

Kevin Simcoe

From: Rob Kroeker
Sent: September-20-17 5:46 PM
To: Jim D. Lightbody
Subject: MNP Audit

Hi Jim – nothing has come through from you yet.

R

Kevin Simcoe

From: Jim D. Lightbody
Sent: September-20-17 6:33 PM
To: Suzanne Rowley
Subject: Fwd: MNP Report on AML

Can you please set up a conference call for Bud, rob, Susan and I asap?

s 15(1)

Begin forwarded message:

From: Bud Smith <bsmith@urbansystems.ca>
Date: September 20, 2017 at 5:59:40 PM PDT
To: Jim Lightbody <JDLightbody@bcllc.com>, "SDolinski@BCLC.com" <SDolinski@BCLC.com>
Subject: MNP Report on AML

Colleagues, I just took a call from the Minister's office. Apparently the FOI process is about to release the MNP on ML. The Minister wants to release it himself and phoned to give a heads up. I said send what is going to be released and if it's what I think it is there's an E&Y report and I believe a Fintrac report that were done around the same and likely modify some of the MNP conclusions. Can I talk to one or other of you on this? Is this the report GPEB had done? Bud

s 15(1)

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Kevin Simcoe

From: Jim D. Lightbody
Sent: September-20-17 6:43 PM
To: Jim D. Lightbody
Subject: Fwd: MNP Audit Report

s 15(1)

Begin forwarded message:

From: "Jim D. Lightbody" <JDLightbody@bcllc.com>
To: "Sam AG:EX Godfrey" <Sam.Godfrey@gov.bc.ca>
Cc: "Bud Smith" <bsmith@urbansystems.ca>
Subject: Fwd: MNP Audit Report

Sam,

I've reviewed the document you sent. We are very concerned that the report does not include our Management Response that we provided, which is usual practice and provides balance and perspective. I have attached our Management Response for reference. We are also concerned the release may undermine our AML practices and would like the opportunity for our opportunity to review and advise. We have not had that opportunity yet.

Please see below and advise.

Regards,
Jim

s 15(1)

Begin forwarded message:

From: "Rob Kroeker" <RKroeker@bcllc.com<<mailto:RKroeker@bcllc.com>>>
To: "Jim D. Lightbody" <JDLightbody@bcllc.com<<mailto:JDLightbody@bcllc.com>>>
Subject: MNP Audit Report

Jim

It is my understanding we were not consulted by GPEB prior to the FOI package going to the Minister – certainly I was not given an opportunity to comment on redactions. It is normal course for BCLC to be consulted on the release of its information which the MNP is report is almost entirely comprised of.

Find attached a copy of the report with our management comments, most of which where not addressed in the final report. To provide balance a copy with our management responses should be released and only after the report has been vetted to make sure information that would undermine our AML program is not released.

I have also attached a copy of our completed response plan to the report.

Rob

<MNP response plan.xlsx>

<2016 05 17 - British Columbia Gaming Policy Enforcement Branch - BCLC Management Responses and Notes.docx>

Kevin Simcoe

From: Jim D. Lightbody
Sent: September-20-17 6:56 PM
To: Bud Smith
Subject: Re: Confidential: MNP Report

Ok

s 15(1)

> On Sep 20, 2017, at 6:55 PM, Bud Smith <bsmith@urbansystems.ca> wrote:

>

> Give me 12 minutes. Bud

>

> -----Original Message-----

> From: Jim D. Lightbody [mailto:JDLightbody@bcl.com]

> Sent: September 20, 2017 6:52 PM

> To: Bud Smith <bsmith@urbansystems.ca>

> Subject: Re: Confidential: MNP Report

>

> Give me a call. s 17(1)

>

> s 15(1)

>

>> On Sep 20, 2017, at 6:50 PM, Bud Smith <bsmith@urbansystems.ca> wrote:

>>

>> Jim, This is an invitation for us to provide input. How will we or I

>> respond? Bud

>>

>> From: Godfrey, Sam AG:EX [mailto:Sam.Godfrey@gov.bc.ca]

>> Sent: September 20, 2017 5:56 PM

>> To: Bud Smith <bsmith@urbansystems.ca>

>> Subject: Confidential: MNP Report

>>

>> Dear Bud,

>>

>> As per our conversation, please see attached. Thank you for agreeing to maintain the confidentiality of this report until it is publicly released.

>>

>> With respect to your comments about context and other reports, please follow-up with me this evening if at all possible.

>>

>> Warm regards, Sam

>>

>> Sam Godfrey

>> Ministerial Assistant, Ministry of Attorney General

>> Mobile: s 22 | Office: 250 925 7613 Rm 232, Parliament

>> Buildings, 501 Belleville St., Victoria, B.C. V8V 1X4

>>

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>> <MNP Report - redacted.pdf>

> _____

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Kevin Simcoe

From: Susan Dolinski
Sent: September-20-17 7:53 PM
To: Jim D. Lightbody
Subject: Re: MNP Report on AML

Ok thanks.

From: Jim D. Lightbody <JDLightbody@bcllc.com>
Date: September 20, 2017 at 7:50:00 PM PDT
To: Susan Dolinski <SDolinski@BCLC.com>
Subject: Re: MNP Report on AML

Yes, Bud and I spoke. I agree about the lack of a heads up, but at least the Minister is giving us one and the opportunity to discuss. George Smith called me and Rob and I will be on a conference call at 8 am tomorrow with Minister.

s 15(1)

On Sep 20, 2017, at 7:45 PM, Susan Dolinski <SDolinski@BCLC.com> wrote:

Hi Jim - did you speak with Bud on this? Do you want me to forward a dial in? I didn't receive a heads up in my channels. This is concerning.

From: Jim D. Lightbody <JDLightbody@bcllc.com>
Date: September 20, 2017 at 6:50:38 PM PDT
To: Bud Smith <bsmith@urbansystems.ca>
Cc: Susan Dolinski <SDolinski@BCLC.com>
Subject: Re: MNP Report on AML

Bud,
If you want to call me now I'm on cell at s 17(1) . Or we can wait for conference call.
Jim

s 15(1)

> On Sep 20, 2017, at 5:59 PM, Bud Smith <bsmith@urbansystems.ca> wrote:

>

> Colleagues, I just took a call from the Minister's office. Apparently the FOI process is about to release the MNP on ML. The Minister wants to release it himself and phoned to give a heads up. I said send what is going to be released and if it's what I think it is there's an E&Y report and I believe a Fintrac report that were done around the same and likely modify some of the MNP conclusions. Can I talk to one or other of you on this? Is this the report GPEB had done? Bud

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> s 15(1)

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Kevin Simcoe

From: Bud Smith <bsmith@urbansystems.ca>
Sent: September-20-17 9:05 PM
To: Jim D. Lightbody
Cc: Rob Kroeker; Susan Dolinski
Subject: RE: MNP Report on AML

Thanks. Bud

From: Jim D. Lightbody [<mailto:JDLightbody@bclc.com>]
Sent: September 20, 2017 9:03 PM
To: Bud Smith <bsmith@urbansystems.ca>
Cc: Rob Kroeker <RKroeker@bclc.com>; Susan Dolinski <SDolinski@BCLC.com>
Subject: Re: MNP Report on AML

Yes, Bud, I'm sending now.

s 15(1)

On Sep 20, 2017, at 9:00 PM, Bud Smith <bsmith@urbansystems.ca> wrote:

Rob, s 22

Good stuff, let's share that with our Minister.

Can come one send that material over to George tonight, so the Minister has it for the morning?

Thanks,

Bud

From: Rob Kroeker [<mailto:RKroeker@bclc.com>]
Sent: September 20, 2017 7:55 PM
To: Bud Smith <bsmith@urbansystems.ca>; Jim D. Lightbody <JDLightbody@bclc.com>
Cc: Susan Dolinski <SDolinski@BCLC.com>
Subject: Re: MNP Report on AML

Bud

You have an excellent memory. There was our biennial required audit done by EY just before and FinTRAC audit done shortly after. Both of those were comprehensive audits. The MNP audit was limited to River Rock and just some reporting requirements.

Rob.

From: Jim D. Lightbody <JDLightbody@bclc.com>
Date: September 20, 2017 at 6:17:28 PM PDT
To: Bud Smith <bsmith@urbansystems.ca>
Cc: Susan Dolinski <SDolinski@BCLC.com>, Rob Kroeker <RKroeker@bclc.com>
Subject: Re: MNP Report on AML

Bud,

The Minister's MA also called me and it is the MNP audit. It doesn't include our Management Response which is a problem. The report is challenging at best. It was commissioned by GPEB.

We should all get on a call.

I'll try and get Suzanne to set up a conf call asap.
Thanks

s 15(1)

> On Sep 20, 2017, at 5:59 PM, Bud Smith <bsmith@urbansystems.ca> wrote:

>

> Colleagues, I just took a call from the Minister's office. Apparently the FOI process is about to release the MNP on ML. The Minister wants to release it himself and phoned to give a heads up. I said send what is going to be released and if it's what I think it is there's an E&Y report and I believe a Fintrac report that were done around the same and likely modify some of the MNP conclusions. Can I talk to one or other of you on this? Is this the report GPEB had done? Bud

>

> s 15(1)

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Kevin Simcoe

From: Jim D. Lightbody
Sent: September-20-17 9:24 PM
To: George AG:EX Smith
Cc: Sam AG:EX Godfrey; Bud Smith
Subject: Fwd: 2015 EY Audit and 2016 FinTRAC Audit
Attachments: Fintrac AML Review 2016_letter to BCLC 2016.pdf; ATT00001.htm; EY Report_Bi Annual Audit 2015_AML Sanctions Program Assessment of BCLC_112315_FINAL.pdf; ATT00002.htm

George,
For further information and perspective, I'm forwarding the note and attachments below. Rob Kroeker is our VP Security & Compliance. I asked him to send me the audits by FinTRAC and EY, completed around the same time as the MNP review, that provide a much more fulsome report on our AML practices.
Rob also provides commentary on some of the circumstances of the MNP review that the Minister should know. See below.
We can expand more tomorrow morning.
Best regards,
Jim

s 15(1)

Begin forwarded message:

From: "Rob Kroeker" <RKroeker@bclc.com>
To: "Jim D. Lightbody" <JDLightbody@bclc.com>, "Bud Smith" <bsmith@urbansystems.ca>
Subject: 2015 EY Audit and 2016 FinTRAC Audit

Jim

The EY Report is dated November 23, 2015. That audit covered the period **Oct 1, 2013 – July 31, 2015** and was a comprehensive audit of the entire AML Programme.

The FinTRAC Audit is dated July 14, 2016. That audit covered the period **September 1, 2015 to February 29, 2016** and was a comprehensive audit of the entire AML Programme.

The MNP Audit is dated July 26, 2016. That audit covered the period **September 1, 2013 to August 31, 2015**. This audit focused only on select transactions at River Rock.

You might recall the Audit lead from MNP left MNP to take employment with a competitor prior to the engagement being completed.

In addition you may recall that MNP based its work on a data extract from our database – something which has never been done before. We were able to determine their finding that mandatory fields in a number of large cash transaction reports (LCTs) were left blank, and thus were non-compliant, was in error as a result of apparent data corruption occurring during their data extraction process. We checked the LCTs in question both in our database from which the extract was taken and the FinTRAC database. The reports were complete and compliant. We asked MNP to confirm our findings by directly auditing our database rather than the extract and/or confirming directly with FinTRAC the reports were in fact submitted in compliant form. MNP declined to follow either course and did not make any changes to their report.

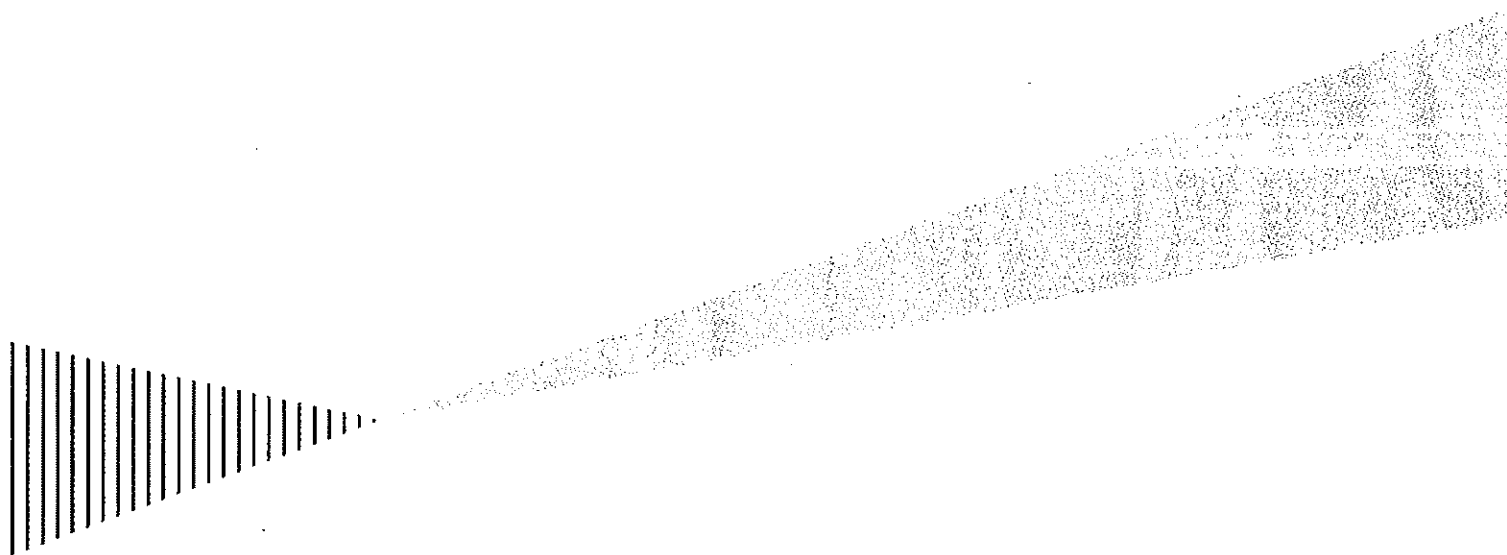
One other item that was noteworthy was that despite starting off being described as an audit, when the work was concluded MNP inserted into its report on page 3 "This engagement is not an audit and did not include any control testing".

Rob

British Columbia Lottery Corporation

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

NOVEMBER 23, 2015



Building a better
working world



Ernst & Young, LLP
222 Bay Street
P. O. Box 251
Toronto, ON
M5K 1J7
Canada

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Canada

1. Executive Summary

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

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

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

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

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



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We appreciate the cooperation and assistance provided to us during the course of our work. If you have any questions, please call s 22

Yours sincerely,

Ernst + Young LLP

s 22



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2. Summary of Observations

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

Collectively, the VP of Corporate Security and Compliance and Director of AML & Operational Analysis have several years of relevant experience and continue to stay abreast of emerging regulatory requirements by attending industry conferences and seminars. Additionally, BCLC utilizes commercial-grade technology solutions to facilitate compliance with applicable regulatory requirements (e.g., s 15(1), for sanctions/PEP/negative news screening, s 15(1) for suspicious activity monitoring and regulatory filings and is in the process of upgrading to s 15(1) software to improve automated transaction tracking and monitoring).

BCLC has also implemented measures to improve or strengthen its compliance program (based on recommendations made in prior audits). During the most recent FinTRAC examination, BCLC was informed that the narratives as part of STR sections G and H were being truncated and as a result BCLC launched an updated version of s 15(1) in July 2014. BCLC would not have been privy to the truncation error as the coding criteria applied would have needed to be vetted as an end user under FinTRAC in order to assess the operating effectiveness of the software. BCLC has taken measures to apply updates based on legislation changes such as Bill C-31 where updates to s 15(1) were initially incorporated in February 2014.

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



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

- Formal approval by the Compliance Officer of key documents associated with BCLC's compliance regime (risk assessment documentation and employee compliance training programs).
- Inclusion of background check and initial due diligence screening documents in patron PGF files upon establishing a business relationship with BCLC as defined by FinTRAC.
- Consistency in the use of PGF account review sheets at RiverRock Casino.
- Development written policies and procedures to reflect the current practices BCLC takes regarding s 15(1)
- Prioritize completing s 15(1) search from July 2015 to date to address backlog for patrons with established relationships.
- Update risk assessment to reflect current risk associated with geographic locations per BCLC internal policies and procedures.

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

3. Scope and Approach

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

EY's methodology and procedures consisted of an assessment of BCLC's AML and sanctions compliance programs in accordance with the reporting requirements outlined by FINTRAC. EY assessed all the documents provided by BCLC including, but not limited to, the Anti-Money Laundering and Anti-Terrorist Financing Compliance Manual, the Casino and Community Gaming Centre Standards, Policies and Procedures and Internal Casino and Gaming Centre Standards, Policies and Procedures. In addition, EY was provided access to the Board of Directors minutes from meetings during the scope period, the BCLC AML team's qualifications and copies of the AML training programs provided to BCLC and service provider employees. We considered the issues and recommendations made in prior FINTRAC audits, the roles of the designated compliance officer (e.g., CAMLO), risk assessments performed, patron recordkeeping information, policies and customer's relationship acceptance policies for patron gaming fund ("PGF") accounts, s 15(1)

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

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



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Table 1: BCLC Head Office Personnel Interviewed

BCLC Representative	Position
s 15(1), s 22	VP of Casinos and Community Gaming
	VP of Corporate Security and Compliance
	Director of AML & Operational Analysis
	Manager of Cash Alternatives & Special Projects
	AML Specialist
	Intelligence Analyst for AML & Operational Analytics
	Sr. Technical Analyst, Gaming Facilities Support
	Assistant Manager, Casino Security & Surveillance
	Policy Analyst, Information Privacy & Security
	Compliance and Trend Analyst

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

Property Name	Interview Name and Title
Grand Villa Casino	s 15(1), s 22 (Casino Investigator)
Grand Villa Casino	s 15(1), s 22 (Cage Supervisor)
Grand Villa Casino	s 15(1), s 22 (Shift Manager),
Grand Villa Casino	s 15(1), s 22 (Surveillance Supervisor)
Starlight Casino	s 15(1), s 22 (Casino Investigator)
Starlight Casino	s 15(1), s 22 (Cage Supervisor)
Starlight Casino	s 15(1), s 22 (Casino Shift Manager)
Starlight Casino	s 15(1), s 22 (Surveillance Manager)
RiverRock Casino	s 15(1), s 22 (Casino Investigator)
RiverRock Casino	s 15(1), s 22 (Cage Shift Manager)
RiverRock Casino	s 15(1), s 22 (Floor Gaming Manager)
RiverRock Casino	s 15(1), s 22 (Surveillance Shift Manager)
Edgewater Casino	s 15(1), s 22 (Casino Investigator)
Edgewater Casino	s 15(1), s 22 (Surveillance Manager)
Edgewater Casino	s 15(1), s 22 (Cage Manager)
Edgewater Casino	s 15(1), s 22 (Director of Cage Operations)
Edgewater Casino	s 15(1), s 22 (Casino Shift Manager)
Hard Rock Casino	s 15(1), s 22 (Casino Investigator)



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Sampling Methodology and Sample Selection:

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

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

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

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

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

For the testing period of October 1, 2013 to July 31, 2015, the population of PGF accounts was identified at 478 across five different casinos that offer this service to their patrons. s 15(1) coupled with the enhanced nature of review associated with opening these accounts for patrons, an overall statistical sample of 60 PGF accounts were selected. The number of PGF accounts selected at each property was judgmentally selected given the proportion of the overall PGF accounts maintained at these locations. EY selected 30 accounts from s 15(1), 16 accounts from s 15(1), 5 accounts from s 15(1), 5 accounts from s 15(1) and 4 accounts from s 15(1).

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



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

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

Procedures:

In executing this approach, EY performed the following steps:

1. Read documentation pertaining to BCLC's AML and sanctions compliance program including all documentation that falls under FinTRAC guidelines for an effective compliance regime.
2. Held discussions with relevant BCLC and service provider personnel to obtain a further understanding of the AML program, changes to monitoring systems procedures and processes and day-to-day practices; personnel spoken to included compliance and operations teams as well as senior executives at BCLC.
3. Performed walkthroughs of due diligence and reporting procedures such as those conducted for PGF account opening and the use of s 15(1) and s 15(1) systems. EY met with relevant BCLC personnel to understand the practical application of these process and systems. Walkthroughs consisted of BCLC employees explaining or performing procedural tasks whilst an EY team member observed.
4. Performed targeted testing, where deemed relevant, on a sample of data/reports; for example, STR, LCT, CDR reports, unusual financial transactions, Unsubstantiated closed cases, and customer due diligence files.
5. Tested BCLC AML training program and confirm that all BCLC employees and all relevant service providers' employees have attended this training at least once in the past 2 years.
6. Performed walkthroughs at sampled service provider properties to assess how AML specific procedures and processes from BCLC's Casino and Community Gaming Centre Standards, Policies and Procedures were being applied; personnel spoken to included service provider management from cage, table games and surveillance operations and casino investigators from BCLC.
7. Recorded notes and observations from all execution steps performed. Where additional information was needed for clarification, supplementary discussions and walkthroughs were held.

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

4. Detailed Findings and Observations

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



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



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#	Program Element	Finding / Observation Summary	Finding / Observation Details	Finding / Observation	FINTRAC Guideline (If Applicable)
	Accounts	maintained by the Office of the Superintendent of Financial Institutions (OSFI), are not typically documented, as required by BCLC's policies and procedures. "An account based business relationship is established when a patron opens a Patron Gaming Fund (PGF) account. BCLC policies and procedures outline all required information that must be collected in order to establish a PGF account."	opening. Background checks in s 15(1) are initiated when a business relationship is established with BCLC, but may not occur until the patron has already initiated transactions at service provider locations where they maintain accounts.		
4	Due Diligence and Customer Identification for Patron Gaming Fund (PGF) Accounts	The account process review sheet, which has been incorporated by BCLC as an industry leading practice, is not consistently completed and added to the file by the Casino investigator.	Of the 60 PGF account files tested, eight (13.33%) did not contain this review sheet. All of the eight files in question belong to the RiverRock Casino, suggesting that this missing compliance check could be isolated to this specific property.	Observation	N/A
5	Sanctions Policies and Procedures	Through interviews and a walkthrough of BCLC's due diligence process, there is evidence that screening for patrons takes place through the use of FinScan. While the process takes place, there are	While there is evidence that BCLC applies s 15(1) due diligence searches to patrons who maintain a business relationship with the corporation, there are no documented policies and procedures in place that address	Observation	N/A



#	Program Element	Finding / Observation Summary	Finding / Observation Details	Finding / Observation	FINTRAC Guideline (If Applicable)
		no specific policies and procedures to address that sanctions screening occurs and the impact of FinScan searches performed in attempts to identify any parties that may be on OSFI's published list.	screening for potentially sanctioned patrons. In addition, there are no policies and procedures in place that speak to specific on-going due diligence processes, such as performing s 15(1), searches and how these searches are conducted, recorded and applied to patron subject profiles. BCLC's Anti-Money Laundering and Anti-Terrorist Financing Compliance Manual only mentions that OSFI maintains a list of individuals and terrorist groups that BCLC would be prohibited from interacting with.		
6	Sanctions Screening	BCLC relies solely on FinScan to perform sanctions screening for individual patrons. While this practice generally occurs on a monthly basis, EY observed that during their recent assessment that the searches for patrons as of July 2015 have yet to be conducted.	s 15(1) for patrons where a business relationship is established with BCLC are generally performed on a monthly basis. During EY's assessment, as of September 3, 2015, all of the patron's names with established business relationships with BCLC in July 2015 had not yet been entered s 15(1). This backlog appears to be specific to this timeframe noted and is not representative of the full scope	Observation	N/A



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



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5. Appendix A: Source Documentation

a. Sub-Process: Oversight and Management

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

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

b. Sub-process: Training

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



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

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

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

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

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



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3. Copies of reports used for the identification and monitoring of potentially suspicious transactions (may include, but not limited to: customer watch list reports, investigative files, suspicious transaction reports (STRs) and other regulatory filings)
 - a. Suspicious transactions
 - i. For sample selection purposes, listings of all STRs that were filed during the scope period, if applicable
 - b. Terrorist property
 - i. For sample selection purposes, listings of all potential Terrorist related activity that was noted during the scope period, if applicable
 - c. Large cash transactions
 - i. For sample selection purposes, listings of all large cash transactions involving amounts of \$10,000 or more received in cash during the scope period, if applicable
 - d. Funds transfer
 - i. For sample selection purposes, listings of all funds transfers (incoming and outgoing) greater than \$10,000 during the period scope period, if applicable
 - e. Casino disbursements
 - i. For sample selection purposes, listings of all casino disbursements involving amounts of \$10,000 or more received in cash during the scope period, if applicable
 - f. Third party determination
 - i. For sample selection purposes, casino disbursements where the individual receiving the disbursement was acting on behalf of a third party during the scope period.
 4. Management reports used to monitor PEPF account activity, including reports for identifying unusual and suspicious activity during the scope period
- e. Sub-process: Vendor Management
1. Current service level agreements with vendors, specifically focusing on AML / Terrorist List Scanning Screening delegation and responsibilities, if applicable
- f. Sub-process: Terrorist List Scanning Screening
1. List of BCLC blocked or rejected transactions with individuals or entities on Terrorist List Scanning Screening list and any associated reports submitted to the agency
 2. If maintained, BCLC logs or other documentation related to reviewing potential Terrorist List Scanning matches, including the method for reviewing and clearing those determined not to be matches



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

g. Sub-process: Recordkeeping

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

h. Miscellaneous

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



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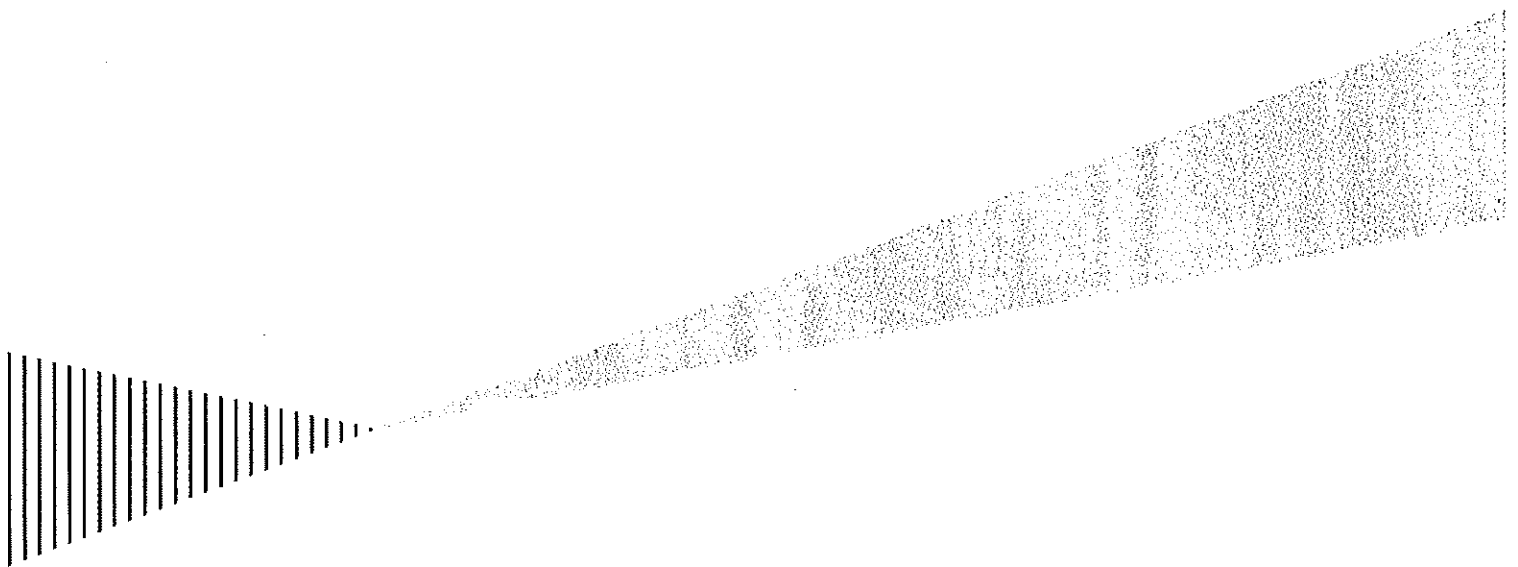
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British Columbia Lottery Corporation

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

NOVEMBER 23, 2015





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1. Executive Summary

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

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

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

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

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



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We appreciate the cooperation and assistance provided to us during the course of our work. If you have any questions, please call s 22

Yours sincerely,

Ernst & Young LLP

s 22



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2. Summary of Observations

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

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

BCLC has also implemented measures to improve or strengthen its compliance program (based on recommendations made in prior audits). During the most recent FinTRAC examination, BCLC was informed that the narratives as part of STR sections G and H were being truncated and as a result BCLC launched an updated version of [REDACTED] in July 2014. BCLC would not have been privy to the truncation error as the coding criteria applied would have needed to be vetted as an end user under FinTRAC in order to assess the operating effectiveness of the software. BCLC has taken measures to apply updates based on legislation changes such as Bill C-31 where updates to s 15(1) were initially incorporated in February 2014.

