the patron with guidance or observed patrons avoiding the \$10,000 source of funds requirements threshold. These situations were flagged by Casino s 15(1) staff, by creating incident reports that were reviewed by BCLC AML Investigations staff. According to the incident reports noted above, BCLC’s AML Investigations staff determined that there were no reasonable grounds to suspect that the transactions were related to the commission of a money laundering offence. Additionally, based on the staff interviews conducted, casino staff had an inconsistent understanding of the process related to BCLC source of funds requirements. Casino staff should have consistent understanding of BCLC’s requirements and apply the policies as directed by BCLC.

Finally, while we note the strength and maturity of certain program pillars, the number and severity of the findings identified during the assessment represent non-compliance in certain aspects of the BCLC’s compliance program. We acknowledge the measures already taken by BCLC to improve compliance, and BCLC’s commitment to remediate the identified issues demonstrates willingness to impact ongoing and future compliance.

#	-	<u>Finding/Observation Details</u>	<u>Finding/Observation</u>	<u>BCLC Response</u>	<u>Status</u>	<u>Accountable Party</u>
1	PCMLTF Regulations Act 7 - Reporting STRs	<p>BCLC to submit STRs to FINTRAC when there are reasonable grounds to suspect that a transaction is related to the commission or the attempted commission of a money laundering and/or terrorist financing offence</p> <p>3 instances of STRs not filed:</p> <p>Production Orders - BCLC should have a formal process in place to assess its business relationships for potential suspicious transactions</p> <p>Reasonable Grounds to Suspect - BCLC should submit STRs when there are reasonable grounds to suspect the transaction is related to the commission or attempted commission of a money laundering offence</p> <p>Patron Gaming Funds Account - BCLC to submit STR s 15(1)</p> <p>BCLC to submit all unreported transactions to FINTRAC identified in the report</p> <p>BCLC to conduct a review of its transactions outside of the examination period and submit to FINTRAC all reportable transactions that were not submitted.</p>	Finding	<p>BCLC has reviewed the three noted STR exceptions and, based on the recommendations of the Fintrac audit team, has now filed STR's for all three instances, including all other relevant materials or incidents associated to each player.</p> <p>Furthermore BCLC is reviewing all s 15(1) files s 15(1)</p> <p>. This will ensure that in all instances where patron activity is found to be similar to the exceptions noted in this review, these files will be re-examined to ensure consistency in reporting where there is reasonable grounds to suspect a transaction is related to the commission or attempted commission of a money-laundering and/or a terrorist financing offence. Where required s 15(1) to ensure that the appropriate level of monitoring is implemented to meet BCLC's regulatory obligations and mitigate risk to BCLC and its service providers.</p> <p>BCLC will create, document and implement a formal process to s 15(1)</p> <p>BCLC has updated and implemented new procedures to its current due diligence/review process to analyze s 15(1)</p> <p>UFT files are retained and fully documented to illustrate the due diligence and reasons for each decision and any further monitoring requirements to be considered.</p>	Complete	AML Unit

Some information has been removed in the interests of privacy, safety and corporate security

2	PCMLTF Regulations 40(1)(a) - Reporting Large Cash Transactions	<p>BCLC to identify and report transactions with complete and accurate information and timely report submissions</p> <p>8% of occupations of the conductor was inadequate as it was not sufficiently detailed s 15(1)</p> <p>BCLC to ensure additional information on occupation s 15(1) to be included when submitting information to FINTRAC</p>	Finding	<p>BCLC is currently s 15(1) to incorporate the s 15(1) information into the "occupation" tab when reporting Large Cash Transaction to FINTRAC.</p> <p>BCLC requires s 15(1) information for all s 15(1) patrons which is documented in the s 15(1) field. The proposed software changes will link the s 15(1) field to the Occupation field which, when extracted by FINTRAC for LCTR reporting, will ensure descriptive occupation details are submitted in every instance. The changes will align with Fintrac's software schematics of a maximum of 40 allowable characters in the occupation field. Anything beyond the maximum allowable number of characters will be truncated.</p> <p>The update to BCLC's reporting system to enhance the occupation field will require production work to be completed by the vendor. The time frame for completion and implementation of the software changes is anticipated to take place by April 1, 2019.</p>	Complete	AML Unit
3	PCMLTF Regulations 42(1) - Reporting Large Cash Disbursements	<p>BCLC to identify and report transactions with complete and accurate information and timely report submissions</p> <p>5% of occupations of the conductor was inadequate as it was not sufficiently detailed s 15(1)</p> <p>BCLC to ensure additional information on occupation s 15(1) to be included when submitting information to FINTRAC</p>	Finding	<p>BCLC is currently s 15(1) to incorporate the s 15(1) information into the "occupation" tab when reporting Casino Disbursements to FINTRAC.</p> <p>BCLC requires s 15(1) information for all s 15(1) patrons which is documented in the s 15(1) field. The proposed s 15(1) which, when extracted by FINTRAC for CDR reporting, will ensure descriptive occupation details are submitted in every instance. The changes will align with Fintrac's software schematics of a maximum of 30 allowable characters in the occupation field. Anything beyond the maximum allowable number of characters will be truncated.</p> <p>The update to BCLC's reporting system to enhance the occupation field will require s 15(1)</p>	Complete	AML Unit