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



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

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

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

3. Scope and Approach

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

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

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



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Table 1: BCLC Head Office Personnel Interviewed

BCLC Representative	Position
s 15(1), s 22	VP of Casinos and Community Gaming
	VP of Corporate Security and Compliance
	Director of AML & Operational Analysis
	Manager of Cash Alternatives & Special Projects
	AML Specialist
	Intelligence Analyst for AML & Operational Analytics
	Sr. Technical Analyst, Gaming Facilities Support
	Assistant Manager, Casino Security & Surveillance
	Policy Analyst, Information Privacy & Security
	Compliance and Trend Analyst

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

Property Name	Interview Name and Title
Grand Villa Casino	s 15(1), s 22 (Casino Investigator)
Grand Villa Casino	s 15(1), s 22 (Cage Supervisor)
Grand Villa Casino	s 15(1), s 22 (Shift Manager),
Grand Villa Casino	s 15(1), s 22 (Surveillance Supervisor)
Starlight Casino	s 15(1), s 22 (Casino Investigator)
Starlight Casino	s 15(1), s 22 (Cage Supervisor)
Starlight Casino	s 15(1), s 22 (Casino Shift Manager)
Starlight Casino	s 15(1), s 22 (Surveillance Manager)
RiverRock Casino	s 15(1), s 22 (Casino Investigator)
RiverRock Casino	s 15(1), s 22 (Cage Shift Manager)
RiverRock Casino	s 15(1), s 22 (Floor Gaming Manager)
RiverRock Casino	s 15(1), s 22 (Surveillance Shift Manager)
Edgewater Casino	s 15(1), s 22 (Casino Investigator)
Edgewater Casino	s 15(1), s 22 (Surveillance Manager)
Edgewater Casino	s 15(1), s 22 (Cage Manager)
Edgewater Casino	s 15(1), s 22 (Director of Cage Operations)
Edgewater Casino	s 15(1), s 22 (Casino Shift Manager)
Hard Rock Casino	s 15(1), s 22 (Casino Investigator)



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Sampling Methodology and Sample Selection:

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

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

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

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

Table 3: EY Sampling Methodology (Sample Sizes)

<i>Population Type and Size</i>	<i>Sample Size</i>
STR - 3,019	30
LCT - 62,808	31
CDR - 123,800	31
Unsubstantiated Cases - 186	26
New PGF accounts - 478	60

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

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



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

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

Procedures:

In executing this approach, EY performed the following steps:

1. Read documentation pertaining to BCLC's AML and sanctions compliance program including all documentation that falls under FinTRAC guidelines for an effective compliance regime.
2. Held discussions with relevant BCLC and service provider personnel to obtain a further understanding of the AML program, changes to monitoring systems procedures and processes and day-to-day practices; personnel spoken to included compliance and operations teams as well as senior executives at BCLC.
3. Performed walkthroughs of due diligence and reporting procedures such as those conducted for PGF account opening and the use of s 15(1) and s 15(1) systems. EY met with relevant BCLC personnel to understand the practical application of these process and systems. Walkthroughs consisted of BCLC employees explaining or performing procedural tasks whilst an EY team member observed.
4. Performed targeted testing, where deemed relevant, on a sample of data/reports; for example, STR, LCT, CDR reports, unusual financial transactions, Unsubstantiated closed cases, and customer due diligence files.
5. Tested BCLC AML training program and confirm that all BCLC employees and all relevant service providers' employees have attended this training at least once in the past 2 years.
6. Performed walkthroughs at sampled service provider properties to assess how AML specific procedures and processes from BCLC's Casino and Community Gaming Centre Standards, Policies and Procedures were being applied; personnel spoken to included service provider management from cage, table games and surveillance operations and casino investigators from BCLC.
7. Recorded notes and observations from all execution steps performed. Where additional information was needed for clarification, supplementary discussions and walkthroughs were held.

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



4. Detailed Findings and Observations

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



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



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



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



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



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5. Appendix A: Source Documentation

a. Sub-Process: Oversight and Management

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

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

b. Sub-process: Training

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



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

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

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

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

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



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3. Copies of reports used for the identification and monitoring of potentially suspicious transactions (may include, but not limited to: customer watch list reports, investigative files, suspicious transaction reports (STRs) and other regulatory filings
 - a. Suspicious transactions
 - i. For sample selection purposes, listings of all STRs that were filed during the scope period, if applicable
 - b. Terrorist property
 - i. For sample selection purposes, listings of all potential Terrorist related activity that was noted during the scope period, if applicable
 - c. Large cash transactions
 - i. For sample selection purposes, listings of all large cash transactions involving amounts of \$10,000 or more received in cash during the scope period, if applicable
 - d. Funds transfer
 - i. For sample selection purposes, listings of all funds transfers (incoming and outgoing) greater than \$10,000 during the period scope period, if applicable
 - e. Casino disbursements
 - i. For sample selection purposes, listings of all casino disbursements involving amounts of \$10,000 or more received in cash during the scope period, if applicable
 - f. Third party determination
 - i. For sample selection purposes, casino disbursements where the individual receiving the disbursement was acting on behalf of a third party during the scope period.
 4. Management reports used to monitor PEP account activity, including reports for identifying unusual and suspicious activity during the scope period
- e. Sub-process: Vendor Management
1. Current service level agreements with vendors, specifically focusing on AML / Terrorist List Scanning Screening delegation and responsibilities, if applicable
- f. Sub-process: Terrorist List Scanning Screening
1. List of BCLC blocked or rejected transactions with individuals or entities on Terrorist List Scanning Screening list and any associated reports submitted to the agency
 2. If maintained, BCLC logs or other documentation related to reviewing potential Terrorist List Scanning matches, including the method for reviewing and clearing those determined not to be matches



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

g. Sub-process: Recordkeeping

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

h. Miscellaneous

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



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Kevin Simcoe

From: Jim D. Lightbody
Sent: September-21-17 2:55 PM
To: George.Smith@gov.bc.ca
Cc: Rob Kroeker; Susan Dolinski
Subject: FW: AML Release
Attachments: MNP Report - redacted + BCLC redactions.pdf; MNP Audit_BCLC Response Plan 2016_Redacted.pdf; Fintrac AML Review 2016_letter to BCLC 2016.pdf; EY Report_Bi Annual Audit 2015_AML Sanctions Program Assessment of BCLC_112315_FINAL_Redacted.pdf

Importance: High

George;
As per your request, here is what we sent Richard this morning.
Jim

From: Rob Kroeker
Sent: Thursday, September 21, 2017 11:17 AM
To: Richard.Fyfe@gov.bc.ca
Cc: Jim D. Lightbody <JDLightbody@bclc.com>; Bud Smith <bsmith@urbansystems.ca>; Susan Dolinski <SDolinski@BCLC.com>
Subject: AML Release
Importance: High

Hello Richard

Please find attached the MNP report with our requested redactions. I have also attached the BCLC response plan to that report which was developed and completed in 2016. I have attached copies of the EY Audit and Fintrac Review of our program that occurred around the same time as the MNP audit. These latter two documents have also been vetted for release.

With respect to the Fintrac review, the deficiency noted in relation to training has been fully addressed with the introduction of an entirely new AML course this year. Similarly, a formal response plan was developed in regard to the EY findings and all have been addressed.

It may also be useful to note that EY has been at BCLC over the last 4 weeks conducting the biennial legislatively required independent review of the BCLC AML program. The results of that review will be available in the middle of next month. This will be the second comprehensive review conducted on the BCLC program since the MNP audit was completed (Fintrac audit in June 2016, and now the EY Audit August 2017).

With respect to our requested redactions on the MNP audit we offer the following analysis and rationale. The information identified for redaction qualifies for exceptions to disclosure under sections 13(1) and 15(1) of FIPPA for the following reasons.

s 13(1)

s 13(1)

In our view the disclosure of the information sought to be redacted would create an unacceptable risk to law enforcement as set out above and ultimate would undermine BCLC's AML Program.

May I please impose upon you to confirm receipt of this note so that we have confirmation the e-mail got through without difficulty. Additionally, we would very much appreciate a copy of the version of the MNP report, and all other documentation, that is ultimately released so that we may be informed and prepared to provide any responses or additional information needed.

Regards,

Rob Kroeker

Vice President | Corporate Security & Compliance
British Columbia Lottery Corporation

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Last year, more than \$1 billion generated by BCLC gambling activities went back into health care, education and community groups across B.C.

Responsible organization	Section	Recommendation	Response Plan	Status
GPEB	4.2	Should consider implementing a policy requirement that Service Providers s 13(1)	Subsections 9.6(1) and (2) of the Proceeds of Crime (Money Laundering) and Terrorist Financing Act, as well as FinTRAC Guidance 4, section 6 and FinTRAC's Guidance on the Risk-Based Approach to Combating Money Laundering and Terrorist Financing, require BCLC to implement a risk-based compliance regime. A directive issued under the provincial Gaming Control Act to BCLC or service providers requiring a prescriptive compliance approach in the form recommended here may give rise to a direct conflict of laws as between federal and provincial requirements. A directive of this nature could result in confusion for service provider staff as between provincial and federal requirements s 13(1)	
	5.8	Define its accepted level of risk for unsourced cash and then develop clear roles and responsibilities for: GPEB – Regulator, Enforcement BCLC – Manage gaming and reporting entity Service Provider – Risk Identification	As per 4.2 above GPEB to develop response.	
	5.35	At the direction of the Minister responsible for gaming, consider s 13(1)	As per 4.2 above	
	5.52	Source of funds can only be verified by obtaining documentation for the withdrawal of cash from a financial institution or entity covered under the PCMLTFA.	As per 4.2 above, GPEB to develop response.	
	5.74	A directive from GPEB may also support BCLC in creating a policy which would mandate the Service Provider to decline a transaction when mandatory occupation data is not provided by the patron.	BCLC policy already exists directing Service Providers to stop and refuse transactions where a customer does not provide required identification.	
	4.3 5.88	The review of proposed cash alternative solutions, including credit, and the impact of these solutions should remain a priority for both GPEB and BCLC. Cash alternatives allow Service Providers to receive funds, strengthening the overall compliance regime with minimal impact on revenue generation.	BCLC has completed work on permitting international electronic funds transfers and deferring return of funds cheques. These changes have been implemented. s 13(1)	
BCLC	5.58	Depending on GPEB / Minister's risk tolerance for large unsourced cash transactions, revise policies regarding tolerance of high risk play and consequences of unacceptable high risk activity	BCLC will await GPEB's analysis of this recommendation.	Completed
	4.8	Consider whether its risk assessment process adequately reflects current thinking around money laundering and terrorist financing risk. The risks associated to specific facilities should be evaluated, rather than simply drawing geographic boundaries for risk.	BCLC has reviewed its risk assessment. BCLC's risk assessment takes into account geographic risk elements. The risk assessment looks at both risk by region within the province and site specific risks within each region, including risks such as local crime rates in and around gaming sites. In June 2016 BCLC's risk assessment was the subject of an in-depth FinTRAC Compliance Review and was found to be fully in compliance with the PCMLTFA. Moreover, during the exit interview phase of the Compliance Review, FinTRAC indicated that BCLC's risk assessment was one of the most robust in the industry.	Completed
	5.48	Rather than base a facilities risk assessment by region, risk assessments should include factors specific to the facility. Consider if the risk register reflects the current environment as it is not as granular as other jurisdictions reviewed by MNP.	BCLC has reviewed its risk assessment. BCLC's risk assessment takes into account geographic risk elements. The risk assessment looks at both risk by region within the province and site specific risks within each region, including risks such as local crime rates in and around gaming sites. In June 2016 BCLC's risk assessment was the subject of an in-depth FinTRAC Compliance Review and was found to be fully in compliance with the PCMLTFA. Moreover, during the exit interview phase of the Compliance Review, FinTRAC indicated that BCLC's risk assessment was one of the most robust in the industry.	Completed
	5.49			
	5.7	Consider developing new cash alternative programs and products that include:	BCLC has been developing and introducing new cash alternative payment options since 2012. At the time of the MNP review two cash alternatives sat with GPEB for approval. GPEB have since stated their approval is not required as these are operational gaming matters falling outside of their mandate. The two new cash alternative payment options have now been implemented.	Completed
		The ability of non-Canadian players to fund PGF accounts and repay credit if subject to cash restrictions in their home country (e.g. China), and	International EFT and wire transfers were in the process of development prior to the time of this review. That work is complete and international EFTs have been implemented. s 13(1)	Completed
		allocating how defaults on repayment will be determined (i.e. between BCLC and service provider).	Credit has been evaluated and is presently not approved by GPEB and thus is not currently proposed by BCLC in the short term	Completed

Responsible organization	Section	Recommendation	Response Plan	Status
BCLC	4.5	If GPEB implements a policy regarding the refusal of large or frequent unsorted cash deposits, BCLC's procedures to address the policy should include refresher training to Service Providers pertaining to BCLC's reporting requirements of attempted transactions to ensure reports are appropriately identified.	BCLC will await direction from GPEB/Minister. BCLC notes, subsections 9.6(1) and (2) of the Proceeds of Crime (Money Laundering) and Terrorist Financing Act, as well as FinTRAC Guideline 4, section 6 and FinTRAC's Guidance on the Risk-Based Approach to Combating Money Laundering and Terrorist Financing, require BCLC to implement a risk-based compliance regime. A directive issued under the provincial Gaming Control Act to BCLC or service providers requiring a prescriptive compliance approach in the form recommended here may give rise to a direct conflict of laws as between federal and provincial requirements. BCLC would need clarification from the federal regulator and provincial regulator as to which requirement was to be given paramountcy. Provincial requirements are not aligned with or conflict with federal law.	Not Applicable
	4.11	Facility staff should be regularly trained on the completion of the forms used for reporting, including UFT reporting.	Service Provider staff receive initial AML training prior to commencing duties and also receive periodic refresher training. In June 2016 FINTRAC completed a comprehensive review of BCLC UFT and STR reporting processes including that of RROR and found BCLC to be fully compliant with PCMLTFA. UFT is an internal industry reporting process for SP's to report transactions to BCLC for review.	Fully Compliant
	5.47			
	4.12	Anti-money laundering training programs should be evaluated for up-to-date content and effectiveness.	BCLC reviews and updates its AML training on a periodic basis and whenever requirements under the PC(ML)TFA are amended. In June 2016 FINTRAC completed a comprehensive review of BCLC's AML regime. BCLC has undertaken a full review, taking into account guidance from FINTRAC. Enhancements to BCLC's AML training program will be in place in 2017.	Fully Compliant
	4.12	Training should be provided in the primary language of the candidate, particularly for its high risk exposed employees (those working in high-limit rooms).	BCLC has reviewed this recommendation. Federal Anti-money laundering laws and FinTRAC Guidance and directives are provided only in Canada's official languages: French and English. Compliance reviews and audits conducted by FinTRAC in B.C. are conducted in English only. Nationally recognized accounting firms, which reporting entities under the PC(ML)TFA rely upon to conduct statutorily mandated biennial independent compliance reviews, offer services only in English or French. Prescribed reporting to FinTRAC under the PC(ML)TFA and under the Criminal Code may only be conducted in English or French. For security related reasons casino operations and all transactions and communications between gaming staff and customers are required to be conducted in English only in BC casinos. BCLC's service providers employ more than 5000 staff reflecting a broad range of nationalities and languages other than English or French. Conducting AML training in myriad languages that are not used in either casino operations or AML compliance audits and reviews would introduce a substantial risk of confusing and misunderstood communications potentially leading to compliance gaps and errors. Given the risk of reporting errors and other compliance gaps implementing this recommendation could introduce, BCLC will not pursue the recommendation further.	Not Applicable
	5.55			
BCLC	4.14	The KYC framework at RROR is a task-driven compliance activity rather than a risk management activity. Provide further guidance as the manager and responsible entity for AML regulatory obligations to enhance and enforce appropriate KYC measures.	BCLC has reviewed its customer due diligence process in light of this recommendation, the requirements under the PC(ML)TFA and FinTRAC Guidance on KYC requirements. In addition, BCLC has consulted with other casinos and reporting entities on appropriate KYC measures. BCLC's CDD and KYC measures meet all requirements. In addition, in June 2016 FINTRAC conducted a comprehensive review of BCLC's entire AML program. The FINTRAC review involved site visits to RROR and a number of RROR staff interviews to test its CDD and KYC processes. FINTRAC found BCLC's program to be fully compliant.	Fully Compliant
	5.54	Additional training for employees in the VIP area focused specifically on suspicious indicators and required actions to improve independent thinking.	BCLC reviews and updates its AML training on a periodic basis and whenever requirements under the PC(ML)TFA are amended. In June 2016 FINTRAC completed a comprehensive review of BCLC's AML regime. BCLC has undertaken a full review, taking into account guidance from FINTRAC. Enhancements to BCLC's AML training program will be in place in 2017.	Fully Compliant
	4.7	Enhance the CDD processes from both a risk management and revenue generation perspective with modifications and additional resources to meet EDD expectations for high risk patrons.	BCLC has reviewed its customer due diligence process in light of this recommendation, the requirements under the PC(ML)TFA and FinTRAC Guidance on KYC requirements. In addition, BCLC has consulted with other casinos and reporting entities on appropriate KYC measures. BCLC's CDD and KYC measures meet all requirements. In addition, in June 2016 FINTRAC conducted a comprehensive review of BCLC's entire AML program. The FINTRAC review involved site visits to RROR and a number of RROR staff interviews to test its CDD and KYC processes. FINTRAC found BCLC's program to be fully compliant.	Fully Compliant
	4.9	Review its EDD process to ensure the data collected and information gleaned provides a clear picture of the risks and profile of the patron for risk assessment and mitigation.	BCLC has reviewed its customer due diligence process in light of this recommendation, the requirements under the PC(ML)TFA and FinTRAC Guidance on KYC requirements. In addition, BCLC has consulted with other casinos and reporting entities on appropriate KYC measures. BCLC's CDD and KYC measures meet all requirements. In addition, in June 2016 FINTRAC conducted a comprehensive review of BCLC's entire AML program. The FINTRAC review involved site visits to RROR and a number of RROR staff interviews to test its CDD and KYC processes. FINTRAC found BCLC's program to be fully compliant.	Fully Compliant
	5.83			
BCLC	5.15	EDD measures could be more qualitative, and a formal response to specified risk ratings could be created.	BCLC has reviewed its customer due diligence process in light of this recommendation, the requirements under the PC(ML)TFA and FinTRAC Guidance on KYC requirements. In addition, BCLC has consulted with other casinos and reporting entities on appropriate KYC measures. BCLC's CDD and KYC measures meet all requirements. In addition, in June 2016 FINTRAC conducted a comprehensive review of BCLC's entire AML program. The FINTRAC review involved site visits to RROR and a number of RROR staff interviews to test its CDD and KYC processes. FINTRAC found BCLC's program to be fully compliant.	Fully Compliant
	5.16	Outsourcing the EDD process for higher risk patrons should be considered to clear the current backlog.	Any backlog observed by this review was a temporary circumstance arising from an underreporting issue discovered by BCLC at the River Rock facility October 2015. Additional BCLC staff were reassigned to assist the AML unit with the underreporting issue so that normal transaction monitoring could continue to be carried out while the underreporting issue was addressed contemporaneously. The reviewer was made aware of these circumstances at the time of its work. Any backlog that may have been observed was transitory in nature. Moreover, the outsourcing of core AML processes would unnecessarily introduce a higher level of risk into the AML program and increase the chance of error resulting in non-compliance.	Fully Compliant
	4.1	Prioritize and appropriately resource the ongoing 1541 Implementation project (schedule for roll out in fall of 2016) to improve the quality of the data used for ongoing risk assessment and compliance monitoring and reporting.	BCLC continues with the process to automate aspects of its AML program to provide greater efficiency and enhanced transaction monitoring capabilities. BCLC pursues a "continuous improvement" philosophy with respect to its AML program and continually seeks to improve and enhance its efforts and performance.	Fully Compliant
	5.24			
	5.28			
	5.29			

Responsible organization	Section	Recommendation	Response Plan	Status
BCLC	4.11	Ensure that reporting forms used by the facilities are up to date and include valuable information fields for mandatory completion for unsourced or high volume cash transactions such as source of funds, source of wealth and purpose and intended nature of relationship information.	BCLC reviewed its forms in light of this recommendation. In June FinTRAC conducted a comprehensive review of BCLC's entire AML program and found no issues with transaction reporting or record keeping requirements.	Complete
	4.13	MNP identified instances where non-cash transactions processed to RRRC's PGFs were over-reported to FINTRAC, and instances where mandatory fields in LCTRs were left blank. Both issues are contrary to the PCMLTFA and require remediation and disclosure to FINTRAC.	It is BCLC's understanding that it is not possible to successfully submit an LCT into the BCLC - FinTRAC linked system with a designated mandatory field left blank. Such a report would be rejected by the FinTRAC system and flagged for immediate follow-up and remediation. BCLC suspects that this anomalous finding may be related to the reviewer's unique methodology where it worked in a select data extraction from BCLC's database rather than the actual production database. This a process that has never been attempted before and deviates from standard audit practice where auditors work directly in the production database which removes the risk of these types of errors. BCLC has reviewed the data extraction as a result of this finding and compared it to the production data. It appears that during the extraction process some data fields did not populate into the extraction sample in some limited instances. In other words BCLC, when working directly in the production data as opposed to a select extraction of the data, cannot find the LCT errors referred to here. BCLC suggested the reviewer re-run their analysis in the production database or provide the suspect reports to FinTRAC directly for verification that mandatory fields were completed as required when the form was submitted. The reviewer declined the opportunity to take either of these steps and correct what appear to be erroneous findings. Upon reviewing the actual production data BCLC is confident the exceptions reported here did not in fact occur.	Complete
	5.27	Due diligence on large volumes of slot Cash Disbursement Reports (CDR) should be monitored for suspicious activity.	BCLC implemented processes in 2016 to review slot play based on CDR levels and it is currently built into the AML program. This is on top of current due diligence practices which FinTRAC found to be compliant in June 2016.	Complete
	5.36	Review all of the FINTRAC reporting (LCT/CDR) for non-cash for all facilities which offer PGF accounts should be done immediately to stop unnecessary and incorrect reports.	As per 4.13 BCLC identified the PGF issue in Nov 2016 and engaged FinTRAC for guidance as this reporting practice had been in place since 2012. On written confirmation from FinTRAC BCLC ceased this practice in July 2016. BCLC have requested guidance from FinTRAC on a new Cash alternatives and reporting obligations.	Complete
	5.32			
Service Providers	5.44	Create a template for Unusual Financial Transaction (UFT) reports for service providers to use to ensure that all required information is included and to create consistency in the quality of submissions between facilities.	BCLC has reviewed its UFT process in the context of this recommendation. BCLC requires immediate email notification from service providers of a UFT for timeliness. Any specific detail pertaining to the transaction are reported through 15(1) for consistency, completeness, security and protection of privacy requirements. Implementing a stand alone form outside of the existing database will introduce risk of reports or data being missed and a privacy breach risk that do not currently exist.	Complete
	5.4	VIP Hosts have the most significant interaction and knowledge of the VIPs and ability to flag instances of receipt and use of unsourced cash for suspicious transaction reporting. Consideration should be given to cross functional reporting lines to the Director, Table Games for a consistent approach to compliance across all table game points of access susceptible to the acceptance of unsourced cash.	BCLC has reviewed this recommendation. VIP hosts and all Table Game staff must complete anti-money laundering training which includes training related to large cash transaction handling and the duty to report in regard to these transactions. Additionally, Surveillance live monitors all large cash transactions irrespective of the staff involved in the transaction be they VIP hosts, Table Games staff, Cage staff or any other employee. FINTRAC reviewed BCLC's AML program in June 2016 including that of RRRC and found BCLC to be compliant with PCMLTFA with no evidence of non reporting transactions 15(1)	Complete
	5.46	Floor staff should have more active involvement in the UFT reporting process. UFT reporting is currently carried out by surveillance staff who only have limited info based on video surveillance.	BCLC has reviewed its UFT reporting process in the context of this recommendation. There appears to be some misapprehension expressed in the review in regard to BCLC's UFT reporting process. All floor staff receive mandatory AML training and have a positive duty to bring forward and report any unusual financial transactions, irrespective of their specific role. Further, Surveillance is not restricted to information based solely on video surveillance. Surveillance operators are at all times in direct communication with floor staff via two way radio. FINTRAC conducted a comprehensive review of BCLC's AML program in June 2016 including that of RRRC and found BCLC to be fully compliant with all aspects of the PCMLTFA related to transaction reporting and record keeping.	Complete
GPEB	5.19	Establish a dedicated, cooperative inter-agency AML investigations unit composed of GPEB and BCLC investigators to delineate the roles between operational and AML investigations and regulatory compliance investigations.	GPEB on lead for response.	
BCLC	5.1	Operating levels for BCLC Investigators may need to be reviewed as the current staffing levels assigned to RRRC do not appear to be sufficient	Any backlog or workload issues observed during this review were a temporary circumstance arising from 15(1) by BCLC at the River Rock facility October 2015. Additional BCLC staff were reassigned to assist the AML unit with 15(1) so that normal transaction monitoring could continue to be carried out. 15(1) was addressed contemporaneously. The reviewer was made aware of these circumstances at the time of its work. BCLC closely monitors work demands on AML investigators on a weekly basis. Workloads remain manageable and no similar backlogs have developed since the one in November - December 2016.	Complete
All	4.4	Jointly evaluate the resourcing and functioning of existing investigative units. Effective multi-agency units would promote the sharing of information and resources.	BCLC and GEB executive have worked through roles and responsibilities. The GCA allows sharing of information in appropriate circumstances between GPEB and BCLC. Since the MNP review JIGIT was created as the primary agency to investigate ML and POC related activity. BCLC has MOU with JIGIT allowing for effective and efficient information flows and coordination. GPEB has investigators assigned to JIGIT.	Complete

Responsible organization	Section	Recommendation	Response Plan	Status
GPEB	4.2	Should consider implementing a policy requirement that Service Providers [REDACTED]	Subsections 9.8(1) and (2) of the Proceeds of Crime (Money Laundering) and Terrorist Financing Act, as well as FinTRAC Guideline 4, section 6 and FinTRAC's Guidance on the Risk-Based Approach to Combating Money Laundering and Terrorist Financing, require BCLC to implement a risk-based compliance regime. A directive issued under the provincial Gaming Control Act to BCLC or service providers requiring a prescriptive compliance approach in the form recommended here may give rise to a direct conflict of laws as between federal and provincial requirements. A directive of this nature could result in confusion for service provider staff as between provincial and federal requirements. [REDACTED]	
	5.6	Define its accepted level of risk for unsourced cash and then develop clear roles and responsibilities for: GPEB – Regulator, Enforcement BCLC – Manage gaming and reporting entity Service Provider – Risk Identification	As per 4.2 above GPEB to develop response.	
	5.35	At the direction of the Minister responsible for gaming, consider [REDACTED]	As per 4.2 above	
	5.52	Source of funds can only be verified by obtaining documentation for the withdrawal of cash from a financial institution or entity covered under the PCMLTFA.	As per 4.2 above, GPEB to develop response.	
	5.74	A directive from GPEB may also support BCLC in creating a policy which would mandate the Service Provider to decline a transaction when mandatory occupation data is no provided by the patron.	BCLC policy already exists directing Service Providers to stop and refuse transactions where a customer does not provide required identification.	
	4.3 5.68	The review of proposed cash alternative solutions, including credit, and the impact of these solutions should remain a priority for both GPEB and BCLC. Cash alternatives allow Service Providers to receive funds, strengthening the overall compliance regime with minimal impact on revenue generation.	BCLC has completed work on permitting international electronic funds transfers and defining return of funds cheques. These changes have been implemented. [REDACTED]	
BCLC	5.66	Depending on GPEB / Minister's risk tolerance for large unsourced cash transactions, revise policies regarding tolerance of high risk play and consequences of unacceptable high risk activity	BCLC will await GPEB's analysis of this recommendation.	2018-03-01
	4.8	Consider whether its risk assessment process adequately reflects current thinking around money laundering and terrorist financing risk. The risks associated to specific facilities should be evaluated, rather than simply drawing geographic boundaries for risk.	BCLC has reviewed its risk assessment. BCLC's risk assessment takes into account geographic risk elements. The risk assessment looks at both risk by region within the province and site specific risks within each region, including risks such as local crime rates in and around gaming sites. In June 2018 BCLC's risk assessment was the subject of an In-depth FinTRAC Compliance Review and was found to be fully in compliance with the PC(ML)TFA. Moreover, during the exit interview phase of the Compliance Review, FinTRAC indicated that BCLC's risk assessment was one of the most robust in the industry.	2018-03-01
	5.48 5.49	Rather than base a facility's risk assessment by region, risk assessments should include factors specific to the facility. Consider if the risk register reflects the current environment as it is not as granular as other jurisdictions reviewed by MNP.	BCLC has reviewed its risk assessment. BCLC's risk assessment takes into account geographic risk elements. The risk assessment looks at both risk by region within the province and site specific risks within each region, including risks such as local crime rates in and around gaming sites. In June 2018 BCLC's risk assessment was the subject of an In-depth FinTRAC Compliance Review and was found to be fully in compliance with the PC(ML)TFA. Moreover, during the exit interview phase of the Compliance Review, FinTRAC indicated that BCLC's risk assessment was one of the most robust in the industry.	2018-03-01
	5.7	Consider developing new cash alternative programs and products that include:	BCLC has been developing and introducing new cash alternative payment options since 2012. At the time of the MNP review two cash alternatives sat with GPEB for approval. GPEB have since stated their approval is not required as these are operational gaming matters falling outside of their mandate. The two new cash alternative payment options have now been implemented.	2018-03-01
		The ability of non-Canadian players to fund PGF accounts and repay credit if subject to cash restrictions in their home country (e.g. China), and	International EFT and wire transfers were in the process of development prior to the time of this review. That work is complete and international EFTs have been implemented. [REDACTED]	2018-03-01
		allocating how defaults on repayment will be determined (e.g. between BCLC and service provider).	Credit has been evaluated and is presently not approved by GPEB and thus is not currently proposed by BCLC in the short term	2018-03-01

Responsible organization	Section	Recommendation	Response Plan	Status
BCLC	4.5	If GPEB implements a policy regarding the refusal of large or frequent unsource cash deposits, BCLC's procedures to address the policy should include refresher training to Service Providers pertaining to BCLC's reporting requirements of attempted transactions to ensure reports are appropriately identified.	BCLC will await direction from GPEB/Minister. BCLC notes, subsections 8.6(1) and (2) of the Proceeds of Crime (Money Laundering) and Terrorist Financing Act, as well as FinTRAC Guideline 4, section 6 and FinTRAC's Guidance on the Risk-Based Approach to Combating Money Laundering and Terrorist Financing, require BCLC to implement a risk-based compliance regime. A directive issued under the provincial Gaming Control Act to BCLC or service providers requiring a prescriptive compliance approach in the form recommended here may give rise to a direct conflict of laws as between federal and provincial requirements. BCLC would need clarification from the federal regulator and provincial regulator as to which requirement was to be given paramountcy. Actual requirements are not aligned with or conflict with federal law.	Not Started
	4.11	Facility staff should be regularly trained on the completion of the forms used for reporting, including UFT reporting.	Service Provider staff receive initial AML training prior to commencing duties and also receive periodic refresher training. In June 2016 FINTRAC completed a comprehensive review of BCLC UFT and STR reporting processes including that of RRCR and found BCLC to be fully compliant with PCMLTFA. UFT is an internal industry reporting process for SP's to report transactions to BCLC for review.	Completed
	5.47			Completed
	4.12	Anti-money laundering training programs should be evaluated for up-to-date content and effectiveness.	BCLC reviews and updates its AML training on a periodic basis and whenever requirements under the PC(M)TFA are amended. In June 2016 FINTRAC completed a comprehensive review of BCLC's AML regime. BCLC has undertaken a full review, taking into account guidance from FINTRAC. Enhancements to BCLC's AML training program will be in place in 2017.	Completed
	4.12	Training should be provided in the primary language of the candidate, particularly for its high risk exposed employees (those working in high-limit rooms).	BCLC has reviewed this recommendation. Federal Anti-money laundering laws and FinTRAC Guidance and directives are provided only in Canada's official languages: French and English. Compliance reviews and audits conducted by FinTRAC in B.C. are conducted in English only. Nationally recognized accounting firms, which reporting entities under the PC(M)TFA rely upon to conduct statutorily mandated biennial independent compliance reviews, offer services only in English or French. Prescribed reporting to FinTRAC under the PC(M)TFA and under the Criminal Code may only be conducted in English or French. For security related reasons casino operations and all transactions and communications between gaming staff and customers are required to be conducted in English only in BC casinos. BCLC's service providers employ more than 5000 staff reflecting a broad range of nationalities and languages other than English or French. Conducting AML training in myriad languages that are not used in either casino operations or AML compliance audits and reviews would introduce a substantial risk of confusing and misunderstood communications potentially leading to compliance gaps and errors. Given the risk of reporting errors and other compliance gaps implementing this recommendation could introduce, BCLC will not pursue the recommendation further.	Completed
	5.55			Completed
BCLC	4.14	The KYP framework at RRCR is a task-driven compliance activity rather than a risk management activity. Provide further guidance as the manager and responsible entity for AML regulatory obligations to enhance and enforce appropriate KYP measures.	BCLC has reviewed its customer due diligence process in light of this recommendation, the requirements under the PC(M)TFA and FinTRAC Guidance on KYC requirements. In addition, BCLC has consulted with other casinos and reporting entities on appropriate KYC measures. BCLC's CDD and KYC measures meet all requirements. In addition, in June 2016 FinTRAC conducted a comprehensive review of BCLC's entire AML program. The FinTRAC review involved site visits to RRCR and a number of RRCR staff interviews to test its CDD and KYC processes. FinTRAC found BCLC's program to be fully compliant.	Completed
	5.54	Additional training for employees in the VIP area focused specifically on suspicious indicators and required actions to improve independent thinking.	BCLC reviews and updates its AML training on a periodic basis and whenever requirements under the PC(M)TFA are amended. In June 2016 FINTRAC completed a comprehensive review of BCLC's AML regime. BCLC has undertaken a full review, taking into account guidance from FINTRAC. Enhancements to BCLC's AML training program will be in place in 2017.	Completed
	4.7	Enhance the CDD processes from both a risk management and revenue generation perspective with modifications and additional resources to meet EDD expectations for high risk patrons.	BCLC has reviewed its customer due diligence process in light of this recommendation, the requirements under the PC(M)TFA and FinTRAC Guidance on KYC requirements. In addition, BCLC has consulted with other casinos and reporting entities on appropriate KYC measures. BCLC's CDD and KYC measures meet all requirements. In addition, in June 2016 FinTRAC conducted a comprehensive review of BCLC's entire AML program. The FinTRAC review involved site visits to RRCR and a number of RRCR staff interviews to test its CDD and KYC processes. FinTRAC found BCLC's program to be fully compliant.	Completed
	4.9	Review its EDD process to ensure the data collected and information gleaned provides a clear picture of the risks and profile of the patron for risk assessment and mitigation.	BCLC has reviewed its customer due diligence process in light of this recommendation, the requirements under the PC(M)TFA and FinTRAC Guidance on KYC requirements. In addition, BCLC has consulted with other casinos and reporting entities on appropriate KYC measures. BCLC's CDD and KYC measures meet all requirements. In addition, in June 2016 FinTRAC conducted a comprehensive review of BCLC's entire AML program. The FinTRAC review involved site visits to RRCR and a number of RRCR staff interviews to test its CDD and KYC processes. FinTRAC found BCLC's program to be fully compliant.	Completed
	5.83			Completed
BCLC	5.15	EDD measures could be more qualitative, and a formal response to specified risk ratings could be created.	BCLC has reviewed its customer due diligence process in light of this recommendation, the requirements under the PC(M)TFA and FinTRAC Guidance on KYC requirements. In addition, BCLC has consulted with other casinos and reporting entities on appropriate KYC measures. BCLC's CDD and KYC measures meet all requirements. In addition, in June 2016 FinTRAC conducted a comprehensive review of BCLC's entire AML program. The FinTRAC review involved site visits to RRCR and a number of RRCR staff interviews to test its CDD and KYC processes. FinTRAC found BCLC's program to be fully compliant.	Completed
	5.16	Outsourcing the EDD process for higher risk patrons should be considered to clear the current backlog.	Any backlog observed by this review was a temporary circumstance arising from an underreporting issue discovered by BCLC at the River Rock facility October 2016. Additional BCLC staff were reassigned to assist the AML unit with the underreporting issue so that normal transaction monitoring could continue to be carried out while the underreporting issue was addressed contemporaneously. The reviewer was made aware of these circumstances at the time of its work. Any backlog that may have been observed was transitory in nature. Moreover, the outsourcing of core AML processes would unnecessarily introduce a higher level of risk into the AML program and increase the chance of error resulting in non-compliance.	Completed
	4.1	Prioritize and appropriately resource the ongoing [redacted] implementation project (scheduled for roll out in fall of 2016) to improve the quality of the data used for ongoing risk assessment and compliance monitoring and reporting.	BCLC continues with the process to automate aspects of its AML program to provide greater efficiency and enhanced transaction monitoring capabilities. BCLC pursues a "continuous improvement" philosophy with respect to its AML program and continually seeks to improve and enhance its efforts and performance.	Completed
	5.24			Completed
	5.28			Completed
	5.29			Completed

Responsible organization	Section	Recommendation	Response Plan	Status
BCLC	4.11	Ensure that reporting forms used by the facilities are up to date and include valuable information fields for mandatory completion for unsourced or high volume cash transactions such as source of funds, source of wealth and purpose and intended nature of relationship information.	BCLC reviewed its forms in light of this recommendation. In June FinTRAC conducted a comprehensive review of BCLC's entire AML program and found no issues with transaction reporting or record keeping requirements.	2016-06-30
	4.13	MNP identified instances where non-cash transactions processed to RRCC's PGFs were over-reported to FINTRAC, and instances where mandatory fields in LOTRs were left blank. Both issues are contrary to the PCMLTFA and require remediation and disclosure to FINTRAC.	It is BCLC's understanding that it is not possible to successfully submit an LOT into the BCLC - FinTRAC linked systems with a designated mandatory field left blank. Such a report would be rejected by the FinTRAC system and flagged for immediate follow-up and remediation. BCLC suspects that this anomalous finding may be related to the reviewer's unique methodology where it worked in a select data extraction from BCLC's database rather than the actual production database. This a process that has never been attempted before and deviates from standard audit practice where auditors work directly in the production database which removes the risk of these types of errors. BCLC has reviewed the data extraction as a result of this finding and compared it to the production data. It appears that during the extraction process some data fields did not populate into the extraction sample in some limited instances. In other words BCLC, when working directly in the production data as opposed to a select extraction of the data, cannot find the LOT errors referred to here. BCLC suggested the reviewer re-run their analysis in the production database or provide the suspect reports to FinTRAC directly for verification that mandatory fields were completed as required when the form was submitted. The reviewer declined the opportunity to take either of these steps and correct what appear to erroneous findings. Upon reviewing the actual production data BCLC is confident the exceptions reported here did not in fact occur.	2016-06-30
	5.27	Due diligence on large volumes of slot Cash Disbursement Reports (CDR) should be monitored for suspicious activity.	BCLC implemented processes in 2016 to review slot play based on CDR levels and it is currently built into the AML program. This is on top of current due diligence practices which FinTRAC found to be compliant in June 2016.	2016-06-30
	5.36	Review all of the FINTRAC reporting (LOTR/CDR) for non-cash for all facilities which offer PGF accounts should be done immediately to stop unnecessary and incorrect reports.	As per 4.13 BCLC identified the PGF issue in Nov 2016 and engaged FinTRAC for guidance as this reporting practice had been in place since 2012. On written confirmation from FinTRAC BCLC ceased this practice in July 2016. BCLC have requested guidance from FinTRAC on all new Cash alternatives and reporting obligations.	2016-06-30
	5.32			
Service Providers	5.44	Create a template for Unusual Financial Transaction (UFT) reports for service providers to use to ensure that all required information is included and to create consistency in the quality of submissions between facilities.	BCLC has reviewed its UFT process in the context of this recommendation. BCLC requires immediate email notification from service providers of a UFT for timeliness. Any specific detail pertaining to the transaction are reported through the [REDACTED] for consistency, completeness, security and protection of privacy requirements. Implementing a stand alone form outside of the existing database will introduce risk of reports or data being misread and a privacy breach risk that do not currently exist.	2016-06-30
	5.4	VIP Hosts have the most significant interaction and knowledge of the VIPs and ability to flag instances of receipt and use of unsourced cash for suspicious transaction reporting. Consideration should be given to cross functional reporting lines to the Director, Table Games for a consistent approach to compliance across all table game points of access susceptible to the acceptance of unsourced cash.	BCLC has reviewed this recommendation. VIP hosts and all Table Game staff must complete anti-money laundering training which includes training related to large cash transaction handling and the duty to report in regard to these transactions. Additionally, Surveillance live monitors all large cash transactions irrespective of the staff involved in the transaction be they VIP hosts, Table Games staff, Cage staff or any other employee. FINTRAC reviewed BCLC's AML program in June 2016 including that of RRCC and found BCLC to be compliant with PCMLTFA with no evidence of non reporting transactions [REDACTED].	2016-06-30
	5.46	Floor staff should have more active involvement in the UFT reporting process. UFT reporting is currently carried out by surveillance staff who only have limited info based on video surveillance.	BCLC has reviewed its UFT reporting process in the context of this recommendation. There appears to be some misapprehension expressed in the review in regard to BCLC's UFT reporting process. All floor staff receive mandatory AML training and have a positive duty to bring forward and report any unusual financial transactions, irrespective of their specific role. Further, Surveillance is not restricted to information based solely on video surveillance. Surveillance operators are at all times in direct communication with floor staff via two way radio. FINTRAC conducted a comprehensive review of BCLC's AML program in June 2016 including that of RRCC and found BCLC to be fully compliant with all aspects of the PCMLTFA related to transaction reporting and record keeping.	2016-06-30
GPEB	5.19	Establish a dedicated, cooperative inter-agency AML investigations unit comprised of GPEB and BCLC investigators to delineate the roles between operational and AML investigations and regulatory compliance investigations.	GPEB on lead for response.	
BCLC	5.1	Operating levels for BCLC investigators may need to be reviewed as the current staffing levels assigned to RRCC do not appear to be sufficient	Any backlog or workload issues observed during this review were a temporary circumstance arising from [REDACTED] by BCLC at the River Rock facility October 2015. Additional BCLC staff were reassigned to assist the AML unit with [REDACTED] so that normal transaction monitoring could continue to be carried out [REDACTED] was addressed contemporaneously. The reviewer was made aware of these circumstances at the time of its work. BCLC closely monitors work demands on AML investigators on a weekly basis. Workloads remain manageable and no similar backlogs have developed since the one in November - December 2016.	2016-06-30
All	4.4	Jointly evaluate the resourcing and functioning of existing investigative units. Effective multi-agency units would promote the sharing of information and resources.	BCLC and GEB executive have worked through roles and responsibilities. The GCA allows sharing of information in appropriate circumstances between GPEB and BCLC. Since the MNP review JIGIT was created as the primary agency to investigate ML and POC related activity. BCLC has MOU with JIGIT allowing for effective and efficient information flows and coordination. GPEB has investigators assigned to JIGIT.	2016-06-30

Kevin Simcoe

From: Jim D. Lightbody
Sent: September-21-17 7:52 AM
To: Rob Kroeker
Subject: MNP Report - redacted.pdf
Attachments: MNP Report - redacted.pdf

Follow Up Flag: Follow up
Flag Status: Flagged

Kevin Simcoe

From: Ross Alderson
Sent: September-21-17 9:11 PM
To: Rob Kroeker
Subject: Re: NR -AML Report- 20SEPT17 - FINAL.docx

s 22

Ross Alderson
Director, AML & Investigations
BCLC

From: Laura Piva-Babcock <LPiva-Babcock@bclc.com>
Date: September 21, 2017 at 9:00:12 PM PDT
To: Ross Alderson <RAlderson@BCLC.com>, Susan Dolinski <SDolinski@BCLC.com>, Rob Kroeker <RKroeker@bclc.com>, Jim D. Lightbody <JDLightbody@bclc.com>
Subject: Fwd: NR -AML Report- 20SEPT17 - FINAL.docx

Laura Piva-Babcock
BCLC Director Communications
s 17(1)

From: Laura Piva-Babcock <LPiva-Babcock@bclc.com>
Date: September 21, 2017 at 7:59:31 PM PDT
To: Nelson, Tiffany GCPE:EX <Tiffany.Nelson@gov.bc.ca>, Megan Harris (Megan.Harris@gov.bc.ca) <Megan.Harris@gov.bc.ca>
Cc: Doug Cheng <DCheng@bclc.com>, Susan Dolinski <SDolinski@BCLC.com>
Subject: NR -AML Report- 20SEPT17 - FINAL.docx

Hi,

Jim Lightbody's quote is inserted. As discussed we will have links in the morning.

Thanks for your assistance. Have a good evening.

Laura Piva-Babcock

Director, Communications

74 West Seymour Street, Kamloops, B.C. V2C 1E2

T 250 828 5576 Cs 17(1)

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Last year more than \$1 billion generated by BCLC gambling activities went back into health care, education and community groups across B.C.

Kevin Simcoe

From: Rob Kroeker
Sent: September-21-17 10:26 PM
To: Jim D. Lightbody
Subject: Re: NR -AML Report- 20SEPT17 - FINAL.docx

Disregard

From: Rob Kroeker <RKroeker@bcllc.com>
Date: September 21, 2017 at 10:23:49 PM PDT
To: Jim D. Lightbody <JDLightbody@bcllc.com>
Subject: Re: NR -AML Report- 20SEPT17 - FINAL.docx

It's good. I still think we should say

From: Jim D. Lightbody <JDLightbody@bcllc.com>
Date: September 21, 2017 at 10:03:29 PM PDT
To: Rob Kroeker <RKroeker@bcllc.com>
Subject: Fwd: NR -AML Report- 20SEPT17 - FINAL.docx

What do you think, Tob?

s 15(1)

Begin forwarded message:

From: Susan Dolinski <SDolinski@BCLC.com>
Date: September 21, 2017 at 9:59:21 PM PDT
To: "Jim D. Lightbody" <JDLightbody@bcllc.com>, Laura Piva-Babcock <LPiva-Babcock@bcllc.com>
Cc: Rob Kroeker <RKroeker@bcllc.com>, Ross Alderson <RAlderson@BCLC.com>
Subject: Re: NR -AML Report- 20SEPT17 - FINAL.docx

I think this strikes the right balance.

From: Jim D. Lightbody <JDLightbody@bcllc.com>
Date: September 21, 2017 at 9:58:21 PM PDT
To: Laura Piva-Babcock <LPiva-Babcock@bcllc.com>
Cc: Ross Alderson <RAlderson@BCLC.com>, Rob Kroeker <RKroeker@bcllc.com>, Susan Dolinski <SDolinski@BCLC.com>
Subject: Re: NR -AML Report- 20SEPT17 - FINAL.docx

Thanks, Laura. Any objections or suggestions Rob an Susan?

s 15(1)

On Sep 21, 2017, at 9:56 PM, Laura Piva-Babcock <LPiva-Babcock@bclc.com> wrote:

Here it is. Want to ensure I have it right before I re-send to GCPE

"We take our responsibility to manage gaming in our province very seriously and always welcome the opportunity to improve our practices," said BCLC President & CEO Jim Lightbody. "We have zero tolerance for criminals who may attempt to target our business. If there is something more we can do to improve the anti-money laundering efforts in BC, we'll do it."

From: Jim D. Lightbody

Sent: September 21, 2017 9:15 PM

To: Laura Piva-Babcock <LPiva-Babcock@bclc.com>

Cc: Ross Alderson <RAlderson@BCLC.com>; Rob Kroeker <RKroeker@bclc.com>; Susan Dolinski <SDolinski@BCLC.com>

Subject: Re: NR -AML Report- 20SEPT17 - FINAL.docx

Laura,

On further "review" I'm concerned readers may confuse my first sentence in the quote as to the MNP review vs the "new" impending review.

Let's omit that opening sentence and put my "said Jim Lightbody..." after my comment about "we take.."

I would also like is in the IN to point out the frequency and depth of the annual AML audits we undergo and point out the MNP work was a review of River Rock only.

Thanks,
Jim

s 15(1)

On Sep 21, 2017, at 9:00 PM, Laura Piva-Babcock <LPiva-Babcock@bclc.com> wrote:

Laura Piva-Babcock
BCLC Director Communications
s 17(1)

From: Laura Piva-Babcock <LPiva-Babcock@bclc.com>

Date: September 21, 2017 at 7:59:31 PM PDT

To: Nelson, Tiffany GCPE:EX <Tiffany.Nelson@gov.bc.ca>, Megan Harris
(Megan.Harris@gov.bc.ca) <Megan.Harris@gov.bc.ca>

Cc: Doug Cheng <DCheng@bclc.com>, Susan Dolinski
<SDolinski@BCLC.com>

Subject: NR -AML Report- 20SEPT17 - FINAL.docx

Hi,

Jim Lightbody's quote is inserted. As discussed we will have links in the morning.

Thanks for your assistance. Have a good evening.

Laura Piva-Babcock
Director, Communications
74 West Seymour Street, Kamloops, B.C. V2C 1E2
T 250 828 5576 Cs 17(1)

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Last year more than \$1 billion generated by BCLC gambling activities went back into health care, education and community groups across B.C.

<NR -AML Report- 20SEPT17 - FINAL.docx>

Kevin Simcoe

From: Rob Kroeker
Sent: September-21-17 8:46 PM
To: Susan Dolinski; Jim D. Lightbody
Cc: Laura Piva-Babcock
Subject: Re: IN: MNP

s 13(1)

I have already committed to getting the EY response plan to you and Laura in the a.m - am I missing something?

From: Susan Dolinski <SDolinski@BCLC.com>
Date: September 21, 2017 at 8:41:14 PM PDT
To: Rob Kroeker <RKroeker@bclc.com>, Jim D. Lightbody <JDLightbody@bclc.com>
Cc: Laura Piva-Babcock <LPiva-Babcock@bclc.com>
Subject: Re: IN: MNP

Hi Rob,

An info note is intended to cover off the issues media will focus on based on what government is releasing. ^{s 13(1)}

In my previous email, I asked for the action plans on EY and FINTRAC. ^{s 13(1)}

Susan

From: Rob Kroeker <RKroeker@bclc.com>
Date: September 21, 2017 at 8:27:57 PM PDT
To: Susan Dolinski <SDolinski@BCLC.com>, Jim D. Lightbody <JDLightbody@bclc.com>
Cc: Laura Piva-Babcock <LPiva-Babcock@bclc.com>
Subject: Re: IN: MNP

Are we writing this ? ^{s 13(1)}

Note that the FinTRAC audit, a comprehensive and complete program review done subsequent to the MNP audit, found only one exception related to updating staff training and that exception has also been fully addressed.

From: Susan Dolinski <SDolinski@BCLC.com>
Date: September 21, 2017 at 8:05:00 PM PDT
To: Jim D. Lightbody <JDLightbody@bclc.com>
Cc: Rob Kroeker <RKroeker@bclc.com>, Laura Piva-Babcock <LPiva-Babcock@bclc.com>
Subject: IN: MNP

This is the current draft of the IN. The response points are consistent with what we agreed to with Government. We can make edits in the AM as needed.

Susan

Kevin Simcoe

From: Rob Kroeker
Sent: September-21-17 5:23 PM
To: Susan Dolinski; Jim D. Lightbody; Laura Piva-Babcock
Subject: RE: MNP release update

I don't know. It seems self explanatory to me? s 13(1)

Is someone pulling messaging together ? s 13(1)

From: Laura Piva-Babcock <LPiva-Babcock@bclc.com>
Date: September 21, 2017 at 5:17:26 PM PDT
To: Jim D. Lightbody <JDLightbody@bclc.com>, Rob Kroeker <RKroeker@bclc.com>, Susan Dolinski <SDolinski@BCLC.com>
Subject: RE: MNP release update

Thanks Rob. Yes, I have those.s 13(1)
My only other question is regarding the MNP BCLC response document. s 13(1)

L

From: Rob Kroeker
Sent: September 21, 2017 5:15 PM
To: Laura Piva-Babcock <LPiva-Babcock@bclc.com>; Susan Dolinski <SDolinski@BCLC.com>; Jim D. Lightbody <JDLightbody@bclc.com>
Subject: Re: MNP release update

Laura - the redacted copies of our documents were already sent to the DM and MA. Susan was copied. I don't have immediate access to send again as I am on phone not computer

From: Laura Piva-Babcock <LPiva-Babcock@bclc.com>
Date: September 21, 2017 at 4:43:57 PM PDT
To: Susan Dolinski <SDolinski@BCLC.com>, Jim D. Lightbody <JDLightbody@bclc.com>, Rob Kroeker <RKroeker@bclc.com>
Subject: MNP release update
Importance: High

Hello,

I just got off the phone with Megan Harris, Comms Director at AG GCPE. She relayed the following

- Province-wide news release to be distributed between 9 & 10 a.m., linked to MNP report which will be posted to GPEB's website

- Release will include quotes from the Minister and the Solicitor General. Solicitor General's quote to be along the lines that it's important to deter any criminal activity. Minister indicating there will be a review.
- BCLC to have a quote if it wishes
- No language in the release nor any minister quote noting that all agree that BCLC is in full compliance with FINTRAC, but I was told that BCLC can say this if they wish in their quote
- BCLC's MNP response, EY report and FINTRAC report will all be linked in the quick facts section of the news release – BCLC's documents will be on BCLC's website

GCPE does not have BCLC's reports. I won't share until I know the redacting is final and complete. If we want these documents linked, we'll need to have that redacting done this evening so they're ready first thing. Rob, please advise.

Susan and I agree that providing a quote when we can't see the news release is problematic.

I wanted to share this information with you so you can regroup and determine next steps. National PR is available for a call in the morning if we need to prep our spokesperson.

Thanks,

Laura Piva-Babcock
 Director, Communications
 74 West Seymour Street, Kamloops, B.C. V2C 1E2
 T 250 828 5576 Cs 17(1)

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Last year more than \$1 billion generated by BCLC gambling activities went back into health care, education and community groups across B.C.

Kevin Simcoe

From: Rob Kroeker
Sent: September-21-17 5:36 PM
To: Laura Piva-Babcock; Jim D. Lightbody
Cc: Susan Dolinski
Subject: RE: MNP release update

Ok

From: Laura Piva-Babcock <LPiva-Babcock@bcllc.com>
Date: September 21, 2017 at 5:27:31 PM PDT
To: Jim D. Lightbody <JDLightbody@bcllc.com>
Cc: Rob Kroeker <RKroeker@bcllc.com>, Susan Dolinski <SDolinski@BCLC.com>
Subject: RE: MNP release update

Thanks Jim and Rob for your feedback. GCPE has indicated that these documents will be linked in the quick facts section of their release and that we are responsible for posting them to our website. If they are somehow not included in the final release, we still have the capability to make the decision to post them proactively on our own, since we have developed a practice of proactive disclosure generally.

I'll develop a cover and send for review. These documents will be posted on our reports and disclosures page in the Accountability section. L

From: Jim D. Lightbody
Sent: September 21, 2017 5:24 PM
To: Laura Piva-Babcock <LPiva-Babcock@bcllc.com>
Cc: Rob Kroeker <RKroeker@bcllc.com>; Susan Dolinski <SDolinski@BCLC.com>
Subject: Re: MNP release update

I think we should say when we responded and provide the context

s 15(1)

On Sep 21, 2017, at 5:17 PM, Laura Piva-Babcock <LPiva-Babcock@bcllc.com> wrote:

Thanks Rob. Yes, I have those. I wanted to ensure that nothing else needed to be done to them, so thank you for confirming. My only other question is regarding the MNP BCLC response document. Do we want to add some sort of explanation or cover to the front indicating when it was provided to government or anything, or are we ok with it as-is. L

From: Rob Kroeker
Sent: September 21, 2017 5:15 PM
To: Laura Piva-Babcock <LPiva-Babcock@bcllc.com>; Susan Dolinski <SDolinski@BCLC.com>; Jim D. Lightbody <JDLightbody@bcllc.com>
Subject: Re: MNP release update

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To: Susan Dolinski <SDolinski@BCLC.com>, Jim D. Lightbody <JDLightbody@bclc.com>, Rob Kroeker <RKroeker@bclc.com>

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Importance: High

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Last year more than \$1 billion generated by BCLC gambling activities went back into health care, education and community groups across B.C.

Kevin Simcoe

From: Rob Kroeker
Sent: September-21-17 8:21 PM
To: Susan Dolinski
Cc: Jim D. Lightbody; Laura Piva-Babcock
Subject: Re: Response to Audit Reports

It would a month. I'll see what I can find in the morning

From: Susan Dolinski <SDolinski@BCLC.com>
Date: September 21, 2017 at 7:59:31 PM PDT
To: Rob Kroeker <RKroeker@bclc.com>
Cc: Jim D. Lightbody <JDLightbody@bclc.com>; Laura Piva-Babcock <LPiva-Babcock@bclc.com>
Subject: Re: Response to Audit Reports

Thanks please send to both Laura and I in the AM. Do we have a record of the date - like even the month? We would like to put that on the original document.

From: Rob Kroeker <RKroeker@bclc.com>
Date: September 21, 2017 at 7:55:36 PM PDT
To: Susan Dolinski <SDolinski@BCLC.com>
Cc: Jim D. Lightbody <JDLightbody@bclc.com>, Laura Piva-Babcock <LPiva-Babcock@bclc.com>
Subject: Re: Response to Audit Reports

On EY. Yes. We always create an action plan if there are a number of exceptions. I will send to Laura in the a.m.

We did not for last FinTRAC because it was just one but we can write something in a.m. As well

MNP action plan - our parts were completed Fall 2016. GPEB never took action on the recommendations directed to them as far as we know.