4	PCMLTF Regulations 71(1)(b) - Compliance Program Policy and Procedures For Entity	<p>BCLC to enhance policies and procedures documents in relation to enhanced due diligence requirements</p> <p>BCLC to maintain a record of the measures taken for ongoing monitoring including: the procedures that are in place to perform periodic ongoing monitoring; the procedures that are in place to perform the enhanced measures for s 15(1) clients; the information that is gathered as a result of the ongoing monitoring; and the information that is gathered as a result of the enhanced measures for s 15(1) clients</p> <p>EDD to be conducted on all s 15(1) patrons including SID's that were missed from previous review s 15(1)</p> <p>Enhance EDD review to ensure s 15(1) that explains the information reviewed, the impact they have on the patron's risk level and how the conclusion was determined.</p>	Finding	<p>BCLC has responded to the recommendations/guidance provided by Fintrac auditors and has updated its patron screening processes to ensure more fulsome and robust enhanced due diligence is conducted in each and every instance. These changes include ensuring s 15(1)</p> <p>completed s 15(1) and embedded in the s 15(1) management system s 15(1) to ensure all pertinent information is documented and available for future audits.</p> <p>BCLC has also implemented an escalation process which will ensure effective patron tracking in instances where the BCLC AML unit member conducting the review feels that more information is required to complete the patron assessment. These changes will ensure that the patron's risk level is accurately determined and the appropriate action is taken in a timely manner. BCLC will also ensure the policy and procedures for the Enhanced Due Diligence (EDD) program are updated immediately to reflect the updated process.</p> <p>BCLC has completed a full assessment of the s 15(1) patrons identified by Fintrac compliance officers that were overlooked by BCLC AML Unit in the previous due diligence review period. The assessment has confirmed that the patron's current s 15(1) status is reflective of the information collected in relation to their confirmed s 15(1)</p> <p>BCLC has further created and implemented a review schedule to ensure that all patrons subject of enhanced due diligence reviews will have an s 15(1) completed on a priority basis. These s 15(1) will be retained and form part of the patron's s 15(1)</p>	Complete	AML Unit
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5	Policies and Procedures - Online Gaming Accounts	<p>Mailing address provided of patrons for online accounts and not physical addresses - in cases where the client resides in an area where there is no civic address, a description of all information or features that may be useful to locate the physical location of the person is required</p> <p>BCLC to update policies and procedures to ensure that the account opening process for online gaming accounts meets both the record keeping and the identification requirements.</p> <p>BCLC required to implement the procedures to ensure that all online gaming accounts opened where transactions have been conducted contain a physical address recorded on file</p>	Observation	<p>BCLC's PlayNow Operations team will be implementing the following action plan to ensure the collection of physical addresses for all patron/player PlayNow.com accounts:</p> <p>Step 1: Implement messaging on BCLC's PlayNow.com registration pages stating that new registrants are required to enter a physical address and that post office box addresses are not accepted. – Implemented first week of December 2018 - COMPLETE</p> <p>Step 2: Implement PO Box blocking on BCLC's PlayNow.com registration address field. The address fields will be updated to identify PO Box entries and new registrants will not be able to complete the registration process with a PO box as an address. – Implemented in production January 15, 2019 – COMPLETE</p> <p>Step 3: Active players who have already completed PlayNow.com registration and have a Post Office box on record will receive account messaging and/or email communications requesting that they update their address with a physical address within their PlayNow account settings. – Implementing communication plan by March 1, 2019. - COMPLETE</p>	Complete	Egaming Unit
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6	Training - Risk Mitigation - Source of Funds	<p>50% of staff state that receipts not always required for bank drafts and exceptions can be made</p> <p>Manager decides whether they would allow a deposit without the name or receipt of the patron</p> <p>If a patron had a PGF account before the SOF declaration was implemented, they do not need to bring in a receipt</p> <p>Allowance for bank drafts that do not include the patron's name to be deposited into the PGF account if they have no receipt</p> <p>Casino staff unintentionally assisting patrons in structuring below the \$10,000 threshold to avoid the SOF Directive</p> <p>Casino staff have an inconsistent understanding of the process related to BCLC SOF requirements</p>	Observation	<p>BCLC will further update and enforce the source of funds process that is currently in place to ensure that all patrons abide by BCLC's policy s 15(1)</p> <p>BCLC has contracted s 15(1) to ensure strict compliance by Service Providers in all instances for Fintrac reporting purposes. These reviews will continue into 2019 with a goal to achieve 100% compliance by all Service Providers.</p> <p>The BCLC AML unit will continue with s 15(1) ensuring compliance with the required Reasonable Measures forms, Source of Funds forms, and receipting requirement.</p> <p>BCLC will continue to develop AML training programs for all Service Provider staff to ensure a consistent application of transaction reporting requirements, AML indicators, and enforcement of all BCLC Policy and Directives.</p> <p>BCLC will continue to work with Federal and Provincial Regulators, Law Enforcement partners and other stakeholders to develop an efficient and effective process to deter and detect criminal activities in BC Casinos, including the use of bank drafts and other cash alternative programs.</p>	Complete	AML Unit
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