From: Susan Dolinski <SDolinski@BCLC.com>
Date: September 21, 2017 at 6:52:13 PM PDT
To: Rob Kroeker <RKroeker@bclc.com>
Cc: Jim D. Lightbody <JDLightbody@bclc.com>, Laura Piva-Babcock <LPiva-Babcock@bclc.com>
Subject: Response to Audit Reports
Importance: High

Hi Rob,
Do we have a document that summarizes BCLCs response to the fintrac letter and EY review? It would be great if we could also post this.

Also, do we have a date as to when the MNP response was provided? This would be helpful to the message.

Susan

Kevin Simcoe

From: Bob Madill
Sent: September-21-17 10:25 AM
To: Rob Kroeker
Cc: Claire Bennett; Jennifer Keim
Subject: RE: URGENT

Hi Rob,
s 13(1), s 14

From: Rob Kroeker <RKroeker@bcllc.com>
Date: September 21, 2017 at 9:32:53 AM PDT
To: Bob Madill <BMadill@BCLC.com>

Cc: Claire Bennett <CBennett@bcllc.com>, Jennifer Keim <JKeim@BCLC.com>
Subject: RE: URGENT

From: Bob Madill
Sent: September-21-17 9:25 AM
To: Rob Kroeker <RKroeker@bcllc.com>
Cc: Jennifer Keim <JKeim@BCLC.com>; Claire Bennett <CBennett@bcllc.com>
Subject: Re: URGENT

Hi Rob, I can call you right now on mobile device (just taking a time out from conference downtown) . What is your full phone number?

From: Rob Kroeker <RKroeker@bcllc.com>
Date: September 21, 2017 at 9:17:22 AM PDT
To: Bob Madill <BMadill@BCLC.com>
Cc: Jennifer Keim <JKeim@BCLC.com>, Claire Bennett <CBennett@bcllc.com>
Subject: URGENT
Importance: High

Bob – can you give me a call at my desk (3077) as soon as you get this s 13(1), s 14
s 13(1), s 14

Thanks,

Rob

Kevin Simcoe

From: Susan Dolinski
Sent: September-21-17 9:20 PM
To: Jim D. Lightbody; Rob Kroeker; Ross Alderson; Laura Piva-Babcock
Subject: Re: News Release for information - Quote Review required

It appears I sent the wrong quote. Apologies. The correct quote is in the NR that Laura forwarded. s 15(1)

From: Susan Dolinski <SDolinski@BCLC.com>
Date: September 21, 2017 at 8:46:07 PM PDT
To: Jim D. Lightbody <JDLightbody@bclc.com>, Laura Piva-Babcock <LPiva-Babcock@bclc.com>, Rob Kroeker <RKroeker@bclc.com>, Ross Alderson <RAlderson@BCLC.com>
Subject: Re: News Release for information - Quote Review required

This is the quote that has been sent forward based on Jim's call to Laura:

BCLC has a robust anti-money laundering program that is in full compliance with FINTRAC requirements. We are committed to continuous improvement and have zero tolerance for criminals who may attempt to target our business. We welcome this review and will cooperate fully with all of the partners participating in this process.

From: Ross Alderson <RAlderson@BCLC.com>
Date: September 21, 2017 at 8:28:03 PM PDT
To: Laura Piva-Babcock <LPiva-Babcock@bclc.com>, Rob Kroeker <RKroeker@bclc.com>, Jim D. Lightbody <JDLightbody@bclc.com>
Cc: Susan Dolinski <SDolinski@BCLC.com>
Subject: Re: News Release for information - Quote Review required

Agree with Rob. s 13(1)
s 13(1)

Director, AML & Investigations
BCLC

From: Rob Kroeker <RKroeker@bclc.com>
Date: September 21, 2017 at 8:18:18 PM PDT
To: Jim D. Lightbody <JDLightbody@bclc.com>, Laura Piva-Babcock <LPiva-Babcock@bclc.com>
Cc: Ross Alderson <RAlderson@BCLC.com>, Susan Dolinski <SDolinski@BCLC.com>
Subject: Re: News Release for information - Quote Review required

I think after Jim's first statement he should say something along these lines.
s 13(1)

From: Laura Piva-Babcock <LPiva-Babcock@bcllc.com>
Date: September 21, 2017 at 6:51:16 PM PDT
To: Jim D. Lightbody <JDLightbody@bcllc.com>
Cc: Susan Dolinski <SDolinski@BCLC.com>, Rob Kroeker <RKroeker@bcllc.com>
Subject: News Release for information - Quote Review required
Importance: High

Hi,

I have pasted GCPE's news release below. Jim, I drafted your quote and it's half-way down the release. We are not able to edit the news release, but Jim, feel free to provide feedback to me on your quote. I want to get this back to them as soon as possible. This is going out at 10 a.m. tomorrow, province-wide. Thanks. L

Report on anti-money laundering released, review to follow

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"On assuming responsibility for gambling in B.C. as part of my ministerial duties, I received a series of briefings that caused me to believe that our province could do more to combat money laundering at B.C. casinos," said Attorney General David Eby. "During these discussions, a publicly funded report that had been commissioned to review anti-money laundering policy and practices in B.C. was shared with me. This report makes a series of serious recommendations for reform, which should have been made public at the time the report was complete. I am making that report public today."

In the coming weeks, the Attorney General will announce the appointment of an independent expert to review whether there is an unaddressed, or inadequately addressed, issue of money laundering in Lower Mainland casinos.

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"BCLC welcomes this review and we will cooperate fully throughout the process," said BCLC President & CEO Jim Lightbody. "Our service providers are routinely audited for compliance with our policies and procedures and our anti-money laundering program is proactively and independently reviewed regularly, supporting our commitment to meeting and exceeding FINTRAC requirements."

"The problem of money laundering is complex, but a committed government can make a difference," said Eby. "We are serious about doing everything we can to identify money laundering activities, and ensure policies are in place to prevent it from occurring in B.C. casinos. We will bring in the best experts available to assist us, and I am confident we will succeed, especially with the continued support of our partners BCLC, casino operators, the police, and the Gaming Policy and Enforcement Branch."

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- In April 2016, GPEB worked with the Policing and Security Branch in the Ministry of Public Safety and Solicitor General and the RCMP to establish the Joint Illegal Gaming Investigation Team (JIGIT). JIGIT, a unit under CFSEU-BC, provides a coordinated enforcement approach from police and GPEB to combat illegal gambling and money laundering in B.C.

- GPEB has also established an intelligence unit to provide government with situational awareness of threats to the integrity of the gambling industry.

Media Contact:

Government Communications and Public Engagement

Ministry of Attorney General

778 678-1572

Laura Piva-Babcock

Director, Communications

74 West Seymour Street, Kamloops, B.C. V2C 1E2

T 250 828 5576 Cs 17(1)

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Kevin Simcoe

From: Laura Piva-Babcock
Sent: September-21-17 9:04 PM
To: Rob Kroeker; Ross Alderson; Jim D. Lightbody; Susan Dolinski
Subject: Re: News Release for information - Quote Review required

Hi I just sent you the email with the release and quote. Having troubles re sending.

Laura Piva-Babcock
BCLC Director Communications
s 17(1)

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Sent: September-21-17 8:19 PM
To: Laura Piva-Babcock; Jim D. Lightbody
Cc: Susan Dolinski
Subject: Re: News Release for information - Quote Review required

Jim - see my suggestions and see what you think

From: Jim D. Lightbody <JDLightbody@bclc.com>
Date: September 21, 2017 at 7:28:09 PM PDT
To: Laura Piva-Babcock <LPiva-Babcock@bclc.com>
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See my suggestion below. Let me know what you think.

s 15(1)

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"BCLC welcomes this review and we will cooperate fully throughout the process," said BCLC President & CEO Jim Lightbody. "We take our responsibility to manage gaming responsibly in our province very seriously and

always welcome the opportunity to improve our practices. When it comes to our efforts to combat money laundering in casinos, our service providers are routinely audited for compliance with our policies and procedures and our anti-money laundering program is proactively and independently reviewed annually by our federal regulator, FinTRAC and independent auditors. If there is something more we can do to improve the anti-money laundering efforts in BC, we'll do it."

"The problem of money laundering is complex, but a committed government can make a difference," said Eby. "We are serious about doing everything we can to identify money laundering activities, and ensure policies are in place to prevent it from occurring in B.C. casinos. We will bring in the best experts available to assist us, and I am confident we will succeed, especially with the continued support of our partners BCLC, casino operators, the police, and the Gaming Policy and Enforcement Branch."

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Ministry of Attorney General
778 678-1572

Laura Piva-Babcock

Director, Communications
74 West Seymour Street, Kamloops, B.C. V2C 1E2
T 250 828 5576 Cs 17(1)

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Last year more than \$1 billion generated by BCLC gambling activities went back into health care, education and community groups across B.C.

Kevin Simcoe

From: Jim D. Lightbody
Sent: September-21-17 10:13 PM
To: Laura Piva-Babcock
Cc: Susan Dolinski; Rob Kroeker; Ross Alderson
Subject: Re: NR -AML Report- 20SEPT17 - FINAL.docx

Go ahead with the latest version, Laura. Thanks!
Please explain to GCPE why we want to change (avoid confusion over reviews).

s 15(1)

On Sep 21, 2017, at 10:05 PM, Laura Piva-Babcock <LPiva-Babcock@bclc.com> wrote:

Anyone else. I'd like to get this up to gcpe so they'll replace.

From: Susan Dolinski
Sent: September 21, 2017 9:59 PM
To: Jim D. Lightbody <JDLightbody@bclc.com>; Laura Piva-Babcock <LPiva-Babcock@bclc.com>
Cc: Rob Kroeker <RKroeker@bclc.com>; Ross Alderson <RAlderson@BCLC.com>
Subject: Re: NR -AML Report- 20SEPT17 - FINAL.docx

I think this strikes the right balance.

From: Jim D. Lightbody <JDLightbody@bclc.com>
Date: September 21, 2017 at 9:58:21 PM PDT
To: Laura Piva-Babcock <LPiva-Babcock@bclc.com>
Cc: Ross Alderson <RAlderson@BCLC.com>, Rob Kroeker <RKroeker@bclc.com>, Susan Dolinski <SDolinski@BCLC.com>
Subject: Re: NR -AML Report- 20SEPT17 - FINAL.docx

Thanks, Laura. Any objections or suggestions Rob an Susan?

s 15(1)

On Sep 21, 2017, at 9:56 PM, Laura Piva-Babcock <LPiva-Babcock@bclc.com> wrote:

Here it is. Want to ensure I have it right before I re-send to GCPE

"We take our responsibility to manage gaming in our province very seriously and always welcome the opportunity to improve our practices," said BCLC President & CEO Jim Lightbody. "We have zero tolerance for criminals who may attempt to target our business. If there is something more we can do to improve the anti-money laundering efforts in BC, we'll do it."

From: Jim D. Lightbody
Sent: September 21, 2017 9:15 PM
To: Laura Piva-Babcock <LPiva-Babcock@bclc.com>
Cc: Ross Alderson <RAlderson@BCLC.com>; Rob Kroeker <RKroeker@bclc.com>; Susan Dolinski <SDolinski@BCLC.com>
Subject: Re: NR -AML Report- 20SEPT17 - FINAL.docx

Laura,
On further "review" I'm concerned readers may confuse my first sentence in the quote as to the MNP review vs the "new" impending review.
Let's omit that opening sentence and put my "said Jim Lightbody..." after my comment about "we take.."

I would also like is in the IN to point out the frequency and depth of the annual AML audits we undergo and point out the MNP work was a review of River Rock only.

Thanks,
Jim

s 15(1)

On Sep 21, 2017, at 9:00 PM, Laura Piva-Babcock <LPiva-Babcock@bclc.com> wrote:

Laura Piva-Babcock
BCLC Director Communications
s 17(1)

From: Laura Piva-Babcock <LPiva-Babcock@bclc.com>
Date: September 21, 2017 at 7:59:31 PM PDT
To: Nelson, Tiffany GCPE:EX <Tiffany.Nelson@gov.bc.ca>, Megan Harris <Megan.Harris@gov.bc.ca> <Megan.Harris@gov.bc.ca>
Cc: Doug Cheng <DCheng@bclc.com>, Susan Dolinski <SDolinski@BCLC.com>
Subject: NR -AML Report- 20SEPT17 - FINAL.docx

Hi,

Jim Lightbody's quote is inserted. As discussed we will have links in the morning.

Thanks for your assistance. Have a good evening.

Laura Piva-Babcock
Director, Communications
74 West Seymour Street, Kamloops, B.C. V2C 1E2
T 250 828 5576 Cs 17(1)

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Last year more than \$1 billion generated by BCLC gambling activities went back into health care, education and community groups across B.C.

<NR -AML Report- 20SEPT17 - FINAL.docx>

Kevin Simcoe

From: Rob Kroeker
Sent: September-21-17 10:22 PM
To: Jim D. Lightbody; Laura Piva-Babcock
Cc: Susan Dolinski; Ross Alderson
Subject: Re: NR -AML Report- 20SEPT17 - FINAL.docx

Hi. Nothing beyond what I've provided. Thanks

From: Jim D. Lightbody <JDLightbody@bclc.com>
Date: September 21, 2017 at 9:58:21 PM PDT
To: Laura Piva-Babcock <LPiva-Babcock@bclc.com>
Cc: Rob Kroeker <RKroeker@bclc.com>, Susan Dolinski <SDolinski@BCLC.com>, Ross Alderson <RAlderson@BCLC.com>
Subject: Re: NR -AML Report- 20SEPT17 - FINAL.docx

Thanks, Laura. Any objections or suggestions Rob an Susan?

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To: Laura Piva-Babcock <LPiva-Babcock@bclc.com>
Cc: Ross Alderson <RAlderson@BCLC.com>; Rob Kroeker <RKroeker@bclc.com>; Susan Dolinski <SDolinski@BCLC.com>
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Thanks,
Jim

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On Sep 21, 2017, at 9:00 PM, Laura Piva-Babcock <LPiva-Babcock@bclc.com> wrote:

Laura Piva-Babcock
BCLC Director Communications
s 17(1)

From: Laura Piva-Babcock <LPiva-Babcock@bclc.com>
Date: September 21, 2017 at 7:59:31 PM PDT
To: Nelson, Tiffany GCPE:EX <Tiffany.Nelson@gov.bc.ca>, Megan Harris
(Megan.Harris@gov.bc.ca) <Megan.Harris@gov.bc.ca>
Cc: Doug Cheng <DCheng@bclc.com>, Susan Dolinski <SDolinski@BCLC.com>
Subject: NR -AML Report- 20SEPT17 - FINAL.docx

Hi,

Jim Lightbody's quote is inserted. As discussed we will have links in the morning.

Thanks for your assistance. Have a good evening.

Laura Piva-Babcock
Director, Communications
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Last year more than \$1 billion generated by BCLC gambling activities went back into health care, education and community groups across B.C.

<NR -AML Report- 20SEPT17 - FINAL.docx>

Kevin Simcoe

From: Rob Kroeker
Sent: September-22-17 10:51 AM
To: Laura Piva-Babcock; Susan Dolinski; Jim D. Lightbody
Subject: RE: NR FINAL - Report on anti-money laundering released, review to follow

Thanks Laura.

-----Original Message-----

From: Laura Piva-Babcock
Sent: September-22-17 10:48 AM
To: Rob Kroeker <RKroeker@bcllc.com>; Susan Dolinski <SDolinski@BCLC.com>; Jim D. Lightbody <JDLightbody@bcllc.com>
Subject: RE: NR FINAL - Report on anti-money laundering released, review to follow

<http://corporate.bcllc.com/who-we-are/corporate-reports/reports-disclosures.html>

It is now a featured report on this page. I am awaiting word from gcpe on whether they changed their link. L

-----Original Message-----

From: Rob Kroeker
Sent: September 22, 2017 10:21 AM
To: Laura Piva-Babcock <LPiva-Babcock@bcllc.com>; Susan Dolinski <SDolinski@BCLC.com>; Jim D. Lightbody <JDLightbody@bcllc.com>
Subject: RE: NR FINAL - Report on anti-money laundering released, review to follow

Thanks Laura - great solution.

-----Original Message-----

From: Laura Piva-Babcock
Sent: September-22-17 10:21 AM
To: Susan Dolinski <SDolinski@BCLC.com>; Rob Kroeker <RKroeker@bcllc.com>; Jim D. Lightbody <JDLightbody@bcllc.com>
Subject: RE: NR FINAL - Report on anti-money laundering released, review to follow

I have sent the actual link to the document to GCPE and asked if they can switch the link on their news release to the exact destination of our PDF. I will advise when they've responded.

Thanks for your patience all. L

-----Original Message-----

From: Susan Dolinski
Sent: September 22, 2017 10:20 AM
To: Rob Kroeker <RKroeker@bcllc.com>; Laura Piva-Babcock <LPiva-Babcock@bcllc.com>; Jim D. Lightbody <JDLightbody@bcllc.com>
Subject: RE: NR FINAL - Report on anti-money laundering released, review to follow

Rob - can I ask you to leave this with my team? They have it in hand. We are aware of, and working through these issues. We had to make a decision given the amount of work the documents required this morning and the amount of time we had with them.

Susan Dolinski
Vice President, Social Responsibility & Communications BCLC

2940 Virtual Way, Vancouver BC V5M 0A6
T 604-228-3096 F 604-225-6422 Cs 17(1)

sdolinski@bclc.com
bclc.com

Last year, more than \$1 billion generated by BCLC gambling supported health care, education and community groups across B.C.

-----Original Message-----

From: Rob Kroeker
Sent: Friday, September 22, 2017 10:19 AM
To: Laura Piva-Babcock <LPiva-Babcock@bclc.com>; Susan Dolinski <SDolinski@BCLC.com>; Jim D. Lightbody <JDLightbody@bclc.com>
Subject: RE: NR FINAL - Report on anti-money laundering released, review to follow

No one is going to find it or even look in the accountability section. It needs to be front and centre. How quickly can we get that corrected?

-----Original Message-----

From: Laura Piva-Babcock
Sent: September-22-17 10:16 AM
To: Susan Dolinski <SDolinski@BCLC.com>; Jim D. Lightbody <JDLightbody@bclc.com>; Rob Kroeker <RKroeker@bclc.com>
Cc: MIM Team <MIMTeam@bclc.com>
Subject: RE: NR FINAL - Report on anti-money laundering released, review to follow

<http://corporate.bclc.com/content/dam/bclc/corporate/documents/anti-money-laundering-reviews-audits.pdf>

Here is the document it is in the accountability section of this page. We are also making it a feature document. At the top of the page. We had some challenges with so many documents coming just this morning and additional redacting and proofing that needed to occur. We had to balance government's deadline with our constraint. Thanks. L

-----Original Message-----

From: Susan Dolinski
Sent: September 22, 2017 10:14 AM
To: Jim D. Lightbody <JDLightbody@bclc.com>; Laura Piva-Babcock <LPiva-Babcock@bclc.com>; Rob Kroeker <RKroeker@bclc.com>
Cc: MIM Team <MIMTeam@bclc.com>
Subject: RE: NR FINAL - Report on anti-money laundering released, review to follow

Thanks Jim - we are working on this ASAP.

Susan Dolinski
Vice President, Social Responsibility & Communications BCLC

2940 Virtual Way, Vancouver BC V5M 0A6
T 604-228-3096 F 604-225-6422 s 17(1)

sdolinski@bclc.com
bclc.com

Last year, more than \$1 billion generated by BCLC gambling supported health care, education and community groups across B.C.

-----Original Message-----

From: Jim D. Lightbody
Sent: Friday, September 22, 2017 10:13 AM
To: Laura Piva-Babcock <LPiva-Babcock@bclc.com>; Susan Dolinski <SDolinski@BCLC.com>; Rob Kroeker <RKroeker@bclc.com>
Cc: MIM Team <MIMTeam@bclc.com>
Subject: RE: NR FINAL - Report on anti-money laundering released, review to follow

When I click on the link to our management response, it's not there.....

-----Original Message-----

From: Laura Piva-Babcock
Sent: Friday, September 22, 2017 9:58 AM
To: Jim D. Lightbody <JDLightbody@bclc.com>; Susan Dolinski <SDolinski@BCLC.com>; Rob Kroeker <RKroeker@bclc.com>
Cc: MIM Team <MIMTeam@bclc.com>
Subject: FW: NR FINAL - Report on anti-money laundering released, review to follow
Importance: High

-----Original Message-----

From: Harris, Megan A GCPE:EX [mailto:Megan.Harris@gov.bc.ca]
Sent: September 22, 2017 9:57 AM
To: Laura Piva-Babcock <LPiva-Babcock@bclc.com>
Subject: NR FINAL - Report on anti-money laundering released, review to follow
Importance: High

Attached is the final NR going provincewide in the matter of moments.

For Immediate Release
2017AG0024-001625
Sept. 22, 2017

Ministry of Attorney General

NEWS RELEASE

Report on anti-money laundering released, review to follow

VICTORIA - The Government of B.C. has released a 2016 report commissioned to look at practices and the regulatory regime related to suspicious cash transactions at B.C. gaming facilities.

"On assuming responsibility for gambling in B.C. as part of my ministerial duties, I received a series of briefings that caused me to believe that our province could do more to combat money laundering at B.C. casinos," said Attorney General David Eby. "During these discussions, a publicly funded report that had been commissioned to review anti-money laundering policy and practices in B.C. was shared with me. This report makes a series of serious recommendations for reform, which should have been made public at the time the report was complete. I am making that report public today."

In the coming weeks, the Attorney General will announce the appointment of an independent expert to review whether there is an unaddressed, or inadequately addressed, issue of money laundering in Lower Mainland casinos.

"Criminal activity and money laundering in our casinos and elsewhere in B.C. will not be tolerated," said Minister of Public Safety and Solicitor General Mike Farnworth. "These investigations take time because of the many moving pieces and players

but JIGIT, which operates under the Combined Forces Special Enforcement Unit, and GPEB have had good success so far and we fully expect that to continue."

"We take our responsibility to manage gaming in our province very seriously and always welcome the opportunity to improve our practices," said BCLC president and CEO Jim Lightbody. "We have zero tolerance for criminals who may attempt to target our business. If there is something more we can do to improve the anti-money laundering efforts in B.C., we'll do it."

"The problem of money laundering is complex, but a committed government can make a difference," said Eby. "We are serious about doing everything we can to identify money laundering activities, and ensure policies are in place to prevent it from occurring in B.C. casinos. We will bring in the best experts available to assist us, and I am confident we will succeed, especially with the continued support of our partners BCLC, casino operators, the police, and the Gaming Policy and Enforcement Branch."

A copy of the MNP Report can be found at: https://www2.gov.bc.ca/assets/gov/sports-recreation-arts-and-culture/gambling/gambling-in-bc/reports/mnp_report-redacted.pdf

For a link to BCLC's response to the MNP report and other relative reports: <http://corporate.bclc.com/who-we-are/corporate-reports/reports-disclosures.html>

Quick Facts:

- * BCLC is responsible for conduct and management of gambling in B.C.
- * GPEB is responsible for the overall integrity of gambling and horse racing in the province.
- * MNP LLP were engaged by GPEB to conduct the review on Sept. 8, 2015 and delivered the report on July 26, 2016.
- * In 1998, the Province added casino gambling to the responsibilities of the BC Lottery Corporation and made them responsible for the operation of the casino industry in B.C.
- * In April 2016, GPEB worked with the Policing and Security Branch in the Ministry of Public Safety and Solicitor General and the RCMP to establish the Joint Illegal Gaming Investigation Team (JIGIT). JIGIT, a unit under CFSEU-BC, provides a co-ordinated enforcement approach from police and GPEB to combat illegal gambling and money laundering in B.C.
- * GPEB has also established an intelligence unit to provide government with situational awareness of threats to the integrity of the gambling industry.

Contact:

Government Communications and Public Engagement Ministry of Attorney General
778 678-1572

Connect with the Province of B.C. at: www.gov.bc.ca/connect

Kevin Simcoe

From: Susan Dolinski
Sent: September-22-17 7:39 AM
To: Jim D. Lightbody; Brad Desmarais; Rob Kroeker
Subject: FW: Release FYI

Importance: High

FYI this is the email that went to SPs last night.

Susan Dolinski
Vice President, Social Responsibility & Communications
BCLC

2940 Virtual Way, Vancouver BC V5M 0A6
T 604-228-3096 F 604-225-6422 s 17(1)

sdolinski@bclc.com
bclc.com

Last year, more than \$1 billion generated by BCLC gambling supported health care, education and community groups across B.C.

From: Laura Piva-Babcock
Sent: Thursday, September 21, 2017 8:26 PM
To: Peter Goudron (pgoudron@bcgia.com) <pgoudron@bcgia.com>; Chuck Keeling (ckeeling@gcgaming.com) <ckeeling@gcgaming.com>; 'Tamara Hicks' <THicks@parqvancouver.com>; Tanya Gabara (tgabara@cascadescasino.ca) <tgabara@cascadescasino.ca>; Shiera Stuart - Gateway HO (sstuart@gatewaycasinos.com) <sstuart@gatewaycasinos.com>; jnijjar@gatewaycasinos.com; Sonja Mandic (smandic@gcgaming.com) <smandic@gcgaming.com>
Subject: Release FYI
Importance: High

Hello,

I got word this afternoon that tomorrow government is proactively releasing the MNP AML Report which was completed in 2016. It was commissioned by GPEB to analyze items including: practices related to source of funds; best practices in the gaming sector in relation to the "know your customer" framework; assess BCLC's customer due diligence and related overall compliance.

Minister Eby will be announcing a review of AML in the province in a news release tomorrow morning. We understand the release will go out and the report will be live on GPEB's website at just before 10 a.m. Given this is government's report, I am not able to provide it. Our response will be that we welcome this review and are open to understanding how we can further enhance our measures. We take our responsibility to manage gaming in this province very seriously. We have zero tolerance for criminals who may target our business and if there is something more we can do to enhance our program, we'll do it.

We will loop you in on our media calls tomorrow and if you get any calls, let us know. If I get further information as the day progresses, I'll send it along.

Thanks,

Laura Piva-Babcock
Director, Communications
74 West Seymour Street, Kamloops, B.C. V2C 1E2

T 250 828 5576 Cs 17(1)

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Last year more than \$1 billion generated by BCLC gambling activities went back into health care, education and community groups across B.C.

Kevin Simcoe

From: Ross Alderson
Sent: September-22-17 10:52 AM
To: Sarah Morris
Subject: Fwd: AML Media today

Ross Alderson
Director, AML & Investigations
BCLC

From: Ross Alderson <RAlderson@BCLC.com>
Date: September 22, 2017 at 10:24:38 AM PDT
To: All- Corporate Security & Compliance <All-CorporateSecurity&Compliance@BCLC.com>
Subject: AML Media today

Good morning everyone,

This morning a government press release relating to AML in Casinos was made public. It relates to a review of the River Rock Casino in early 2016 by a company called MNP. The review was commissioned by GPEB.

The news release can be found here: <https://news.gov.bc.ca/releases/2017AG0024-001625>

BCLC did provide a response to the review as well as results and action plans of two other AML audits, one either side of the GPEB review.

That information can be found here: <http://corporate.bclc.com/content/dam/bclc/corporate/documents/anti-money-laundering-reviews-audits.pdf>

The Vancouver Sun has already picked up on the story and their press release is found here:

<http://vancouversun.com/news/local-news/big-cash-flowing-into-river-rock-casino-sparks-money-laundering-probe>

If you have any questions related to any of these releases please feel free to contact me directly.

I understand Jim will likely also address this in his Monday newsletter.

Regards

Ross Alderson CAMS.

Director, AML & Investigations
Corporate Security and Compliance Division, BCLC
2940 Virtual Way, Vancouver, BC, V5M 0A6
T 604 225 6382 C s 17(1) F 604 225 6488

•Yes, and...•

ralderson@bclc.com

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Last year, more than \$1 billion generated by BCLC gambling activities went back into health care, education and community groups across B.C.

Kevin Simcoe

From: Laura Piva-Babcock
Sent: September-22-17 10:01 AM
To: Jim D. Lightbody
Subject: FW: Media Coverage of AML audit

Importance: High

From: Sarah Morris
Sent: September 22, 2017 10:00 AM
To: CommsMediaPA <CommsMediaPA@bclc.com>
Cc: Rob Kroeker <RKroeker@bclc.com>; Susan Dolinski <SDolinski@BCLC.com>
Subject: Media Coverage of AML audit
Importance: High

Good morning,

<https://news.gov.bc.ca/releases/2017AG0024-001625>

Some of the coverage so far:

<http://thebreaker.news/news/casino-money-laundering/>
<http://vancouver.sun.com/news/local-news/big-cash-flowing-into-river-rock-casino-sparks-money-laundering-probe>

Charmaine de Silva Verified account @char_des 1m1 minute ago

The report into anti-money laundering at #BC casinos prepared by @MNP_LLIP is NOT a review. @Dave_Eby says he'll commission review. #bcpoli

Charmaine de Silva Verified account @char_des 2m2 minutes ago

The big Q did @bcliberals do enough to combat money laundering, considering cash flowing into casinos like @riverrockcasino? #bcpoli

Richard Zussman Verified account @richardzussman 1m1 minute ago

New report recommends Gaming Policy and Enforcement Branch works with BCLC to support cash-alternatives at casinos. #bcpoli

BCLC AML Chronology

2000	FinTRAC created.
2000-2005	BCLC AML Program Developed
2003-2009	BCLC Operational Gaming Compliance begin conducting twice-yearly –Money Laundering Act Audits.
2008-2009	BCLC Internal AML Audit
2009	Pilot for PGF Program BCLC proactively discloses STRs to RCMP and GPEB BCLC Operational Gaming Compliance LCTR & Cheque Issuance Audit implemented (co New dedicated PGF Reviews implemented nducted quarterly)
2009-2010	FINTRAC Examination
2010	Electronic Reporting to FinTRAC Upgrades to iTRaK including drop down list of occupations and bi-ennial reminder prompts to revalidate patron ID and updated occupation/address etc. BCLC Audit Services starts ongoing monitoring of LCT FINTRAC reporting
2010- 2011	Deloitte AML Audit
2011	Development of Cash Alternatives
2011-2012	Navigant AML Audit Development of Cash Alternatives
2012	Player Gaming Fund accounts added to Policy More defined FINTRAC and AML Policy implemented BCLC Operational Gaming Compliance New dedicated PGF Reviews implemented FINTRAC Examination
2013	Dedicated AML Unit created (3 Persons) Price Waterhouse AML Audit Submitted further cash alternatives proposal to GPEB (Sept) BCLC Audit Services starts ongoing monitoring of STR review and reporting
2014	FINTRAC Examination iTrak upgrade to to allow Batch reporting of FINTRAC

Suspicious Transaction Reports.

ACAMS membership and training obtained for Compliance/Investigations Staff

s 15(1)

s 15(1) RFP

Business Intelligence tool operationalized

Information Sharing Agreement with RCMP (including s 15(1))

BCLC Implement Public Safety and s 15(1) Program.

BCLC meet with CFSEU to present targeting proposal for "top ten target list" including s 22 group. (pre: e-Pirate)

2015

New Director of AML position created (AML Dept. expanded to 4)

BCLC re submit three cash alternatives to GPEB for approval. Delimit Convenience (safety) cheque, International EFT's and Credit.

Casino Patron Education protocol implemented

BCLC received information that 2-3 illegal gaming houses were being patronized in Richmond, BC.

Manager of Cash Alternatives/Projects added to AML Dept (5)

GPEB inform BCLC that GPEB would not investigate Illegal gaming or Money Laundering as to challenges within the Gaming Control Act as to authorities.

Purchased Corporate ACAMS membership for BCLC (up to 75 individuals) Also provided positions for GPEB.

s 15(1)

Plan Chip Swap Project at RROR

Further specific locations of illegal casinos were alleged. A website "Vansky" was identified as openly advertising for baccarat dealers. All Intel was immediately reported to GPEB.

Provincial AML Gaming Summit conducted at BCLC (Present include GPEB, BCLC, RCMP, CBSA, CRA, FinTRAC, Police Services as well as representatives from Financial and Gaming Industry.

s 15(1)

Ernst & Young AML Audit

Quarterly AML Meetings with SP

s 15(1)

Casino Service Providers advised of s 15(1)

**Players interviewed and admitted in some cases receiving cash from unknown sources and paying back in China. Provided ph numbers and names of cash facilitators. All relevant information was passed on to RCMP and GPEB*

Casino Service Providers advised of ans 15(1)

s 15(1) suspended 1 day before project to occur. BCLC were asked to suspend the operation due to concerns it may inhibit the police investigation.

(Sept 2015 – Sept 2016) MNP/GPEB AML Review of River Rock Casino

s 15(1)

2016

Chip Swap operation conducted at RRRCR

BCLC do Student/Housewife source of wealth review

Restructure of AML & Investigations groups (AML team expanded to nine (9) to include Specialized AML Investigative and Intelligence units)

JIGIT formation announcement

Provided s 15(1) to JIGIT

Provided s 15(1) JIGIT

s 15(1)

s 15(1)

FINTRAC AML Examination

s 15(1)

Letter from GPEB regarding two of the three cash alternative proposals from 2013. (credit was dropped) Letter specifically states, "There is no requirement for BCLC to seek GPEB approval of these specific proposals in and of themselves."

BCLC begins putting policy in places 15(1) for the two cash alternatives.

s 15(1)

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s 15(1)

s 15(1)

s 15(1)

Implemented International Wire Transfers and Delimited Convenience Cheques for PGF Patrons

s 15(1)

s 15(1)

s 15(1)

s 15(1)

Updated ISA with RCMP (include JIGIT)

BCLC/RCMP ISA suspended on the request of GPEB without notice or consultation with BCLC. BCLC objected and consulted with RCMP who reinstated. However thes 15(1) between Nov 2016 and Sep 2017 effectively crippling BCLC's ability to proactively ban organized crime figures.

2017

s 15(1)

GPEB/BCLC Investigations Information sharing Protocol Implemented

Inaugural multi-jurisdictional Canadian Gaming AML Summit.

s 15(1)

s 15(1)

I.S.A with CFO implemented

s 15(1)

New Online AML Training course

PGF Review retired and review points consolidated into AML, BCLC, Cage and Corporate Social Responsibility Reviews

s 15(1)

s 15(1)

Ernst & Young AML Audit

s 15(1)

s 15(1)

Kevin Simcoe

From: Ross Alderson
Sent: October-02-17 12:14 PM
To: Kevin Sweeney; Bal Bamra; Daryl Tottenham; Kris Gade
Subject: FW: CBU: German - money laundering ■

Fyi

Reasonable response in my opinion

Ross Alderson CAMS.

Director, AML & Investigations
Corporate Security and Compliance Division, BCLC
2940 Virtual Way, Vancouver, BC, V5M 0A6
T 604 225 6382 C s 17(1) F 604 225 6488

●Yes, and...●

ralderson@bclc.com

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From: Laura Piva-Babcock
Sent: Monday, October 02, 2017 6:20 AM
To: Rob Kroeker <RKroeker@bclc.com>; Ross Alderson <RAlderson@BCLC.com>
Subject: Fwd: CBU: German - money laundering ■

From: tno@gov.bc.ca <tno@gov.bc.ca>
Date: October 1, 2017 at 9:47:27 PM PDT
Subject: CBU: German - money laundering ■

s 3(1)(i))

s 3(1)(i)

s 3(1)(i)

s 3(1)(i)

s 3(1)(j)

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Kevin Simcoe

From: Ross Alderson
Sent: September-25-17 2:25 PM
To: Rob Kroeker
Subject: FW: KM QA_MNP Report and AG Review_draft_21 Sep 2017
Attachments: KM QA_MNP Report and AG Review_draft_21 Sep 2017RA.docx

Fyi.

Ross Alderson CAMS.

Director, AML & Investigations
Corporate Security and Compliance Division, BCLC
2940 Virtual Way, Vancouver, BC, V5M 0A6
T 604 225 6382 Cs 17(1) F 604 225 6488

●Yes, and...●

ralderson@bclc.com

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Last year, more than \$1 billion generated by BCLC gambling activities went back into health care, education and community groups across B.C.

From: Ross Alderson
Sent: Monday, September 25, 2017 2:24 PM
To: Angela Law <ALaw@BCLC.com>
Cc: MIM Team <MIMTeam@bclc.com>
Subject: RE: KM QA_MNP Report and AG Review_draft_21 Sep 2017

I made a few changes anyway. Rob will want to review as well no doubt

Ross Alderson CAMS.

Director, AML & Investigations
Corporate Security and Compliance Division, BCLC
2940 Virtual Way, Vancouver, BC, V5M 0A6
T 604 225 6382 Cs 17(1) F 604 225 6488

●Yes, and...●

ralderson@bclc.com

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Last year, more than \$1 billion generated by BCLC gambling activities went back into health care, education and community groups across B.C.

From: Angela Law
Sent: Monday, September 25, 2017 1:59 PM

To: Ross Alderson <RAlderson@BCLC.com>
Cc: MIM Team <MIMTeam@bclc.com>
Subject: RE: KM QA_MNP Report and AG Review_draft_21 Sep 2017

So sorry Ross.

Laura has requested to look at it first. I wasn't aware that she had not had the chance to review in detail yet.

Thanks,

Angela

From: Angela Law
Sent: Monday, September 25, 2017 1:11 PM
To: Ross Alderson <RAlderson@BCLC.com>
Cc: MIM Team <MIMTeam@bclc.com>
Subject: KM QA_MNP Report and AG Review_draft_21 Sep 2017

Hi Ross,

Attached is the original QA and KM document that was developed in response to the MNP report and AG review.

While we didn't end up using it on Friday we wanted to run it by you for review should we need to fall up on some high level holding messages.

Could you take a first stab at this?

Thanks,

Angela

Kevin Simcoe

From: Ross Alderson
Sent: October-03-17 7:03 AM
To: Daryl Tottenham; Bal Bamra
Cc: Kevin Sweeney
Subject: FW: Media Monitoring Report - Monday, October 02, 2017

Hi guys see below.

Can I ask your assistance in the following

1. Bal/Daryl perhaps get Andrea to compile electronic file from itrak of all s 22 itrak reports. s 22

Daryl can

provide the emails

Kevin can you help with the number 2. Bal/Daryl please make sure we include all aml issues

Lastly Bal can you set up a meeting room for 1pm for 2 hours for this afternoon for EY initial meeting. We need to include Kevin and Keith Boland on the invite as well. They likely won't need to be there for 2 hours
Thanks

I will be in a little later s 22

Ross Alderson
Director, AML & Investigations
BCLC

From: Rob Kroeker <RKroeker@bclc.com>
Date: October 3, 2017 at 3:47:47 AM PDT
To: Ross Alderson <RAlderson@BCLC.com>
Cc: Kevin Sweeney <KSweeney@BCLC.com>, Brad Desmarais <BDesmarais@bclc.com>, Jennifer Keim <JKeim@BCLC.com>
Subject: FW: Media Monitoring Report - Monday, October 02, 2017

Good morning Ross

I am hoping things are remaining manageable. If workload issues arise please advise as soon possible so I can address.

You have likely seen much of the AML media below. I remain concerned over the tone of the coverage and the erroneous information being repeated particularly around the suggestions that BCLC must have known about criminal activity.

Please continue to focus on the material for Bud and getting the EY audit underway. Once those pieces are in place I would like you and your team to turn to two additional pieces:

1, s 15(1)

2. Please compile a list of every instance of where we have brought a compliance lapse to the attention of management at RRCR for the time period of January 1, 2015 to August 31, 2017 along with the supporting documentation giving the notice (letter, email, calendar entry showing Meeting). These are not just AML, there were at least 2 privacy ones. On the list please note those that were reported to GPEB

Thanks for the continued hard work on this matter. You and the team are doing a great job.

Rob

s 15(1)

From: Sarah Morris <SMorris@BCLC.com>
Date: Monday, Oct 02, 2017, 5:30 PM
To: MM- All Users <MM-AllUsers@BCLC.com>
Subject: Media Monitoring Report - Monday, October 02, 2017

s 3(1)(i)

s 3(1)(l)

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Kevin Simcoe

From: Brad Desmarais
Sent: October-03-17 9:04 AM
To: Jim D. Lightbody
Subject: Fwd: AML Timeline
Attachments: BCLC AML Program Chronology.docx; s 22 Timeline until Sept 2017.docx

From: Ross Alderson <RAlderson@BCLC.com>
Date: October 3, 2017 at 2:37:42 AM PDT
To: Brad Desmarais <BDesmarais@bclc.com>
Cc: Jennifer Keim <JKeim@BCLC.com>, Laura Piva-Babcock <LPiva-Babcock@bclc.com>
Subject: AML Timeline

Hi Brad,

Please find attached draft AML Timeline and s²² timeline for your review
All supporting documents for folder are with legal services found here

s 15(1)

Regards

Ross Alderson CAMS.

Director, AML & Investigations
Corporate Security and Compliance Division, BCLC
2940 Virtual Way, Vancouver, BC, V5M 0A6
T 604 225 6382 Cs 17(1) F 604 225 6488

•Yes, and...•

ralderson@bclc.com

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Last year, more than \$1 billion generated by BCLC gambling activities went back into health care, education and community groups across B.C.

Kevin Simcoe

From: Laura Piva-Babcock
Sent: October-05-17 12:02 PM
To: Susan Dolinski; Jim D. Lightbody; Brad Desmarais; Rob Kroeker; Kevin Sweeney
Subject: GPEB FOI - list of documents
Attachments: FOI Issues Scan.docx

Hi,

While the team is busy conducting the issues scan, I got Sandra to develop a list of the documents included in this FOI. This gives you an idea of what the requester is getting and perhaps some of these documents/topics are familiar to some of you.

Many thanks to Sandra for her quick work! L

FOI Issues Scan

- Letter from Len Meilleur to John Mazure re: Implementation of the Transaction Assessment Team (TAT) 2017-04-06, 9 pages
- Final Draft: Concept Paper – Cash in Casinos -Version 11, 2015-07-20, 16 pages
- Presentation: Provincial AML Strategy Update by John Mazure March 2017, 17 pages
- Charts: Qrtly SCT vs. PGF Deposits, monthly PGF Deposits for F2015/16 and 2016/17 YTD, Annual PGF Deposits 2012/13 to 2016/17 w/ s.2+w/o s.22, prepared by GPEB Compliance Div. 2017-01-27, 4 pages
- PGF Program – Emerging Concerns 2017-01-17, 2 pages
- Charts: Suspicious Currency Transactions by Denomination 2010/11 to 2016/17 (YTD) + 2015/16 and 2016/17 and Notes and Observations 2017-01-13, 3 pages
- Charts: SCT by Month for F2015-16 and 2016/17, prepared by GPEB 2017-03-08, 2 pages
- Charts: SCT by Denomination 2010/2011 to 2016/17 + Notes and Observations prepared by GPEB 2016-09-16, 3 pages
- Advice to Minister, Issues Note: BC Anti-Money Laundering Strategy – MoF 2016-03-24 (de Jong) 3 pages
- Advice to Minister, Estimates Note Gaming Audits and Results 2016-05-10, 2 pages
- Estimates Note – Issue: Joint Illegal Gaming Investigation Team – 2 pages
- MoF-GPEB, Q&A: Topic: AML – 2 pages
- MoF – GPEB, EN: Issue: AML – 3 pages
- MoF – Briefing Document to Cheryl Wenezenki-Yolland, Initiated by Len Meilleur: 2016 MNP Report on AML Practices in Gaming Facilities 2016-09-15, 8 pages
- MoF – Briefing Document to Hon. Michael de Jong, Initiated by Cheryl Wenezenki-Yolland: 2016 MNP Report on AML Practices in Gaming Facilities 2016-09-30, 8 pages
- MoF – Briefing Document to Cheryl Wenezenki-Yolland Initiated by John Mazure: Update on the JIGIT 2016-10-05, 3 pages
- Mandate Letter to Bud Smith from Hon. Michael de Jong, 8 pages
- Chart: SCT by Year: 2010/11 to 2015/16 prepared by GPEB 2016-04-07
- Chart: SCT by Month: 2015/2016 prepared by GPEB 2016-04-07
- Internal Memo to Len Meilleur from Karen Roberts re: COMM-8604- River Rock "High Roller" Occupational Analysis 2016-08-16, 17 pages
- Internal Memo to Len Meilleur from Parminder Basi re: COMM-8611 Follow Up: Cash Buy-Ins Conducted at River Rock Casino Cages 2016-02-15, 4 pages
- Internal Memo to Len Meilleur from Parminder Basi re: COMM-8621 River Rock Casino Cash Transfer Analysis between High Limit Cages and Vaults 2016-04-27, 6 pages
- GPEB 2016/17 High Volume Slot Play Review 2016-12-23, 11 pages
- Internal Memo to Len Meilleur from Bojan Nikolic and Terry Jacob re: Compliance with BCLC Directive related to Unsourced Cash and Chips 2016-06-21, 3 pages
- Chart: SCT by denomination 2010/11 to 2015/16, prepared by GPEB 2016-03-30
- Chart: SCT by denomination 2015/16, prepared by GPEB 2016-03-30
- Chart: PGF Deposit Analysis w/ s.22 – Jan 1, 2013 – Nov 30, 2017: \$1.7B, 1 page
- Chart: PGF Deposit Analysis w/o s.22 – Jan 1, 2013 – Nov 30, 2017: \$1.5B, 1 page
- PGF Program – Emerging Concerns, 3 pages
- Chart: Monthly PGF Deposits for F2015/16 and 2016/17 + PGF Program – Emerging Concerns, prepared by GPEB 2017-01-17, 3 pages
- Chart: SCT by denomination 2010/11 to 2016/17, prepared by GPEB 2017-04-13, 1 page
- Chart: SCT by denomination 2015/16 and 2016/17, prepared by GPEB 2017-04-13, 1 page
- Chart: SCT Comparison to New Money PGF Deposits, Jan 1, 2015 to Mar 31, 2017 + Notes and Observations, prepared by GPEB, 2017-01-13, 2 pages
- Chart: Qrtly SCT vs. PGF Deposits 2012/13 to 2016/17, prepared by GPEB 2017-01-30, 1 page
- PGF Program – Emerging Concerns, prepared by GPEB 2017-01-17
- MoF Estimates 2016 Table of Contents, 1 page

- Internal Memo to Len Meilleur from Tim Storms 2016-04-27 re: Unusual Financial Transaction/Suspicious Transaction Verification Review Phase II – COMM 8629, 10 pages
- Internal Memo to Len Meilleur from Tim Storms + Sue Whittred 2016-12-19 re: High Volume Slot Play Analysis COMM-8687, 11 pages
- Audit Presentation Compliance Division by Doug Mayer, Lynn Li and Parminder Basi – 2016-06-08, 16 pages

Kevin Simcoe

From: Laura Piva-Babcock
Sent: October-05-17 3:29 PM
To: Jim D. Lightbody; Rob Kroeker; Brad Desmarais; Kevin Sweeney; Susan Dolinski
Subject: GPEB FOI
Attachments: IN_GPEB FOI FIN-2017-71581_AML Records_draft_5 Oct 2017.docx

Hello,

Here is the team's review of the FOI. This is a hefty scan of a large volume of documents. We have not included messaging as we will likely only be responding that we can't respond to these matters.

Let me know if you need something further.

Thanks, Laura

<p align="center">INFORMATION NOTE</p> <p>British Columbia Lottery Corporation</p> <p>Date: October 5, 2017</p>	<p>GPEB FOI FIN-2017-71581:</p> <p>GPEB AML Records</p> <p>(Jan 2016- May 2017)</p>
--	--

KEY FACTS:

On October 6, 2017, GPEB is releasing phase one (of three phases) of responsive records to a media applicant who made the following FOI request: "All final reports and summary documents from the Gaming Policy and Enforcement Branch related to concerns of money laundering in B.C. and criminal activity related to money laundering." (Date Range for Record Search: From 02/01/2016 to 05/05/2017)

The phase one record is 210 pages, and includes presentations, reports, briefing notes, estimates notes and summaries drafted by GPEB staff for GPEB Executive and then Minister Michael de Jong.

GPEB has advised there are 2,447 pages of responsive records in total.

Phase two is expected to be released mid-late November 2017.
Phase three is expected to be released mid-late January 2018.

OF NOTE:

Page 1-9:

June 2017 proposal from Len Meilleur, GPEB ED Compliance, to John Mazure, GPEB ADM, regarding Implementation of the Transaction Assessment Team (TAT) to expand on AML efforts and increase high level investigations targeting the integration of proceeds of crime into the B.C. economy through casinos.

Page 2:

Notes GPEB investigators in Burnaby (Grand Villa casino) collected data showing buy-ins in excess of \$50k using \$20 bills.

Notes that based on intelligence from police, BCLC, and GPEB it's believed illegitimate lenders are using the proceeds of crime to finance patrons gambling at casinos in B.C. Over a month, there more than \$14M in \$20 buy-ins. The "facilitators" were observed in and around the casino being supplied cash "at odd hours, outside usual bank hours of operation."

As a result, the report recommends the creation of JIGIT; MNP review and report; and the implementation of a GPEB Intelligence Unit.

Page 3:

GPEB Intelligence Unit reports the organized crime presence in and around BC casinos is a viable threat to public safety.

Notes various BCLC initiatives and focus on AML programming to help improve monitoring, info sharing with law enforcement etc.

Page 4:

Despite a downward trend in STRs, GPEB's compliance division raises concerns about:

- Source of cash and how it's bundled, obtained and accepted by SP staff.
- The fact SP staff accept cash, BCLC reports to FINTRAC, but there's no assessment of whether cash should be refused
- Number of STRs filed in B.C. are higher than other jurisdictions, and there's been an uptick in 2017

Page 5:

Concerns raised around PGF accounts and funds.

Report states that while it's generally positive PGF accounts have increased, the majority of bank drafts accepted by SPs without knowing the source of funds, and some drafts are blank with no name entered.

Also, the customer due diligence conducted on account holders responsible for a significant amount of PGF activity may not be sufficient. Need to determine if patron has a legitimate bank account in Canada from which the draft has been obtained.

Page 10:

July 2015 Concept paper regarding cash in casinos, with new strategies proposed including:

- Directive to BCLC to further develop and implement enhanced Customer Due Diligence program.
- Particular focus on source of funds assessment.
- Develop and implement additional cash alternative.
- Enhanced collaborative intelligence, analysis, audit, compliance and enforcement between BCLC, GPEB and other stakeholders.
- Public info and education strategy.

Page 18:

Outlines opportunity for BCLC/GPEB Intelligence to share resources and access systems being put in place (SAS).

Report also points out that despite efforts to focus on introducing cash alternatives since the 2011 AML Review, STRs are on the increase, and points to gap in BCLC's due diligence framework (source of funds) as a potential key factor.

Year	# Suspicious Transactions Reports to FINTRAC
2010/11	491
2011/12	837
2012/13	939
2013/14	1254
2014/15	1737

Page 21:

Report notes that a few high value patrons accounts for a significant portion of BCLC revenue and a corresponding number of STRs. These clients also prefer using cash. As such the report says the impact on these patrons needs to be considered when enhance AML due diligence regime/KYC program.

Page 22:

Notes BCLC already employs a robust client due diligence process that includes background checks, interviews and monitoring. New considerations include a source of funds declaration or questionnaire as part of a client assessment pilot project.

States vast majoring of STRs are limited to "a few gaming facilities", a focus should be made on those.

Page 24:

Discussion around assessing the need for a "joint interdiction team" as "a last resort" in a fulsome AML compliance program for BC casinos.

Recommendation that BCLC consider implementing Board AML Oversight Committee to provide direction and remove perception of bias in area of revenue vs compliance.

Page 26-44:

March 2017 Provincial AML Strategy Update powerpoint presentation by John Mazure

Page 45:

January 2017 reports including:

Quarterly STR vs PGF deposit charts for FY 15/16 and 16/17

Monthly/Annual PGF deposit charts for FY 15/16 and 16/17

Page 49-50:

Emerging Concerns with PGF Program:

- Policy concerns around cash deposits (cash, similar to chips, should only be accepted for deposit in the same gaming day or session)

- Dependence on a small number of patrons to generate the majority of dollar volume activity (ie: 10 PGF account holders deposited 47% of the total \$301M into their accounts Jan- July 2016).
- Dependence on bank drafts. No uptake on other forms of authored deposits by patrons (ie wire transfer, EFT, certified cheque etc)
- Concerns about BCLC dashboards with limited info on PGF activity beyond deposit level and account openings.
- Concerns around money service businesses.

Page 51:

Chart outlines majority of STRs are in \$20 bill denominations between 2010 and 2017.

Page 53:

Reference to spike in STR reporting between December and January 2016 due to "under-reporting issue" at River Rock Casino.

Page 61:

March 2016 BC Anti-Money Laundering Strategy Issues Note for Minister de Jong
Direct reference to Underreporting of STRs at the River Rock Casino – did not review LCTs of \$50k or less- and BCLC's subsequent Voluntary Self-Declaration of Non-Compliance to FINTRAC.
Advice to Minister section of Issues Note states that since the disbandment of IIGET in 2009, investigations and enforcement of illegal gambling activities had been conducted by individual police departments in "an ad hoc manner with assistance from GPEB where requested."

Pg. 102:

Graph shows year-over-year increase in Suspicious Currency Transactions (SCT) from 2010/11-2014/15, with a decrease from 2014/15 to 2015/16.

Pg. 103:

In a month-to-month graph of SCTs for 2015/16, the month of July had the highest amount at just over \$20M. This timeframe coincides with when MNP monitored transactions at River Rock for their report.

Pg 105-120:

Internal Memo on breakdown of the occupations of "high roller" River Rock patrons between Jan 2015-Dec 2015.

Pg. 105:

- 42 Housewives with buy-ins of \$50K or more had 495 transactions, and were directly involved in 87 Unusual Financial Transactions (UFT).
- 9 students with buy-ins of \$50K or more had 62 transactions, and were directly involved in 11 UFTs
- There were 62 patrons with buy-ins of \$1M or more that had 1915 transactions and were directly involved in 611 UFTs and indirectly in another 156 UFTs.
- The legitimacy of 52 companies listed by the top 62 patrons were reviewed and tested, and found to be inconclusive. There were 43 companies with Chinese names.
- Real Estate was the largest occupational group both in terms of the number of patrons and total buy-ins.
- The most common reason for UFTs were for large cash buy-ins, and buy-ins with a large number of small denomination bills.

Pg. 107:

"A significant number of patrons did not indicate their company or position so they were put into the 'Non-States' group....'Housewife' and 'Student' were classified into their own groups as their buy-in habits were of particular interest.....A total of 800 patrons were included in this analysis with total cash buy-ins of \$243M.

Pg. 108 (reiterated on Pg. 117):

- 36 students had notable buy-ins of \$2.3M
- 75 Housewives had total buy-ins of \$14.3M

Pg. 111: "There are occupations, such as Housewife, Student or Server that are not typically able to support the level of cash buy-ins made by those patrons."

Pg. 112: "32% of all transactions in this group were deemed substantiated unusual transactions."

Pg. 115: "A notable finding is that UFTs arising from associations with other known patrons were more prevalent with Housewives than any other occupation reviewed."

Pg. 117: "The most common reasons for UFTs were large cash buy-ins, buy-in with large numbers of small denomination bills, not bundled in a manner that would come from a recognized bank and chips passing – similar to what has been reported in past reviews."

Pg. 118-120: Charts breaking down cash buy-ins by occupation and # of transactions.

Pg 121-124:

Internal Memo – Follow up: Cash Buy-Ins Conducted at River Rock Cash Cages:

Pg. 121: "Total cash buy-ins conducted at cages for the Period of July 1, 2015-December 31, 2015 were \$102,397,000. This represents a decline of 27% from the previous six months."

Pg. 123: In 2015, BCLC's AML unit began issuing letters to high risk patrons advising them they are no longer permitted to buy-in at any BCLC site with "un-sourced" cash...the significant drop in cash buy-ins at the cages for the period of July 1, 2015 to December 31, 2015 can be associated, in part, to the enforcement of this directive by BCLC and the service provider."

Pg. 124: BCLC un-sourced cash directives were issued to high limit patrons, who were buying in with a large volume of small denomination bills. Despite these patrons having a long history of gambling, the nature of the cash they presented at the casino suggested that the money did not come from a recognized financial institution and may be of questionable source. Overall, although cash buy-ins at the cages decreased and PGF activity increased, the net effect was a significant decline in both table drop revenue and net table win at River Rock.

Pg 125-130:

Internal Memo – River Rock Casino Cash Transfer Analysis between High Limit Cages and Vault:

Pg. 125: To prevent a patron from refining bills for the purpose of money laundering, sites are advised by BCLC to pay out patrons in the same denomination in which they bought in with. This requirement is not stated in the BCLC Casino and Community Gaming Centre Standards, Policies and Procedures.

"...casinos in BC are not required to document the denomination of cash payouts to patrons..."

Pg. 126:

- Total cash buy-ins at the high limit cages with \$20 bills amounted to \$40 million.
- Total cash buy-ins at the high limit cages with \$100 bills amounted to \$54 million.
- Interviews with site staff indicated that if a patron engaged reasonable play, they will be paid out with \$100 bills regardless of the denomination they bought in with.
- Our analysis of cash flows between patron buy-ins, the high limit cages and the vault at the River Rock for the period of July 1, 2015-December 31, 2015, found that nearly all patrons that bought in with \$20 bills were not paid out in this denomination.
- The notion that nearly all patrons were paid out in \$100 bills regardless of the denomination that they bought in with, in part suggests that the controls in place to prevent a patron from refining bills may not be functioning as intended.

Pg. 129:

"...we determined that the practice of paying out patrons in the same denomination of bills, for which they bought in with, is the subject to discretion."

Pg. 130:

"As a result, based on the analysis performed and interviews with site staff it is reasonable to conclude that refining is occurring through the high limit cages at the River Rock Casino."

Pg. 139-141:

GPEB High Volume Slot Play Review 2016/17: (Distributed to Rob Kroeker and Gurmit Aujla)

Pg. 139: "There is a risk that slot machines could be used for refining or "colouring up" – i.e. converting \$20's into \$100's."

Pg. 140: It appears that while controls are in place within BCLC systems to detect suspicious slot play, they may not be utilized to their full potential.

Pg. 141: "No significant issues were found during this review...there is nothing that appears materially suspicious."

Pg. 142-144

Internal Memo – Compliance with BCLC Directive related to Unsourced Cash and Chips (June 21, 2016)

Pg. 142: "Although the unsourced cash is defined as "all cash without a bank or ATM withdrawal slip, BCLC allowed players with the directive to buy-in with cash they received as winnings from the previous five days of gambling."

Pg. 144: "However, there were some instances documented in iTrak where players were able to play with unsourced chips and where players issued the Directive were found to have been using proxy bettors on their behalf."

Pg. 147 & 148:

Graph showing \$20 bills making up the majority of SCTs

Pg. 152-161:

Notes emerging concerns with the PGF program.

Page 168:

April 2016 internal memo to Len Meilleur re UFT/STR verification review phase II, which included:

- Reviewing UFTs entered into iTrak Aug - Dec 2015 to determine number that were substantiated vs unsubstantiated, and review the criteria used by BCLC investigator as to why a UFT wasn't reported to FINTRAC as a STR.
- Reviewing large table buy-ins at River Rock July - Dec 2015 to determine if they were substantiated UFTs reportable to FINTRAC.

Page 177:

Given the higher risk associated with \$20 bills, further analysis was conducted which found transactions containing \$50k+ in \$20s are reported as UFTs more often than those that had less than \$50K in \$20s.

Page 179:

High Volume Slot Play Analysis

- There is a risk that slots can be used for refining or "colouring up"/converting \$20s into \$100s, however the review noted that overwhelmingly the top 10 slot patrons were using \$100 bills when buying in. As well, these patrons predominantly request cash for payouts as opposed to cheques. The frequency and scale of their play was noted as a probable indication of problem gambling but this issue was deemed out of scope of the review.
- No significant issues were found during review of the IVS ticket redemptions.
- The report concludes while controls are in place within BCLC systems to detect suspicious slot play, they may be utilized to their full potential.

Pg. 194-196:

River Rock Cash Transfer Analysis Between High Limit Cagers and Vault

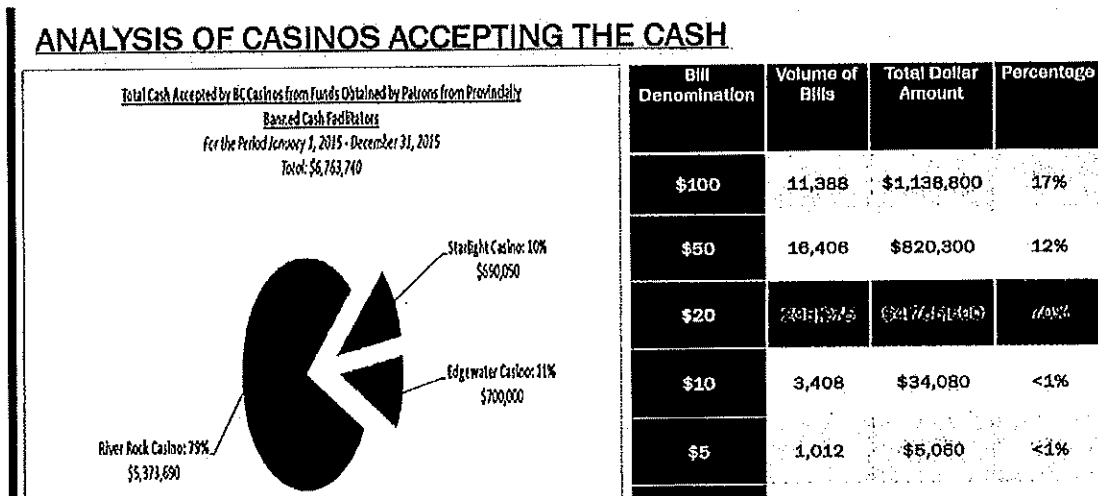
- 99% (\$40 million) of cash buy-ins with \$20s was transferred down to the vault, and less than 1% (\$62K) transferred back up to the high limit cages.
- Shorty supply of \$20 bills available at the high limit cages indicated patrons that bought in with \$20 bills were not being paid out in this denomination.
- Total cash buy-ins at the high limit cages with \$100 bills amounted to \$54 million. Of this amount, only \$8 million (15%) was transferred down to the vault; however, an additional \$90 million in \$100 bills was transferred from the vault back up to the high limit cages.
- The excess supply of \$100 bills available at the high limit cages indicated that patrons were primarily paid out in this denomination.

Pg. 196:

The notion that nearly all patrons were paid out in \$100 bills regardless of the denomination that they bought in with, in part suggests that the controls in place to prevent a patron from refining bills may not be functioning as intended.

"As a result, based on the analysis performed and interviews with site staff it is reasonable to conclude that refining is occurring through the high limit cages at the River Rock Casino."

Pg. 200:



Pg. 202:

- Sites knowingly accepted cash that they acknowledged was obtained from questionable sources.
- Industry indicators of suspicious activity were present in all incidents in which the cage accepted cash.
- ...prior to the BCLC 'un-sourced' cash directive being issued to patrons, very little was being done to prevent buy-ins with questionable cash from being accepted.

Kevin Simcoe

From: Laura Piva-Babcock
Sent: September-22-17 12:01 PM
To: Jim D. Lightbody; Rob Kroeker
Cc: Susan Dolinski; Doug Cheng
Subject: IN_FOI MNP AML Report to GPEB_21 Sept 2017_Draft.docx
Attachments: IN_FOI MNP AML Report to GPEB_21 Sept 2017_Draft.docx

Hi,

We have updated the messaging in the IN to reflect discussions Jim had earlier today with Zdenka and Susan. Let us know if you have any further changes.

Thanks,

Laura Piva-Babcock
Director, Communications
74 West Seymour Street, Kamloops, B.C. V2C 1E2
T 250 828 5576 Cs 17(1)

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Last year more than \$1 billion generated by BCLC gambling activities went back into health care, education and community groups across B.C.

INFORMATION NOTE

British Columbia Lottery Corporation

Date: September 22, 2017

FOI: MNP AML Report to GPEB

KEY FACTS:

On September 22, 2017, the Gaming Policy and Enforcement Branch (GPEB) proactively released a MNP report on anti-money laundering (AML). In addition, the Attorney General of B.C., David Eby, has ordered an independent review of the AML program in the province.

The MNP report, dated July 26, 2016, was commissioned by GPEB to analyze items including: practices related to source of funds; best practices in the gaming sector in relation to the "know your customer" framework; assess BCLC's customer due diligence and related overall compliance and provide recommendations to identify gaps in the described analysis. To supplement the proactive release, BCLC's response plan for the MNP report, a voluntary Ernst & Young (EY) assessment of BCLC's AML program dated November 23, 2015 and a FINTRAC letter on its audit of BCLC's AML program dated July 14, 2016, will also be released.

MNP obtained its information by conducting 23 interviews with employees and management of both BCLC and River Rock Casino. Twelve interviews took place at BCLC to provide management and staff the opportunity to provide feedback and clarify policies and procedures.

The MNP report states it, "does not represent a comprehensive review of all aspects of the existing AML compliance processes...was not designed to nor does this report provide any analysis of whether money laundering or terrorist financing is actually occurring." The report findings include the following:

- BCLC's Customer Due Diligence regime meets Federal regulatory requirements for standard risk patrons. It notes the process could be enhanced to meet Enhanced Due Diligence for high risk patrons.
- BCLC's should consider whether its risk assessment process adequately reflects current thinking around money laundering and terrorist financing risk.
- BCLC's AML training programs should be evaluated for up-to-date content and effectiveness.
- While consistent with regulatory requirements, BCLC should provide further guidance as the manager and responsible entity for AML regulatory obligations to enhance and enforce appropriate 'Know Your Patron' measures with Service Providers.

The areas of improvement identified by the EY report include:

- Formal approval by the Compliance Officer to key documents associated with BCLC's compliance regime.
- Inclusion of background check and initial due diligence screening documents in patron gaming fund files upon establishing a business relationship with BCLC as defined by FINTRAC.
- Update risk assessment to reflect current risk associated with geographic locations per BCLC internal policies and procedures.

The FINTRAC audit determined BCLC needed to make enhancements to its ongoing compliance training program for employees given the size and nature of its business.

BCLC developed and completed a response plan to this report in 2016. BCLC also developed and completed a response plan to the EY report, and implemented a new AML course, which addresses the finding in the FINTRAC report.

BCLC RESPONSE POINTS:

- This builds on the good work BCLC is already doing. We have a robust anti-money laundering program in place and we understand the important role we play to support regulators and law enforcement to combat illegal activity.
- BCLC has proactively released its management response to the report released today by the Attorney General and the results and actions taken following two independent audits to demonstrate the strength of our program and our commitment to rigorous review and continuous improvement.
- We welcome the Attorney General's independent review on the Province's anti-money laundering controls to identify areas that could further enhance our program.
- We operate in a highly regulated environment and work closely with regulators and law enforcement to combat any suspicious activity.
- BCLC routinely conducts independent audits of our AML program and we are confident that the program we have in place is comprehensive.
- BCLC and our service providers are committed to doing our part to prevent, detect, and report any suspicious activity. If we have any reason to suspect any criminal behaviour, we immediately report it to local police and regulators.

Secondary Messages/Examples:

- Through an information-sharing agreement with police, BCLC proactively bars suspected members of organized crime from gaming facilities in B.C. To date, more than 270 people have been banned.
- We've worked collaboratively with the Gaming Policy and Enforcement Branch to increase cashless alternatives at BC casinos and the use of these continues to grow.
- In addition to extensive on-site casino operator security staff, BCLC has 15 investigators and 13 compliance officers dedicated to the oversight of the security and integrity of all gaming facilities across the province. BCLC also has a dedicated Anti-Money Laundering Unit consisting of five members.

Program Area Contact:

Laura Piva-Babcock

T: 250-828-5576

C:s 17(1)

Kevin Simcoe

From: Rob Kroeker
Sent: October-07-15 5:07 PM
To: Meilleur, Len FIN:EX
Cc: Boychuk, Dave FIN:EX (Dave.Boychuk@gov.bc.ca); Rob Kroeker; Ross Alderson; Kevin Sweeney
Subject: MNP Audit - Release of Player Information
Attachments: Marked_Data request fields.xlsx

Hi Len

This note is to confirm our conversation of the this afternoon:

- In response to BCLC's concerns about the removal of confidential player information from BCLC's secure environment and delivery to MNP, a private sector service provider, GPEB conducted a consult with the OIPC.
- s 22 conducted the consult with the OIPC and advises the OIPC has concluded there are no issues with BCLC delivering the information requested in the attached excel spreadsheet to GPEB, who will in turn deliver the same information to MNP.
- GPEB advises the OIPC is aware that neither a Security Threat Risk Assessment nor a PIA has been completed in regard to this work.
- GPEB advises the OIPC is aware that the physical security of the site where the BCLC data will eventually be stored and used has not been formally assessed nor has the security of the systems that will be employed by MNP.
- GPEB is not in a position to share with BCLC the written advice received from the OIPC on the matter.
- GPEB will provide a letter to BCLC requesting the information and will state in the letter that it takes responsibility for the security and safe keeping of BCLC's data.
- BCLC continues to work to provide the information that can be extracted electronically, but as noted earlier last week this requires the development of custom reports just for this purpose. BCLC is targeting end of this week for this work to be complete.
- Completion of the data fields highlighted in red will be a manual process and no estimate for how long it will take to review the approx 76,000 reports to manually pull this data is yet available. BCLC continues its work on a plan for addressing this request.
- MNP has not executed the non-disclosure agreement provided to it last week.
- MNP left a message with BCLC stating that it has issues with the agreement. General Counsel for BCLC has made attempts to reach MNP in regard to their concerns and has left a message but no further contact from MNP has been received by BCLC.
- In response to s 22 question, and as has been stated earlier, BCLC confirms there are absolutely no concerns or questions raised about GPEB's statutory authority to require GPEB's access to this information. BCLC's concern is that BCLC has never been asked to turn over this type or amount of personal information to a private sector service provider for storage and use at sites and systems that have not been formally assessed or verified. BCLC's only concern is the security of the very sensitive personal information that is being taken from its custody. All prior audits, including FinTRAC audits and audits done by national accounting firms have occurred at BCLC's site to avoid this risk from arising in the first instance. BCLC's only concern is proper data security and confidentiality.

Think that about covers it. Let me know if you have any corrections or additions.

See you tomorrow morning.

Rob

Kevin Simcoe

From: Ross Alderson
Sent: October-03-17 3:12 PM
To: Bob Madill
Subject: RE: AML FOI requests

Thanks Bob. Many thanks

Ross Alderson CAMS.

Director, AML & Investigations
Corporate Security and Compliance Division, BCLC
2940 Virtual Way, Vancouver, BC, V5M 0A6
T 604 225 6382 Cs 17(1) F 604 225 6488

●Yes, and...●

ralderson@bclc.com

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Last year, more than \$1 billion generated by BCLC gambling activities went back into health care, education and community groups across B.C.

From: Bob Madill
Sent: Tuesday, October 03, 2017 3:06 PM
To: Ross Alderson <RAlderson@BCLC.com>
Subject: RE: AML FOI requests

Hi Ross,

To be more certain, we went back to look in the FOI database from January 1, 2011 forward. In addition to the information I provided earlier for 2016/17, the following are AML-related FOI requests from media from 2011 to 2015:

File #	Applicant type	Request wording	Status / Outcome
12-071	Media	"...Reports and correspondence regarding suspicious financial transactions, attempted suspicious financial transactions, large cash transactions and disbursements over \$100,000 that occurred on the following 2012 dates at Hastings Racecourse (both track and casino): Oct. 5, 6, 7, 13 and 14...."	We advised applicant that the Proceeds of Crime legislation governs, and alternatively, ss 15, 16 and 22 of FIPPA applies to withhold
12-059	Media	"...Reports and correspondence held or generated by BCLC regarding suspicious financial transactions, attempted suspicious financial transactions, large cash transactions and disbursements over \$10,000 that occurred on the following 2012 dates at Hastings Racecourse: May 5, May 19, June 9, July 2, Aug. 6, Sept. 9, Oct. 8, Oct. 14 and Oct. 15...."	We advised the applicant that the Proceeds of Crime legislation governs, and alternatively, ss 15, 16 and 22 of FIPPA applies to withhold.
12-047	Media	"Any records related to large cash transactions at all BCLC regulated casinos for the fiscal year 2009-2010, 2010-2011 and 2011-12 including the name of the	Letter sent to applicant that Proceeds of Crime legislation prohibits disclosure, alternatively ss.

		casino, the number of transactions and the transaction amount."	15 and 16 of FIPPA applies to withhold.
11-079	Media	"... suspicious transaction reports for the Edgewater Casino in Vancouver and for the Lake City Casino in Kelowna for the period September 1, 2010 to August 31, 2011...."	34 records (123 pages) withheld in their entirety under sections 15(1), 15(2), 16(1) and 22 of FIPPA. BCLC responded by refusing to confirm or deny the existence of the records.

The answer is the same, the news reference to BCLC documents from FOI did not originate from our FOI processing.

FYI, Sarah Morris is going to check with GPEB if they know the origin of the FOI request leading to the disclosure of information noted in the news report. She is waiting for Brandy to return to the office so there may be a delay in response.

Let me know if you need anything else.

Thanks
Bob

From: Ross Alderson
Sent: October-02-17 11:13 AM
To: Bob Madill <BMadill@BCLC.com>
Cc: Candice Lantos <CLantos@bclc.com>; Kevin Simcoe <KSimcoe@bclc.com>
Subject: RE: AML FOI requests

Thanks Bob.

Ross Alderson CAMS.

Director, AML & Investigations
Corporate Security and Compliance Division, BCLC
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●Yes, and...●

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Last year, more than \$1 billion generated by BCLC gambling activities went back into health care, education and community groups across B.C.

From: Bob Madill
Sent: Monday, October 02, 2017 10:12 AM
To: Ross Alderson <RAlderson@BCLC.com>
Cc: Candice Lantos <CLantos@bclc.com>; Kevin Simcoe <KSimcoe@bclc.com>
Subject: AML FOI requests

Hi Ross,

We've reviewed the news story with the headline 'Whale' gamblers identified by BCLC also placed big bets on B.C. real estate posted online by the Vancouver Sun/Province: <http://vancouversun.com/news/local-news/whale-gamblers-ided-by-bclc-also-placed-big-bets-on-b-c-real-estate>

In particular the author states: "BCLC documents, obtained by Postmedia through freedom of information requests, allege that 36 VIP gamblers, mostly from China, were linked to massive cash drops from Jin's network."

I confirm that no such records were provided to Postmedia by BCLC through our FOI processing.

FYI, From January 1, 2017 to present, the following are AML-related FOI requests processed by BCLC:

File #	Applicant type	Request wording	Status / Outcome
17-032	Researcher	"All correspondence, including emails, between the BCLC Anti-Money Laundering (AML) unit and any/all employees of Great Canadian Gaming Corporation and/or its subsidiaries, Great Canadian Casinos Corp., Great Canadian Entertainment Centres Ltd., Hard Rock Casino Vancouver (formerly Boulevard Casino), and/or Hastings Entertainment Inc., that reference money laundering from January 1, 2015 to June 14, 2017."	Fee estimate, not paid, file closed, no records released
17-044	Media	"Briefing notes, issues notes, incident reports and correspondence regarding the June 13, 2017 announcement by CFSEU-BC and JIGIT of a nearly year long investigation into illegal gambling houses and money laundering through casinos. I believe records would be held or generated by the offices of CEO Jim Lightbody and Rob Kroeker, VP, corporate security and compliance."	Phased release. Shipment one released Monday September 25, 2017.
17-055	Media	"Regarding the Dec. 5, 2016 BCLC board of directors meeting, the report and presentation about anti-money laundering and anti-money laundering training."	In progress (in sign-off)
17-058	Law firm	"All documents and draft documents in any form or medium (including but not limited to correspondence, memoranda, emails or other electronic messaging, discussion papers, reports, notes of discussions or calendar entries) in the possession or control of the British Columbia Lottery Corporation (BCLC) that: A) have as a recipient or sender (including being copied): i. BCLC; ii. British Columbia Gaming Policy and Enforcement Branch (GPEB); or iii. MNP LLP; and B) mention in any way: i. the engagement of MNP LLP by GPEB on September 8, 2015; or ii. the GPEB AML Report prepared by MNP LLP dated July 26, 2016."	In progress. Clarifying with applicant / records gathering.

We've also looked back through our 2016 FOI files and there are no AML-related FOI requests that would have resulted in records referenced in the news item being released.

Please let me know if you need anything further.

Bob Madill, CIPP/C
Manager, FOI and Information Governance

Corporate Security and Compliance, BCLC

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Last year, more than \$1 billion generated by BCLC gambling activities went back into health care, education and community groups across B.C.

Kevin Simcoe

From: Ross Alderson
Sent: September-25-17 3:28 PM
To: Laura Piva-Babcock
Cc: Angela Law
Subject: RE: for discussion

Specific to cash conditions July 2015, as it reads. But our banning program has been in place for at least a decade including those suspected of being involved in ML. The MNP report was initiated in early 2016. My suggested edits below

Ross Alderson CAMS.

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●Yes, and...●

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Last year, more than \$1 billion generated by BCLC gambling activities went back into health care, education and community groups across B.C.

From: Laura Piva-Babcock
Sent: Monday, September 25, 2017 3:11 PM
To: Ross Alderson <RAlderson@BCLC.com>
Cc: Angela Law <ALaw@BCLC.com>
Subject: RE: for discussion

Hi Ross,

See #3– can you say when this started. L

1. Is BCLC certain that the number of cash coming into River Rock in July 2015 is about \$13 million in small bills, or could the number be even higher? Question is based on the MNP report which points to errors in cash reporting data, and my assumption that the small bill cash into River Rock could have been higher for July 2015. And; B. What is the total amount of funds deposited with cashiers for gambling in July 2015, including cash or cash alternatives, not including the 'churn' or re-gambled money.

BCLC did not conduct the analysis, so we can't speak to the \$13.5M number.

There is no simple way to determine how much of this is 'new' cash versus churn.

2. Can BCLC provide the actual figures of the top 10 months for small bill cash coming into River Rock casino, from BCLC reporting data based figures?

No not currently. Detailed analysis of this nature would take a considerable amount of time as this information is stored off site

3. Give the MNP audit information, which is based on police intelligence, why was the recommendation that large cash deposits at River Rock be held until the source of cash is confirmed, not immediately instituted when the MNP findings were learned?

BCLC had in fact acted on police intelligence prior to the MNP report and in July 2015 had implemented a program of banning patrons from the use of unsourced cash, suspected of being derived from illegal sources. This intelligence was as a result of an investigation in which BCLC identified and formally reported to law enforcement. The unsourced cash bans are as a result of intelligence and are yet to be proven in court. Please also refer to Section 4.2 of BCLC Response plan for further information to this question.

"Subsections 9.6(1) and (2) of the Proceeds of Crime (Money Laundering) and Terrorist Financing Act, as well as FinTRAC Guideline 4, section 6 and FinTRAC's Guidance on the Risk-Based Approach to Combatting Money Laundering and Terrorist Financing, require BCLC to implement a risk-based compliance regime. A directive issued under the provincial Gaming Control Act to BCLC or service providers requiring a prescriptive compliance approach in the form recommended here may give rise to a direct conflict of laws as between federal and provincial requirements. A directive of this nature could result in confusion for service provider staff as between provincial and federal requirements"

4. Will BCLC consider generally increasing monitoring of play from VIP foreign nationals, and increasing investigation and compliance staffing at River Rock especially, given the law enforcement intelligence that underground banking with connections to organized crime, is funding play in BC?

Since 2014/2015 at least \$100 million in cash transactions has been replaced with non cash options like bank drafts and electronic fund transfers. Between 2012/2013 and 2016/2017, there has been approximately \$580 million in the increase of non cash options including bank drafts and electronic fund transfers.

Tens of millions of dollars in cash transactions have been refused under BCLC's program including refusing unsourced cash from 150 customers whom have been placed on specific unsourced cash buy-in restrictions. Currently another 150 other customers are on various other types of conditions including source of funds and/or source of wealth reviews. Information sharing with the police has allowed BCLC to identify individuals who are suspected to be involved in or linked to organized crime.

BCLC does not have jurisdiction over criminal investigations; however, through the partnership with the police, as well as utilizing other intelligence, BCLC has banned 276 high risk individuals from all provincial gaming sites since 2014.

Additional BCLC staff had been reassigned to assist the AML unit during this review. At the time of the review BCLC had also been in the planning stages of implementing a restructure of its Investigative and AML Departments which was completed in April 2016. The MNP reviewer was made aware of these circumstances at the time of their review. Any backlog of work that may have been observed was transitory in nature.

Laura Piva-Babcock
Director, Communications
74 West Seymour Street, Kamloops, B.C. V2C 1E2
T 250 828 5576 s 17(1)

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Last year more than \$1 billion generated by BCLC gambling activities went back into health care, education and community groups across B.C.

Kevin Simcoe

From: Ross Alderson
Sent: September-25-17 3:04 PM
To: Rob Kroeker; Laura Piva-Babcock
Subject: RE: KM QA_MNP Report and AG Review_draft_21 Sep 2017

Just me

Ross Alderson CAMS.

Director, AML & Investigations
Corporate Security and Compliance Division, BCLC
2940 Virtual Way, Vancouver, BC, V5M 0A6
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●Yes, and...●

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Last year, more than \$1 billion generated by BCLC gambling activities went back into health care, education and community groups across B.C.

From: Rob Kroeker
Sent: Monday, September 25, 2017 3:04 PM
To: Laura Piva-Babcock <LPiva-Babcock@bclc.com>; Ross Alderson <RAlderson@BCLC.com>
Subject: RE: KM QA_MNP Report and AG Review_draft_21 Sep 2017

Who was it sent to?

From: Ross Alderson <RAlderson@BCLC.com>
Date: September 25, 2017 at 2:56:18 PM PDT
To: Laura Piva-Babcock <LPiva-Babcock@bclc.com>, Rob Kroeker <RKroeker@bclc.com>
Subject: RE: KM QA_MNP Report and AG Review_draft_21 Sep 2017

Hi Rob, I just spoke to Laura. Seems this document was sent out prematurely and Laura had not had chance to review. Once she has and made some changes we can review and set up a meeting if that works for you

Ross Alderson CAMS.

Director, AML & Investigations
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●Yes, and...●

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Last year, more than \$1 billion generated by BCLC gambling activities went back into health care, education and community groups across B.C.

From: Rob Kroeker

Sent: Monday, September 25, 2017 2:45 PM

To: Ross Alderson <RAlderson@BCLC.com>; Laura Piva-Babcock <LPiva-Babcock@bclc.com>

Subject: RE: KM QA_MNP Report and AG Review_draft_21 Sep 2017

So we aren't going to address any of his questions? s 13(1)

Let's jump on a call to discuss Can you 2 set that up ?

s 15(1)

From: Ross Alderson <RAlderson@BCLC.com>

Date: Monday, Sep 25, 2017, 2:25 PM

To: Rob Kroeker <RKroeker@bclc.com>

Subject: FW: KM QA_MNP Report and AG Review_draft_21 Sep 2017

Fyi.

Ross Alderson CAMS.

Director, AML & Investigations
Corporate Security and Compliance Division, BCLC
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●**Yes, and...**●

ralderson@bclc.com

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From: Ross Alderson

Sent: Monday, September 25, 2017 2:24 PM

To: Angela Law <ALaw@BCLC.com>

Cc: MIM Team <MIMTeam@bclc.com>

Subject: RE: KM QA_MNP Report and AG Review_draft_21 Sep 2017

I made a few changes anyway. Rob will want to review as well no doubt

Ross Alderson CAMS.

Director, AML & Investigations
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T 604 225 6382 C s 17(1) F 604 225 6488

●Yes, and...●

ralderson@bclc.com

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Last year, more than \$1 billion generated by BCLC gambling activities went back into health care, education and community groups across B.C.

From: Angela Law
Sent: Monday, September 25, 2017 1:59 PM
To: Ross Alderson <RAlderson@BCLC.com>
Cc: MIM Team <MIMTeam@bclc.com>
Subject: RE: KM QA_MNP Report and AG Review_draft_21 Sep 2017

So sorry Ross.

Laura has requested to look at it first. I wasn't aware that she had not had the chance to review in detail yet.

Thanks,

Angela

From: Angela Law
Sent: Monday, September 25, 2017 1:11 PM
To: Ross Alderson <RAlderson@BCLC.com>
Cc: MIM Team <MIMTeam@bclc.com>
Subject: KM QA_MNP Report and AG Review_draft_21 Sep 2017

Hi Ross,

Attached is the original QA and KM document that was developed in response to the MNP report and AG review.

While we didn't end up using it on Friday we wanted to run it by you for review should we need to fall up on some high level holding messages.

Could you take a first stab at this?

Thanks,

Angela

Kevin Simcoe

From: Ross Alderson
Sent: September-27-17 9:04 AM
To: Dan H. Thompson
Subject: RE: MNP audit findings

Yes, bang on that is exactly what we are looking for. s 13(1), s 15(1)

Ross Alderson CAMS.

Director, AML & Investigations
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•Yes, and...•

ralderson@bclc.com

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Last year, more than \$1 billion generated by BCLC gambling activities went back into health care, education and community groups across B.C.

From: Dan H. Thompson
Sent: Wednesday, September 27, 2017 8:58 AM
To: Ross Alderson <RAlderson@BCLC.com>
Subject: FW: MNP audit findings

Hey Ross,

Sorry to bother you, but can you confirm that the message below is related to our current situation? I have all my communications archived, just want to make sure I am on the right thread.

-Dan

From: Dan H. Thompson
Sent: Thursday, July 14, 2016 1:39 PM
To: Ross Alderson
Subject: RE: MNP audit findings

Hello Ross,

After a review of the data as provided to MNP and the underlying queries I have discovered the following:

s 15(1)

s 15(1), s 22

s 15(1), s 22

So, the short story is:

s 15(1)

Please feel free to reach out to me for any clarification or further examples.

Thanks,

-Dan

Dan H Thompson

Senior Technical Analyst, Gaming Solutions
Software Services
Business Technology, BCLC

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Last year, more than \$1 billion generated by BCLC gambling activities went back into health care, education and community groups across B.C.

From: Ross Alderson
Sent: July-13-16 4:42 PM
To: Dan H. Thompson
Subject: MNP audit findings

Dan,

We have (finally) received the MNP audit draft report from earlier this year. There is a piece in there which states that

It was stated in their report that 385 (0.1%) of LCTRs did not contain mandatory fields such as address, occupation or a unique identifier.

s 15(1)

Any insight you may have would be appreciated.

Regards

Ross Alderson CAMS.

Director, AML & Investigations
Corporate Security and Compliance Division, BCLC
2940 Virtual Way, Vancouver, BC, V5M 0A6
T 604 225 6382 C s 17(1) F 604 225 6488

●Yes, and...●

ralderson@bclc.com

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Last year, more than \$1 billion generated by BCLC gambling activities went back into health care, education and community groups across B.C.

Kevin Simcoe

From: Sarah Morris
Sent: September-22-17 12:28 PM
To: All- Executive; CommsMediaPA
Subject: AML audit: documents & coverage

Good afternoon,

Below are all relevant materials regarding Attorney General David Eby's announcement this morning that there will be an independent review of money laundering controls in B.C. casinos. This relates to a 2016 GPEB-commissioned review of the River Rock Casino by a company called MNP.

Gov't release: <https://news.gov.bc.ca/releases/2017AG0024-001625>

BCLC response and supplementary materials: <http://corporate.bclc.com/content/dam/bclc/corporate/documents/anti-money-laundering-reviews-audits.pdf>

Media coverage includes:

- <http://vancouversun.com/news/local-news/big-cash-flowing-into-river-rock-casino-sparks-money-laundering-probe>
- <http://www.news1130.com/2017/09/22/attorney-general-money-laundering-casinos/>
- <https://roundhouseradio.com/2017/09/22/attorney-general-investigate-money-laundering-casinos/>
- <http://thebreaker.news/news/casino-money-laundering/>
- [Macdonald/Sara - BC Liberals & casino report - CKNW \(Vancouver\) - 22-Sep-2017](#)
- [BC Update - Money Laundering - CP News - 22-Sep-2017](#)
- [Casino money laundering report - Social Media - 22-Sep-2017](#)
- [De Silva - casino money laundering - CKNW \(Vancouver\) - 22-Sep-2017](#)
- [Casinos Laundering - CP News - 22-Sep-2017](#)
- [Casino money laundering - CKNW \(Vancouver\) - 22-Sep-2017](#)

No details of who will conduct the audit, or a timeline, have been shared yet.

Regards,
Sarah

s 3(1)(i)

s 3(1)(i)

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Kevin Simcoe

From: Jim D. Lightbody
Sent: September-21-17 5:30 PM
To: Laura Piva-Babcock
Cc: Rob Kroeker; Susan Dolinski
Subject: Re: MNP release update

Thanks

s 15(1)

On Sep 21, 2017, at 5:27 PM, Laura Piva-Babcock <LPiva-Babcock@bclc.com> wrote:

Thanks Jim and Rob for your feedback. GCPE has indicated that these documents will be linked in the quick facts section of their release and that we are responsible for posting them to our website. If they are somehow not included in the final release, we still have the capability to make the decision to post them proactively on our own, since we have developed a practice of proactive disclosure generally.

I'll develop a cover and send for review. These documents will be posted on our reports and disclosures page in the Accountability section. L

From: Jim D. Lightbody
Sent: September 21, 2017 5:24 PM
To: Laura Piva-Babcock <LPiva-Babcock@bclc.com>
Cc: Rob Kroeker <RKroeker@bclc.com>; Susan Dolinski <SDolinski@BCLC.com>
Subject: Re: MNP release update

I think we should say when we responded and provide the context

s 15(1)

On Sep 21, 2017, at 5:17 PM, Laura Piva-Babcock <LPiva-Babcock@bclc.com> wrote:

Thanks Rob. Yes, I have those. I wanted to ensure that nothing else needed to be done to them, so thank you for confirming. My only other question is regarding the MNP BCLC response document. Do we want to add some sort of explanation or cover to the front indicating when it was provided to government or anything, or are we ok with it as-is. L

From: Rob Kroeker
Sent: September 21, 2017 5:15 PM
To: Laura Piva-Babcock <LPiva-Babcock@bclc.com>; Susan Dolinski <SDolinski@BCLC.com>; Jim D. Lightbody <JDLightbody@bclc.com>
Subject: Re: MNP release update

Laura - the redacted copies of our documents were already sent to the DM and MA. Susan was copied. I don't have immediate access to send again as I am on phone not computer

From: Laura Piva-Babcock <LPiva-Babcock@bclc.com>

Date: September 21, 2017 at 4:43:57 PM PDT

To: Susan Dolinski <SDolinski@BCLC.com>, Jim D. Lightbody <JDLightbody@bclc.com>, Rob Kroeker <RKroeker@bclc.com>

Subject: MNP release update

Importance: High

Hello,

I just got off the phone with Megan Harris, Comms Director at AG GCPE. She relayed the following

- Province-wide news release to be distributed between 9 & 10 a.m., linked to MNP report which will be posted to GPEB's website
- Release will include quotes from the Minister and the Solicitor General. Solicitor General's quote to be along the lines that it's important to deter any criminal activity. Minister indicating there will be a review.
- BCLC to have a quote if it wishes
- No language in the release nor any minister quote noting that all agree that BCLC is in full compliance with FINTRAC, but I was told that BCLC can say this if they wish in their quote
- BCLC's MNP response, EY report and FINTRAC report will all be linked in the quick facts section of the news release – BCLC's documents will be on BCLC's website

GCPE does not have BCLC's reports. I won't share until I know the redacting is final and complete. If we want these documents linked, we'll need to have that redacting done this evening so they're ready first thing. Rob, please advise.

Susan and I agree that providing a quote when we can't see the news release is problematic.

I wanted to share this information with you so you can regroup and determine next steps. National PR is available for a call in the morning if we need to prep our spokesperson.

Thanks,

Laura Piva-Babcock
Director, Communications
74 West Seymour Street, Kamloops, B.C. V2C 1E2
T 250 828 5576 s 17(1)

Connect with us:
Twitter @BCLC | Facebook | bclc.com

Last year more than \$1 billion generated by BCLC gambling activities went back into health care, education and community groups across B.C.

Kevin Simcoe

From: Monica Bohm
Sent: October-04-17 12:51 PM
To: Amanda Hobson; Karen Gray; Richard Fenster; Garth Pieper; Susan Dolinski; Brad Desmarais; Jim D. Lightbody; Jamie Wiebe; Charlene Nielson
Subject: Re: AML Key Messages

Thx Susan

From: Susan Dolinski <SDolinski@BCLC.com>
Date: October 4, 2017 at 11:03:42 AM PDT
To: Brad Desmarais <BDesmarais@bclc.com>, Karen Gray <KGray@BCLC.com>, Garth Pieper <GPieper@BCLC.com>, Jim D. Lightbody <JDLightbody@bclc.com>, Charlene Nielson <CNIELSON@bclc.com>, Jamie Wiebe <JWiebe@bclc.com>, Amanda Hobson <AHobson@bclc.com>, Richard Fenster <RFenster@BCLC.com>, Monica Bohm <MBohm@BCLC.com>
Subject: AML Key Messages

Hi - given the questions being asked about the AML media coverage by people attending G2E and at the request of Monica, I am sharing some response points you can choose to use during your networking, particularly at the CGA reception this evening. Apologies for not getting these to you sooner.

Susan

BCLC Response Points Attorney General's Review:

- This builds on the good work BCLC is already doing. We have a robust anti-money laundering program in place and we understand the important role we play to support regulators and law enforcement to combat illegal activity.
- BCLC has proactively released its management response to the MNP report released by the Attorney General and the results and actions taken following two independent audits to demonstrate the strength of our program and our commitment to rigorous review and continuous improvement.
- We welcome the Attorney General's independent review on the Province's anti-money laundering controls to identify areas that could further enhance our program.

General:

- We operate in a highly regulated environment and work closely with regulators and law enforcement to combat any suspicious activity.

- BCLC routinely conducts independent audits of our AML program and we are confident that the program we have in place is comprehensive.
- BCLC and our service providers are committed to doing our part to prevent, detect, and report any suspicious activity. If we have any reason to suspect any criminal behaviour, we immediately report it to local police and regulators.
- Secondary Messages/Examples:
 - Through an information-sharing agreement with police, BCLC proactively bars suspected members of organized crime from gaming facilities in B.C. To date, more than 270 people have been banned.
 - We've worked collaboratively with the Gaming Policy and Enforcement Branch to increase cashless alternatives at BC casinos and the use of these continues to grow.
 - In addition to extensive on-site casino operator security staff, BCLC has 15 investigators and 13 compliance officers dedicated to the oversight of the security and integrity of all gaming facilities across the province. BCLC also has a dedicated Anti-Money Laundering Unit consisting of five members.

Kevin Simcoe

From: Jim D. Lightbody
Sent: September-22-17 12:13 PM
To: Aly Couch
Cc: Suzanne Rowley; Sarah Darcey; Laura Piva-Babcock
Subject: RE: FOR REVIEW: Weekly Jim Session: AML, Board Strategy, Lottery and Casino Marketing and Parq

See my comments below.

From: Aly Couch
Sent: Friday, September 22, 2017 11:57 AM
To: Jim D. Lightbody <JDLightbody@bclc.com>
Cc: Suzanne Rowley <SRowley@bclc.com>; Sarah Darcey <SDArcey@BCLC.com>; Laura Piva-Babcock <LPiva-Babcock@bclc.com>
Subject: FOR REVIEW: Weekly Jim Session: AML, Board Strategy, Lottery and Casino Marketing and Parq

Hi Jim,

Please see below for your draft email and tweets.

Thanks,
Aly

Good morning,

Last week Minister David Eby released a 2016 report on Anti-Money Laundering (AML) in B.C gaming facilities that was commissioned by GPEB and completed by MNP. He also ordered a review of current AML procedures in casinos in BC. We have a zero tolerance policy for any criminal activity and over the years have taken many steps to detect and deter these activities. This upcoming review will build on the rigorous work BCLC is already doing. We have a robust anti-money laundering program in place and we understand the important role we play to support federal and provincial regulators and law enforcement to combat illegal activity.

We proactively released BCLC's management response and action plan to the MNP report released by the Attorney General, as well as the results and actions taken following two independent audits by FinTRAC and EY in 2016 to demonstrate the strength of our program and our commitment to rigorous review and continuous improvement. I want to thank our security and compliance team for all of their ongoing efforts to maintain BCLC's anti-money laundering compliance. Links to the news release and our response to the 2016 report and independent audits can be found on [YAK](#).

I am confident in the strength of our security and compliance team, which is led by an expert in the field. In fact, our VP of Corporate Security and Compliance, Rob Kroeker, recently published a book on Anti-Money Laundering (AML). With Rob's extensive experience in the gaming industry and legal background, he provides a great inside perspective and practical advice for navigating the complex and often challenging provisions of AML. The book, entitled, Canadian Anti-Money Laundering Law: Gaming Sector, was co-written with Ontario legal director, Jeffrey Simser.

Last week your executive team was in Vancouver for our Board Strategy meeting. These annual meetings with our Board are a great opportunity for your Executive and Board to share perspectives on our future and discuss some of our critical initiatives that support our strategy. I can tell you that our Board remains very supportive of our Vision, Strategy and Priorities.

As a dynamic, marketing-focused organization, I'm pleased to share with you how both our Lottery and Casino Marketing teams continue to embody this with new and exciting campaigns. Lottery Marketing has been working cross-jurisdictionally and applying learnings from recent player segmentation research and has developed targeted advertising to reach new audiences. You can keep an eye out on what the team is up to each month in Marketing Magazine, an interactive online publication that highlights initiatives in-market, as well as a sneak peek into what is coming down the pipe. In Casino Marketing, the team has launched a new mass media campaign, "No Two Nights Are the Same at Casinos BC." The campaign showcases the many entertainment options available at B.C. casinos and is designed to attract new players. You can check out the ads on YAK. As a marketer at heart, I'm really impressed and excited by what we're creating. Great work, teams!

Finally, it is with great pride and anticipation that I await this Friday. Over the past few years, we have re-energized and re-staged our casino business by focusing on enhanced entertainment options and amenities. We are trying to make the experience greater than the win. After years of planning and hard work by many people, I am thrilled to be part of the grand opening of yet another exceptional facility, Parq Vancouver. This has been a long anticipated project, and I can't wait to see the doors open!

Have a fun week,
Jim

Jim Lightbody
President & CEO

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BCLC Marketing & Sales Office
2940 Virtual Way, Vancouver BC V5M 0A6
T 604 225 6400

jdlightbody@bclc.com
bclc.com

Monday | September 25th (2 Tweets)

Today \$0.88 of every dollar played goes back into the Province. Learn how @BCLC is committed to #PlayItForwardBC <http://www.bclc.com/playitforward/>

I love to #win. One of the most important things I've learned about #winning is you can't rest on your laurels & take anything for granted.

Tuesday | September 26th

The finalists are set for the @BCLC Technology Innovator Award for the @KamloopsChamber Business Excellence Awards! <http://bit.ly/2xfHn3V>

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Great to be at #UBCM in #Vancouver today. @BCLC we are committed to giving back & helping our communities grow. #PlayItForwardBC

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Looking forward to @parq_vancouver opening tomorrow! Parq reflects @BCLC's vision to provide #Vancouver & visitors world-class entertainment

As well as greater entertainment options @parq_vancouver will provide revenue to @CityofVancouver & Province for local & #BC wide programs

Friday | September 29th (3 Tweets)

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<Sarah will source photo>

.@parq_vancouver has bought job creation to #Vancouver with 20% of construction employees hired from the #DTESi, Mount Pleasant & Strathcona

Enjoyed sharing @BCLC's involvement to promote #DisabilityEmploymentMonth with the President's Group today @AccessEmployers

Kevin Simcoe

From: Jim D. Lightbody
Sent: September-22-17 1:15 PM
To: Aly Couch
Cc: Suzanne Rowley; Sarah Darcey; Laura Piva-Babcock
Subject: Re: FOR REVIEW: Weekly Jim Session: AML, Board Strategy, Lottery and Casino Marketing and Parq

Very good, thanks!

s 15(1)

On Sep 22, 2017, at 1:12 PM, Aly Couch <ACouch@bclc.com> wrote:

Thanks for the quick response, Jim. I have cleaned up the edits below and will send the final copy over to Suzanne.

Have a good weekend.

Aly

From: Jim D. Lightbody
Sent: Friday, September 22, 2017 12:13 PM
To: Aly Couch <ACouch@bclc.com>
Cc: Suzanne Rowley <SRowley@bclc.com>; Sarah Darcey <SDArcey@BCLC.com>; Laura Piva-Babcock <LPiva-Babcock@bclc.com>
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Financial Transactions and
Reports Analysis Centre
of Canada

Centre d'analyse des
opérations et déclarations
financières du Canada

1185 West Georgia Street, Suite 1120, Vancouver, British Columbia V6E 4E6
1185, rue West Georgia, bureau 1120, Vancouver (Columbia-Britannique) V6E 4E6

PROTECTED B

July 14, 2016

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

COPY

Dear Mr. Krocker,

Subject: Compliance Examination Findings

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PROTECTED B

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

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

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

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

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

We thank you for your cooperation during the examination process. If you have any questions, please do not hesitate to contact me by telephone at s 16, s 22 or by email at
s 16, s 22 @fintrac-canafe.gc.ca

Yours sincerely,
s 15(1), s 16, s 22

Regional Compliance Manager

cc: s 16, s 22
Director, Compliance
Compliance Division
Gaming Policy and Enforcement Branch

cc: s 16, s 22
Director, AML & Operational Analysis
Corporate Security and Compliance Division
British Columbia Lottery Corporation

cc: s 16, s 22
Regional Director – West
FINTRAC

May 12, 2017

Gaming Policy & Enforcement Branch
Ministry of Finance
3rd Floor - 910 Government Street
Victoria, BC V8W1X3

Attention: **John Mazure**
Assistant Deputy Minister

Dear John:

Re: Your Letter Dated May 8, 2017

I write in response to your letter of May 8, 2017, which references various aspects of BCLC's anti-money laundering program. I very much appreciate your offer of enhanced cooperation and support for BCLC's anti-money laundering efforts.

With respect to your inquiries about BCLC's coordination and collaboration with police generally and the Joint Illegal Gaming Investigation Team (JIGIT) specifically, I can advise you that since the date of the team's inception BCLC has made collaborating with and supporting their efforts a top priority. This is in addition to the \$3 million dollars per year BCLC has committed to JIGIT funding. Reports back to BCLC from the Officer-in-Charge of JIGIT and others have commended BCLC for the very high level of collaboration and support BCLC's AML Department have provided to JIGIT. More specifically, I can advise you BCLC has held on site training and orientation sessions with a number of members from JIGIT to ensure they have a strong working knowledge of BCLC's gaming operations, AML program, type of data collected, and our transaction analysis abilities. Additionally, I can advise that the Director of BCLC's AML Department is in frequent communication with the OIC JIGIT, and in some circumstances daily communication.

In regard to support of police efforts more generally, please be reminded that it was BCLC's analysis of transactions and other operational gaming data that led to the identification of a key suspect associated to illegal gaming operations in the Lower Mainland. Further, it was BCLC's complaint to the police and briefing on BCLC's analysis that provided the information that allowed the police to begin to target that suspect. Prior to BCLC's action on that matter, the activities of a suspected major illegal gaming crime figure appear to have gone undetected. On a broader note, in 2014 BCLC initiated and executed an information sharing agreement with the RCMP – an unprecedented anti-money laundering measure in Canada. When JIGIT was set up in 2016 BCLC immediately initiated a review of the existing information sharing agreement. That review resulted in updates to the agreement which ensured BCLC could provide support to JIGIT's efforts. The creation of the agreement in the first instance was an important addition to BCLC's AML program. The agreement enabled a more strategic level of coordination between BCLC and police across the province. One outcome of the agreement is that it has allowed BCLC to identify individuals and their associates involved in or linked to organized crime and proactively ban those individuals from casinos across the province. Because of this unique cooperative effort between BCLC and police, 260 individuals have been banned from provincial

bclc
playing it right

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bclc.com

gaming sites helping to ensure our facilities remain free from criminal influences and are safe for the public.

You have asked for an update on our efforts to increase the sophistication and capabilities of BCLC's AML program through software tools and data analytics. SAS, an AML and business intelligence software solution, is going through the final stages of being brought on-line this very week. The SAS solution is utilized by a number of Canada's largest banks in their AML programs. We understand BCLC's implementation of SAS is the first in the world in the gaming industry. Note however that SAS is only one of a number of software and web-based solutions BCLC employs in its AML program. We have also augmented our program with other solutions that have emerged in the last year. As I am certain you can appreciate, the functioning of BCLC's AML program and use of automated solutions results in a multi-faceted program, a description of which is beyond what can be meaningfully covered here. I would be pleased to arrange a technical briefing, at a time convenient to you, on the automated solutions employed and how the technology supports our AML efforts.

In your correspondence, you make inquiries about source of funds. BCLC's anti-money laundering program incorporates both source of funds and source of wealth determinations. Moreover, our anti-money laundering program employs comprehensive customer due diligence and customer on-going monitoring procedures. Tens of millions of dollars in cash transactions have been refused under BCLC's program and 131 customers have been placed on buy-in restrictions. BCLC's entire anti-money laundering regime was recently audited by the federal Financial Transactions and Reports Analysis Centre of Canada (FinTRAC). This was the most comprehensive review of BCLC's program to date with upwards of six dedicated FinTRAC anti-money laundering and terrorist financing experts reviewing every aspect of its program. FinTRAC found that not only was BCLC's program effective and fully compliant with all customer due diligence, transaction and on-going monitoring requirements but also provided feedback to us to the effect that BCLC's program was the leader in the sector. In addition to FinTRAC audits, BCLC is required under federal law to have an independent audit and assessment of its anti-money laundering program completed once every two years. BCLC has just completed the selection and engagement process for that audit for 2017. BCLC has selected a prominent international audit firm to conduct the work. To help address your comments we will ensure that BCLC's customer due diligence, transaction handling (including source of funds and wealth procedures) and customer on-going monitoring procedures are specifically reviewed during the audit. As is our standard practice, BCLC will share the results of the audit with GPEB once completed later this year.

You express concerns about instances where casino customers present \$20 dollar denomination bank notes wrapped in elastic bands, and I agree that caution is needed in these circumstances. When this type of circumstance occurs, as part of BCLC's customer due diligence procedures, BCLC makes inquiries around the source of funds and other factors relevant to the transaction. In more than one case BCLC has determined that the \$20 bank notes originated from a registered money services business (MSB). Upon further inquiries, BCLC determined that MSBs often issue \$20 bank notes because that denomination makes up the vast majority of Canadian currency in circulation. Further, BCLC has learned it is a fairly standard practice for an MSB to bundle large numbers of bank notes, of any denomination, with elastic bands as that is simply the most practical way for them to handle the money. As a result of inquiries, and despite initially appearing suspicious, follow-up inquiries in some cases have pointed to nothing untoward. Having said that I can assure you we will remain vigilant on this front and welcome any additional information or support GPEB can provide.

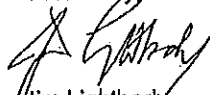
Linked to source of funds, you raise concerns about bank drafts and specifically the mechanics behind transactions between a bank and its customer where a bank draft is issued. BCLC does accept bank drafts from Canadian banks and credit unions (both of which are reporting entities under Canadian anti-money laws and who are required to have comprehensive and effective anti-money laundering programs) where customer due diligence has been completed and the customer holds a casino account. BCLC has no line of sight into a casino customer's bank accounts or any other financial services provided to a

customer by a financial institution. While BCLC has had some discussions with financial institutions around the sharing of information in furtherance of anti-money laundering, financial institutions generally are not receptive to the sharing of their customer and commercial banking information with BCLC for the obvious privacy and commercial reasons. BCLC does make inquiries of its customers in relation to bank drafts however, not being an enforcement agency BCLC's powers to conduct these inquiries are quite limited. Ultimately, BCLC has no means and no authority to require banks to disclose how a bank's customer conducts its business with the bank. GPEB and the police, however, do have access to court processes including search warrants and production orders which allow you to compel the disclosure of financial information and conduct much more in-depth inquiries than BCLC is permitted to do. We understand that through this type of work GPEB has concluded that some bank drafts are suspect – as you have noted in your letter. BCLC relies entirely on GPEB and the police to advise it where there are suspicions around a bank's conduct in the issuance of bank drafts. In fact, several weeks ago GPEB advised BCLC that as many as 10 casino customers were using proceeds of crime to purchase bank drafts at Canadian banks. BCLC asked GPEB to provide the names of those customers so that BCLC could immediately ban the customers in question pursuant to its authority in section 92 of the *Gaming Control Act*. BCLC has no tolerance for money laundering or any other illegal activity and wishes to protect its facilities, staff and the integrity of gaming. We have not yet received the names of the customers involved from GPEB. I would welcome you doing anything you can to expedite BCLC being provided the names of customers in question so that we can get them out and keep them out of our gaming sites.

I am seeking your assistance on one additional item. In my letter to you of September 16, 2015, I reported that our staff, as well as those of our service providers, were receiving reports from casino customers of high stakes illegal gaming houses being operated in the lower mainland. Through open source analysis, we were even able to provide at least one possible address. Our customers continue to report these illegal gaming houses remain operating. I would appreciate receiving any information you can share around what action has been taken in response to these reports and whether any illegal gaming houses have been located and shutdown.

We remain fully committed to keeping all illegal activities out of our gaming facilities and look forward to GPEB's continued support of our efforts.

Yours truly,



Jim Lightbody
President & CEO

cc: Cheryl Wenezenki-Yolland, Associate Deputy Minister, Ministry of Finance



Know your limit, play within it.

May 8, 2017

358450

Jim Lightbody
CEO and President
British Columbia Lottery Corporation
2940 Virtual Way
Vancouver, B.C. V5M 0A6

Dear Mr. Lightbody

Re: Source of Funds in B.C. Gambling Facilities

I am writing concerning the source of funds coming into B.C. gambling facilities and to follow-up on my July 14, 2016 letter to you. My previous letter included a reminder of the expectations of the province with respect to the British Columbia Lottery Corporation (BCLC) establishing patron's source of funds in B.C. gambling facilities. This expectation was set out in an October 1, 2015 letter from the Minister of Finance to Bud Smith, BCLC board chair, which included the following direction:

Despite the introduction and promotion of non-cash alternatives in gaming facilities through earlier phases of the AML strategy, I am advised that large and suspicious cash transactions remain prevalent. This situation must be addressed. As such, BCLC is directed to take the following actions with respect to AML... Enhance customer due diligence to mitigate the risk of money laundering in British Columbia gaming facilities through the implementation of AML compliance best practices including processes for evaluating the source of wealth and source of funds prior to cash acceptance.

My letter of July 14, 2016 also included the suggestion that BCLC should consider not accepting funds where the source of the funds cannot be determined or verified. The letter also provided examples of how such a policy could be implemented.

The Gaming Policy and Enforcement Branch (GPEB) has noted a downward trend in the total dollar value of cash entering B.C. gambling facilities through suspicious transactions. According to GPEB's data, suspicious cash transactions, which are based on reports provided to GPEB by service providers in accordance with section 86 of the *Gaming Control Act*, have declined from approximately \$177 million in 2014 to \$132 million in 2015 and to \$72 million in 2016. This is a significant reduction and reflects the actions taken to date by BCLC to reduce suspicious cash. However, \$72 million is still a significant amount of suspicious cash.

.. /2

Ministry of
Finance

Gaming Policy and
Enforcement Branch
Office of the Assistant
Deputy Minister and
General Manager

Mailing Address:
PO BOX 9311 STN PROV GOVT
VICTORIA BC V8W 9N1
Telephone: (250) 387-1301
Facsimile: (250) 387-8237

Location:
Third Floor, 910 Government Street
Victoria, BC

Web: www.gaming.gov.bc.ca

GPEB remains concerned by both the large volume of unsourced cash that continues to enter B.C. gambling facilities and the circumstances under which the cash was accepted as detailed in the section 86 reports. The following information was taken from section 86 reports during December 2016:

- Approximately \$2.3 million of the \$3.8 million accepted were \$20 bills, often bundled in elastic bands,
- 13 incidents in which cash was observed to be delivered to patrons by a third party; and,
- Of 124 suspicious cash transactions from December 2016, service providers refused the transaction on only four occasions.

As the amount of suspicious cash entering gambling facilities has decreased, the deposit of new funds into Patron Gaming Fund (PGF) accounts has increased (from approximately \$145 million in new money in 2015 to \$186 million in new money in 2016). The shift from cash to non-cash alternatives is a key component of the provincial Anti-Money Laundering (AML) Strategy and the increased use of PGF accounts is encouraging.

However, GPEB has some new concerns with the potential risks presented through PGF accounts. Bank drafts account for virtually all of the new money deposited into PGF accounts (\$185 of \$186 million in 2016) and, as the funds cannot always be attributed to the patron's own bank account, they can present similar risks to unsourced cash. As a result, it is particularly important that the customer due diligence (CDD) being conducted for PGF account holders, both at the point of account opening and through ongoing account monitoring, aligns with the potential risk.

GPEB has worked with the Joint Illegal Gaming Investigation Team (JIGIT) to develop a new initiative to help address the risks presented by both cash and PGF account transactions.^{s 12, s 13(1)}

s 12, s 13(1) These investigations may result in recommendations to BCLC and gambling facility service providers for consideration regarding patron sanctions.

BCLC's 2017/18 mandate letter from the Minister of Finance includes direction for BCLC to take the following actions in continuing to support government in the implementation of its AML Strategy and mitigation of related illegal activities:

- *Undertake activities to ensure the Corporation's compliance regime is focused on preserving the integrity and reputation of B.C.'s gaming industry in the public interest;*
- *Work collaboratively with GPEB to determine and implement measures that effectively combat money laundering and illegal activities in BC gambling facilities;*
- *Collecting and sharing information and data with GPEB that supports measures to address money laundering in B.C. gaming facilities, illegal gaming in the province, and JIGIT operations; and*
- *Enhancing AML best practices with appropriate consideration of evaluating source of funds prior to cash acceptance within a risk-based framework.*

I would like to acknowledge the work that BCLC has done to reduce the acceptance of unsourced cash and shift patrons to non-cash alternatives. Despite this good work, further action is still required to mitigate the risk presented by the proceeds of crime entering B.C. gambling facilities. This risk is not limited to unsourced cash or bank draft deposits into PGF accounts. It is important that the provincial AML Strategy continues to evolve to address any new risk of the proceeds of crime entering B.C. gambling facilities and undermining the integrity of B.C.'s gambling industry.

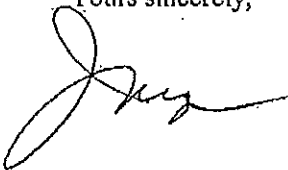
I am interested in receiving an update on how BCLC's de-segmentation process is progressing through the implementation of the SAS tool which was described by BCLC as a new AML information technology system used to streamline processes to meet the new FINTRAC requirements. Expected results were to include increased capacity, improved accuracy, better reporting and identification of high-risk persons, and the ability to highlight patterns of activity using data analytics.

The need for a sustained effort to mitigate risk is consistent with BCLC's 2017/18 mandate letter, specifically the direction by the Minister to undertake activities to ensure BCLC's compliance regime is focused on preserving the integrity and reputation of B.C.'s gambling industry in the public interest.

To maintain a sustained effort in risk mitigation, I expect BCLC, GPEB and law enforcement to work collaboratively and proactively to determine and implement appropriate and specific measures that effectively keep proceeds of crime out of B.C. gambling facilities. The proposed TAT provides an opportunity for this type of collaboration.

I trust that BCLC will continue to work together with GPEB to maintain the sustained effort required to support the provincial AML strategy and protect the integrity of gambling in B.C.

Yours sincerely,



John Mazure
Assistant Deputy Minister and General Manager
Gaming Policy and Enforcement Branch
Ministry of Finance

CC:

Cheryl Wenezenki-Yolland, Associate Deputy Minister



BRITISH
COLUMBIA

NEWS RELEASE

For Immediate Release
2017AG0024-001625
Sept. 22, 2017

Ministry of Attorney General

Report on anti-money laundering released, review to follow

VICTORIA – The Government of B.C. has released a 2016 report commissioned to look at practices and the regulatory regime related to suspicious cash transactions at B.C. gaming facilities.

“On assuming responsibility for gambling in B.C. as part of my ministerial duties, I received a series of briefings that caused me to believe that our province could do more to combat money laundering at B.C. casinos,” said Attorney General David Eby. “During these discussions, a publicly funded report that had been commissioned to review anti-money laundering policy and practices in B.C. was shared with me. This report makes a series of serious recommendations for reform, which should have been made public at the time the report was complete. I am making that report public today.”

In the coming weeks, the Attorney General will announce the appointment of an independent expert to review whether there is an unaddressed, or inadequately addressed, issue of money laundering in Lower Mainland casinos.

“Criminal activity and money laundering in our casinos and elsewhere in B.C. will not be tolerated,” said Minister of Public Safety and Solicitor General Mike Farnworth. “These investigations take time because of the many moving pieces and players but JIGIT, which operates under the Combined Forces Special Enforcement Unit, and GPEB have had good success so far and we fully expect that to continue.”

“We take our responsibility to manage gaming in our province very seriously and always welcome the opportunity to improve our practices,” said BCLC president and CEO Jim Lightbody. “We have zero tolerance for criminals who may attempt to target our business. If there is something more we can do to improve the anti-money laundering efforts in B.C., we’ll do it.”

“The problem of money laundering is complex, but a committed government can make a difference,” said Eby. “We are serious about doing everything we can to identify money laundering activities, and ensure policies are in place to prevent it from occurring in B.C. casinos. We will bring in the best experts available to assist us, and I am confident we will succeed, especially with the continued support of our partners BCLC, casino operators, the police, and the Gaming Policy and Enforcement Branch.”

A copy of the MNP Report can be found at: https://www2.gov.bc.ca/assets/gov/sports-recreation-arts-and-culture/gambling/gambling-in-bc/reports/mnp_report-redacted.pdf

For a link to BCLC's response to the MNP report and other relative reports: <http://corporate.bclc.com/who-we-are/corporate-reports/reports-disclosures.html>

Quick Facts:

- BCLC is responsible for conduct and management of gambling in B.C.
- GPEB is responsible for the overall integrity of gambling and horse racing in the province.
- MNP LLP were engaged by GPEB to conduct the review on Sept. 8, 2015 and delivered the report on July 26, 2016.
- In 1998, the Province added casino gambling to the responsibilities of the BC Lottery Corporation and made them responsible for the operation of the casino industry in B.C.
- In April 2016, GPEB worked with the Policing and Security Branch in the Ministry of Public Safety and Solicitor General and the RCMP to establish the Joint Illegal Gaming Investigation Team (JIGIT). JIGIT, a unit under CFSEU-BC, provides a co-ordinated enforcement approach from police and GPEB to combat illegal gambling and money laundering in B.C.
- GPEB has also established an intelligence unit to provide government with situational awareness of threats to the integrity of the gambling industry.

Contact:

Government Communications and Public
Engagement
Ministry of Attorney General
778 678-1572

Connect with the Province of B.C. at: www.gov.bc.ca/connect

Kevin Simcoe

From: Jim D. Lightbody
Sent: September-20-17 7:52 PM
To: Rob Kroeker
Subject: Fwd: MNP Audit Report

I'll be in my office, can you meet me there? Call me if you can tonight.

s 15(1)

Begin forwarded message:

From: "Smith, George AG:EX" <George.Smith@gov.bc.ca>
Date: September 20, 2017 at 7:48:54 PM PDT
To: "'JDLightbody@bcllc.com'" <JDLightbody@bcllc.com>
Subject: RE: MNP Audit Report

Hi again Jim,
We are all set for an 8am call with the Minister tomorrow.
Please call : s 17(1)
s 17(1)

Talk to you then.

George Smith
Senior Ministerial Assistant to the Honourable David Eby
Office of the Attorney General
P: 250-952-6796 | s 22 | E: george.smith@gov.bc.ca

From: Godfrey, Sam AG:EX
Sent: Wednesday, September 20, 2017 7:12 PM
To: Eby, David AG:EX
Cc: Smith, George AG:EX
Subject: Fwd: MNP Audit Report

s 15(1)

Begin forwarded message:

From: "Jim D. Lightbody" <JDLightbody@bcllc.com>
To: "Godfrey, Sam AG:EX" <Sam.Godfrey@gov.bc.ca>
Cc: "Bud Smith" <bsmith@urbansystems.ca>
Subject: Fwd: MNP Audit Report

Sam,
I've reviewed the document you sent. We are very concerned that the report does not include our Management Response that we provided, which is usual practice and provides balance and perspective. I have attached our Management Response for reference. We are also concerned the release may undermine our AML practices and

would like the opportunity for our opportunity to review and advise. We have not had that opportunity yet.

Please see below and advise.

Regards,
Jim

s 15(1)

Begin forwarded message:

From: "Rob Kroeker" <RKroeker@bcllc.com>
To: "Jim D. Lightbody" <JDLightbody@bcllc.com>
Subject: MNP Audit Report

Jim

It is my understanding we were not consulted by GPEB prior to the FOI package going to the Minister – certainly I was not given an opportunity to comment on redactions. It is normal course for BCLC to be consulted on the release of its information which the MNP is report is almost entirely comprised of.

Find attached a copy of the report with our management comments, most of which where not addressed in the final report. To provide balance a copy with our management responses should be released and only after the report has been vetted to make sure information that would undermine our AML program is not released.

I have also attached a copy of our completed response plan to the report.

Rob

This email is intended only for the addressee. It may contain confidential or proprietary information that cannot be disclosed without BCLC's permission. If you have received this email in error, please notify the sender immediately and delete the email.

Kevin Simcoe

From: Jim D. Lightbody
Sent: September-21-17 4:56 PM
To: Susan Dolinski
Subject: FW: AML Release

FYI.....

-----Original Message-----

From: Mazure, John C FIN:EX [mailto:John.Mazure@gov.bc.ca]
Sent: Thursday, September 21, 2017 4:50 PM
To: Jim D. Lightbody <JDLightbody@bcllc.com>
Cc: Rob Kroeker <RKroeker@bcllc.com>; Fyfe, Richard J JAG:EX <Richard.Fyfe@gov.bc.ca>; Boychuk, Dave FIN:EX <Dave.Boychuk@gov.bc.ca>; Kendall, Janelle FIN:EX <Janelle.Kendall@gov.bc.ca>
Subject: AML Release

Hi Jim,

GPEB was asked to review the additional redactions to the MNP report proposed by BCLC. We have done so in consideration of your supporting analysis and rationale.

As a starting point, FOIPPA standards and exemptions do not necessarily apply under proactive release. In addition this report has been reviewed by government's Information and Access Operations (IAO) group for release as part of a pending FOI package.

The requested severing is not consistent with the guidance received from IAO, either as to potential severing, nor as to severing that is potentially defensible under the act. Even if FOIPPA were being strictly applied, it is not my view that the information proposed for severing meets the threshold to demonstrate meet the harms test in respect of the law enforcement exception. Similarly, the exception related to policy advice is limited to the precise decision points directed to the decision maker, and the proposed exceptions are overly broad viewed in that context.

As this is proactive release, a small amount of severing, related to the personal privacy exception (s. 22), and the law enforcement exception (s.15) has been undertaken. The version of the report, severed to protect from an inadvertent release of personal information, is the version that will be released. I'm having trouble sending the PDF file of this redacted version with this note but will send it in a separate email.

Kevin Simcoe

From: Rob Kroeker
Sent: September-21-17 9:57 PM
To: Jim D. Lightbody
Subject: Re: MNP report - version as to be released

It won't open Not sure what's wrong

From: Jim D. Lightbody <JDLightbody@bcllc.com>
Date: September 21, 2017 at 9:53:11 PM PDT
To: Rob Kroeker <RKroeker@bcllc.com>
Subject: Fwd: MNP report - version as to be released

Did they leave any of our redactions in?

s 15(1)

Begin forwarded message:

From: "Boyчук, Dave FIN:EX" <Dave.Boyчук@gov.bc.ca>
To: "Jim D. Lightbody" <JDLightbody@bcllc.com>, "Rob Kroeker" <RKroeker@bcllc.com>
Cc: "Mazure, John C FIN:EX" <John.Mazure@gov.bc.ca>, "Kendall, Janelle FIN:EX" <Janelle.Kendall@gov.bc.ca>
Subject: MNP report - version as to be released

Good evening Jim and Rob,

I understand that there is difficulty with John's email this evening. I have attached the version of the MNP report that will be released, at his request.

If you have any trouble with the document, please don't hesitate in letting me know.

Dave Boyчук CPA,CMA

Director | Operations Division | Gaming Policy and Enforcement Branch
Ministry of Attorney General

250-508-7156

<MNP Report - redacted.pdf>

Kevin Simcoe

From: Jim D. Lightbody
Sent: September-20-17 7:51 PM
To: Smith, George AG:EX
Subject: Re: MNP Audit Report

Thanks, George, talk then.
Jim

s 15(1)

On Sep 20, 2017, at 7:48 PM, Smith, George AG:EX <George.Smith@gov.bc.ca> wrote:

Hi again Jim,
We are all set for an 8am call with the Minister tomorrow.
Please call : s 17(1)
s 17(1)

Talk to you then.

George Smith
Senior Ministerial Assistant to the Honourable David Eby
Office of the Attorney General
P: 250-952-6796 | s 22 | E: george.smith@gov.bc.ca

From: Godfrey, Sam AG:EX
Sent: Wednesday, September 20, 2017 7:12 PM
To: Eby, David AG:EX
Cc: Smith, George AG:EX
Subject: Fwd: MNP Audit Report

s 15(1)

Begin forwarded message:

From: "Jim D. Lightbody" <JDLightbody@bclbc.com>
To: "Godfrey, Sam AG:EX" <Sam.Godfrey@gov.bc.ca>
Cc: "Bud Smith" <bsmith@urbansystems.ca>
Subject: Fwd: MNP Audit Report

Sam,
I've reviewed the document you sent. We are very concerned that the report does not include our Management Response that we provided, which is usual practice and provides balance and perspective. I have attached our Management Response for reference. We are also concerned the release may undermine our AML practices and would like the opportunity for our opportunity to review and advise. We have not had that opportunity yet.
Please see below and advise.
Regards,

Jim

s 15(1)

Begin forwarded message:

From: "Rob Kroeker" <RKroeker@bcllc.com>
To: "Jim D. Lightbody" <JDLightbody@bcllc.com>
Subject: MNP Audit Report

Jim

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Rob

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Kevin Simcoe

From: Jim D. Lightbody
Sent: September-20-17 7:36 PM
To: Godfrey, Sam AG:EX
Cc: Bud Smith
Subject: Re: MNP Audit Report

Sam,
I just spoke to George Smith and we will have a conference call tomorrow morning at 8 am with the Minister.
Thanks for your help in making this happen.
Best,
Jim

s 15(1)

> On Sep 20, 2017, at 7:25 PM, Godfrey, Sam AG:EX <Sam.Godfrey@gov.bc.ca> wrote:

>

> Thank you. I will follow up with you asap.

>

>s 15(1)

>

>> On Sep 20, 2017, at 6:47 PM, Jim D. Lightbody <JDLightbody@bclc.com> wrote:

>>

>> Sam,

>> I've reviewed the document you sent. We are very concerned that the report does not include our Management Response that we provided, which is usual practice and provides balance and perspective. I have attached our Management Response for reference. We are also concerned the release may undermine our AML practices and would like the opportunity for our opportunity to review and advise. We have not had that opportunity yet.

>> Please see below and advise.

>> Regards,

>> Jim

>>

>> s 15(1)

>>

>> Begin forwarded message:

>>

>> From: "Rob Kroeker" <RKroeker@bclc.com<mailto:RKroeker@bclc.com>>

>> To: "Jim D. Lightbody" <JDLightbody@bclc.com<mailto:JDLightbody@bclc.com>>

>> Subject: MNP Audit Report

>>

>> Jim

>>

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>> Rob

>> _____

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>> <MNP response plan.xlsx>

>> <2016 05 17 - British Columbia Gaming Policy Enforcement Branch - BCLC Management Responses and Notes.docx>

Kevin Simcoe

From: Bud Smith <bsmith@urbansystems.ca>
Sent: September-20-17 9:01 PM
To: Jim D. Lightbody
Subject: RE: MNP Audit Report

Thanks.

From: Jim D. Lightbody [<mailto:JDLightbody@bcllc.com>]
Sent: September 20, 2017 8:02 PM
To: Bud Smith <bsmith@urbansystems.ca>
Subject: Fwd: MNP Audit Report

See coordinates below.

s 15(1)

Begin forwarded message:

From: "Smith, George AG:EX" <George.Smith@gov.bc.ca>
Date: September 20, 2017 at 7:48:54 PM PDT
To: "JDLightbody@bcllc.com" <JDLightbody@bcllc.com>
Subject: RE: MNP Audit Report

Hi again Jim,
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Please call : s 17(1)
s 17(1)

Talk to you then.

George Smith
Senior Ministerial Assistant to the Honourable David Eby
Office of the Attorney General
P: 250-952-6796 | s 22 | E: george.smith@gov.bc.ca

From: Godfrey, Sam AG:EX
Sent: Wednesday, September 20, 2017 7:12 PM
To: Eby, David AG:EX
Cc: Smith, George AG:EX
Subject: Fwd: MNP Audit Report

s 15(1)

Begin forwarded message:

From: "Jim D. Lightbody" <JDLightbody@bcllc.com>
To: "Godfrey, Sam AG:EX" <Sam.Godfrey@gov.bc.ca>

Cc: "Bud Smith" <bsmith@urbansystems.ca>
Subject: Fwd: MNP Audit Report

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Jim

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To: "Jim D. Lightbody" <JDLightbody@bcllc.com>
Subject: MNP Audit Report

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This email is intended only for the addressee. It may contain confidential or proprietary information that cannot be disclosed without BCLC's permission. If you have received this email in error, please notify the sender immediately and delete the email. If you are not the intended recipient or agent, do not rely on, distribute, or copy any part of this e-mail. If you received this e-mail in error, please delete the message, and if possible let me know it has been received in error. Many thanks.

Kevin Simcoe

From: Rob Kroeker
Sent: September-21-17 10:24 PM
To: Jim D. Lightbody
Subject: Re: MNP report - version as to be released

Yep. It's fine

From: Jim D. Lightbody <JDLightbody@bclbc.com>
Date: September 21, 2017 at 10:22:59 PM PDT
To: Rob Kroeker <RKroeker@bclbc.com>
Subject: Re: MNP report - version as to be released

s 13(1) Thanks for sending the note to GPEB re our concerns.
Hope you're ok with my final quote, we had to push send a few minutes ago.

s 15(1)

> On Sep 21, 2017, at 10:20 PM, Rob Kroeker <RKroeker@bclbc.com> wrote:

>
>
> There's your answer. They have rejected all redactions out of hand.
> _____
>
> From: Boychuk, Dave FIN:EX <Dave.Boychuk@gov.bc.ca>
> Date: September 21, 2017 at 10:06:02 PM PDT
> To: Rob Kroeker <RKroeker@bclbc.com>, Jim D. Lightbody <JDLightbody@bclbc.com>
> Cc: Mazure, John C FIN:EX <John.Mazure@gov.bc.ca>, Kendall, Janelle FIN:EX <Janelle.Kendall@gov.bc.ca>
> Subject: Re: MNP report - version as to be released

> Hi Rob,

> I have attached an alternate version that is considerably smaller, please let me know if this version works.

> The version that is going to be released has not been modified from the version that was circulated to you earlier.

> Please let me know if you have any trouble with this version of the document.

> _____
> From: Rob Kroeker <RKroeker@bclbc.com>
> Sent: Thursday, September 21, 2017 10:00 PM
> To: Boychuk, Dave FIN:EX; Jim D. Lightbody
> Cc: Kendall, Janelle FIN:EX; Mazure, John C FIN:EX
> Subject: Re: MNP report - version as to be released

> Hi Dave

> The attachment won't open. Seems to be corrupted.

> John's earlier note suggested our redactions were all rejected out of hand. Can you advise if any were accepted.

>
> Thanks
>
> Rob
>
>
> _____
>
> From: Boychuk, Dave FIN:EX <Dave.Boychuk@gov.bc.ca>
> Date: September 21, 2017 at 7:33:18 PM PDT
> To: Rob Kroeker <RKroeker@bclc.com>, Jim D. Lightbody <JDLightbody@bclc.com>
> Cc: Kendall, Janelle FIN:EX <Janelle.Kendall@gov.bc.ca>, Mazure, John C FIN:EX <John.Mazure@gov.bc.ca>
> Subject: MNP report - version as to be released
>
> Good evening Jim and Rob,
>
> I understand that there is difficulty with John's email this evening. I have attached the version of the MNP report that will be released, at his request.
>
> If you have any trouble with the document, please don't hesitate in letting me know.
>
>
>
> _____
> Dave Boychuk CPA,CMA
> Director | Operations Division | Gaming Policy and Enforcement Branch
> Ministry of Attorney General
> 250-508-7156
>
>
> _____
> This email is intended only for the addressee. It may contain confidential or proprietary information that cannot be disclosed without BCLC's permission. If you have received this email in error, please notify the sender immediately and delete the email.
> <MNP Report - redacted reduced.pdf>

Kevin Simcoe

From: Jim D. Lightbody
Sent: September-21-17 9:42 PM
To: Rob Kroeker
Subject: Re: AML Release

Follow Up Flag: Follow up
Flag Status: Flagged

Yes, we should. You can state that I've asked you to respond with our rationale.

Thanks

s 15(1)

On Sep 21, 2017, at 5:48 PM, Rob Kroeker <RKroeker@bcl.com <mailto:RKroeker@bcl.com> > wrote:

Do you want me to respond just put on the record that the info released will show exactly what our focus is and how we mitigate AML risk which runs a high risk of undermining our efforts and facilitating money laundering or just leave it?

From: Jim D. Lightbody <JDLightbody@bcl.com <mailto:JDLightbody@bcl.com> >
Date: September 21, 2017 at 5:28:17 PM PDT
To: Rob Kroeker <RKroeker@bcl.com <mailto:RKroeker@bcl.com> >
Cc: Susan Dolinski <SDolinski@BCLC.com <mailto:SDolinski@BCLC.com> >
Subject: Re: AML Release

s 22

s 15(1)

On Sep 21, 2017, at 5:17 PM, Rob Kroeker <RKroeker@bcl.com <mailto:RKroeker@bcl.com> > wrote:

s 22

From: Mazure, John C FIN:EX <John.Mazure@gov.bc.ca <mailto:John.Mazure@gov.bc.ca> >
Date: September 21, 2017 at 4:49:42 PM PDT
To: Jim D. Lightbody <JDLightbody@bcl.com <mailto:JDLightbody@bcl.com> >

Cc: Boychuk, Dave FIN:EX <Dave.Boychuk@gov.bc.ca <mailto:Dave.Boychuk@gov.bc.ca> >, Kendall, Janelle FIN:EX <Janelle.Kendall@gov.bc.ca <mailto:Janelle.Kendall@gov.bc.ca> >, Fyfe, Richard J JAG:EX <Richard.Fyfe@gov.bc.ca <mailto:Richard.Fyfe@gov.bc.ca> >, Rob Kroeker <RKroeker@bcl.com <mailto:RKroeker@bcl.com> >
Subject: AML Release

Hi Jim,

GPEB was asked to review the additional redactions to the MNP report proposed by BCLC. We have done so in consideration of your supporting analysis and rationale.

As a starting point, FOIPPA standards and exemptions do not necessarily apply under proactive release. In addition this report has been reviewed by government's Information and Access Operations (IAO) group for release as part of a pending FOI package.

The requested severing is not consistent with the guidance received from IAO, either as to potential severing, nor as to severing that is potentially defensible under the act. Even if FOIPPA were being strictly applied, it is not my view that the information proposed for severing meets the threshold to demonstrate meet the harms test in respect of the law enforcement exception. Similarly, the exception related to policy advice is limited to the precise decision points directed to the decision maker, and the proposed exceptions are overly broad viewed in that context.

As this is proactive release, a small amount of severing, related to the personal privacy exception (s. 22), and the law enforcement exception (s.15) has been undertaken. The version of the report, severed to protect from an inadvertent release of personal information, is the version that will be released. I'm having trouble sending the PDF file of this redacted version with this note but will send it in a separate email.

Kevin Simcoe

From: Rob Kroeker
Sent: September-21-17 10:19 PM
To: Mazure, John C FIN:EX; Jim D. Lightbody
Cc: Fyfe, Richard J JAG:EX; Boychuk, Dave FIN:EX; Kendall, Janelle FIN:EX
Subject: Re: AML Release

Jim has asked me to loop in.

We want to make sure it's understood that our redactions have the benefit of a legal review and fall squarely within the provisions and spirit of FOIPPA. Further, we believe our redactions are aligned with and supported by the jurisprudence - the specific cites for which were provided. We note similar support and analysis has not been provided in relation to the comments below.

More importantly, the detailed information GPEB is proposing to release, and which we have asked be withheld, on how our AML countermeasures work will be of benefit to those seeking to exploit casinos for money laundering purposes and may well assist criminal actors in avoiding existing detection efforts.

We maintain the redactions we have laid out are balanced and appropriate, are supported under the law, and are necessary to protect the integrity of the existing AML program.

From: Mazure, John C FIN:EX <John.Mazure@gov.bc.ca>
Date: September 21, 2017 at 4:49:42 PM PDT
To: Jim D. Lightbody <JDLightbody@bclc.com>
Cc: Boychuk, Dave FIN:EX <Dave.Boychuk@gov.bc.ca>, Kendall, Janelle FIN:EX <Janelle.Kendall@gov.bc.ca>, Fyfe, Richard J JAG:EX <Richard.Fyfe@gov.bc.ca>, Rob Kroeker <RKroeker@bclc.com>
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Kevin Simcoe

From: Jim D. Lightbody
Sent: September-28-17 9:46 AM
To: Susan Dolinski; Laura Piva-Babcock; Rob Kroeker; Brad Desmarais
Subject: Fwd: Independent expert appointed to review B.C. anti-money-laundering policy
Attachments: 2017AG0025-001642.pdf; ATT00001.htm

s 15(1)

Begin forwarded message:

From: "Godfrey, Sam AG:EX" <Sam.Godfrey@gov.bc.ca>
Subject: Fwd: Independent expert appointed to review B.C. anti-money-laundering policy

Out in a matter of moments.

For Immediate Release
2017AG0025-001642
Sept. 28, 2017

Ministry of Attorney General

NEWS RELEASE

Independent expert appointed to review B.C. anti-money-laundering policy

VICTORIA - Attorney General David Eby has appointed an independent expert to conduct a review of British Columbia's anti-money-laundering policies and practices in the gambling industry, with a focus on the Lower Mainland.

"Our government will regulate this industry appropriately and I need an independent expert to advise me on the best course forward," said Eby. "I have asked lawyer Peter German, a former deputy commissioner of both the RCMP and Correctional Service Canada, and the author of Canada's leading anti-money laundering law textbook, to conduct an independent review and make recommendations, if necessary, for reform."

Last week, the Government of B.C. released a 2016 report completed by MNP LLP that looked at practices related to suspicious cash transactions at a single B.C. casino. That report, commissioned by the former government but never publicly released, made a series of recommendations to reform provincial policies and practices.

"I believe that if we have the right policies and procedures in place, we can address any concerns the public may have about gambling in B.C.," said Eby. "We have the full support of operators in the sector, as well as BCLC and the Gaming Policy and Enforcement Branch for this review."

Eby has asked German to determine whether there is an unaddressed, or inadequately addressed, issue of money laundering in Lower Mainland casinos, and the history, nature and extent of any issues he

identifies.

As part of the review, German will meet with government's Gaming Policy and Enforcement Branch, the B.C. Lottery Corporation, the Joint Illegal Gaming Investigation Team within British Columbia's Combined Forces Special Enforcement Unit, casino service providers, and employee organizations at any identified facilities, as well as with any other parties who may assist.

German has also been asked provide advice to Eby about connections between any identified issues and other areas of the economy, or provincial laws or policies that may require attention as a result of information he gathers.

The review will be complete by the end of March 2018. German has been asked to make recommendations to government as they are identified, rather than waiting for a final report, so that any necessary changes may be implemented in a timely way.

Quick Facts:

- * German is a former deputy commissioner of both the RCMP and Correctional Service Canada. While with the RCMP, he spearheaded the creation of market enforcement and international anti-corruption teams.

- * He is currently president of the International Centre for Criminal Justice Reform at the University of British Columbia in Vancouver, a United Nations program network institute.

- * A lawyer and member of the Ontario and British Columbia bars, German has a doctorate in law from the University of London focused on international asset recovery.

- * He is the author of Proceeds of Crime and Money Laundering (Thomson Reuters), Canada's leading textbook on anti-money-laundering law.

Learn More:

A copy of the MNP Report can be found at: https://www2.gov.bc.ca/assets/gov/sports-recreation-arts-and-culture/gambling/gambling-in-bc/reports/mnp_report-redacted.pdf

The Terms of Reference are available at: <http://www2.gov.bc.ca/assets/gov/sports-recreation-arts-and-culture/gambling/gambling-in-bc/ag-independent-review-tor.pdf>

Contact:

Government Communications and Public Engagement
Ministry of Attorney General
778 678-1572

Connect with the Province of B.C. at: www.gov.bc.ca/connect <<http://www.gov.bc.ca/connect>>

Kevin Simcoe

From: Ross Alderson
Sent: September-28-17 10:41 AM
To: Lynn Cousins
Subject: RE: Independent expert appointed to review B.C. anti-money-laundering policy

Thanks Lyn
s 16, s 22

Ross Alderson CAMS.

Director, AML & Investigations
Corporate Security and Compliance Division, BCLC
2940 Virtual Way, Vancouver, BC, V5M 0A6
T 604 225 6382 Cs 17(1) F 604 225 6488

●Yes, and...●

ralderson@bclc.com

Connect with us:
[Twitter @BCLC](#) | [Facebook BCCasinos](#) | [Blog](#) | [bclc.com](#)

Last year, more than \$1 billion generated by BCLC gambling activities went back into health care, education and community groups across B.C.

From: Lynn Cousins
Sent: Thursday, September 28, 2017 9:55 AM
To: Ross Alderson <RAlderson@BCLC.com>
Subject: RE: Independent expert appointed to review B.C. anti-money-laundering policy

s 16, s 22

Lynn Cousins, CAMS
AML Investigator
Corporate Security and Compliance Division, BCLC
2940 Virtual Way, Vancouver BC V5M 0A6
Cs 17(1)
lcousins@bclc.com

From: Ross Alderson
Sent: September-28-17 9:54 AM
To: Kris Gade <KGade@BCLC.com>; AML <AML@bclc.com>
Subject: FW: Independent expert appointed to review B.C. anti-money-laundering policy

Fyi

Ross Alderson

Director, AML & Investigations
BCLC

From: Rob Kroeker <RKroeker@bclc.com>
Date: September 28, 2017 at 9:49:00 AM PDT
To: Jennifer Keim <JKeim@BCLC.com>, Daryl Tottenham <DTottenham@BCLC.com>, Bal Bamra <BBamra@BCLC.com>, Kevin Sweeney <KSweeney@BCLC.com>, Ross Alderson <RAlderson@BCLC.com>
Subject: FW: Independent expert appointed to review B.C. anti-money-laundering policy

For info

From: Jim D. Lightbody
Sent: September-28-17 9:46 AM
To: Susan Dolinski <SDolinski@BCLC.com>; Laura Piva-Babcock <LPiva-Babcock@bclc.com>; Rob Kroeker <RKroeker@bclc.com>; Brad Desmarais <BDesmarais@bclc.com>
Subject: Fwd: Independent expert appointed to review B.C. anti-money-laundering policy

s 15(1)

Begin forwarded message:

From: "Godfrey, Sam AG:EX" <Sam.Godfrey@gov.bc.ca>
Subject: Fwd: Independent expert appointed to review B.C. anti-money-laundering policy

Out in a matter of moments.

For Immediate Release
2017AG0025-001642
Sept. 28, 2017

Ministry of Attorney General

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Contact:

Government Communications and Public Engagement
Ministry of Attorney General
778 678-1572

Connect with the Province of B.C. at: www.gov.bc.ca/connect<<http://www.gov.bc.ca/connect>>

Kevin Simcoe

From: Godfrey, Sam AG:EX <Sam.Godfrey@gov.bc.ca>
Sent: September-20-17 5:09 PM
To: Jim D. Lightbody
Subject: Confidential: MNP Report
Attachments: MNP Report - redacted.pdf

Dear Jim,

As per our conversation, please see attached. Thank you for agreeing to maintain the confidentiality of this report until it is publicly released. The Minister also directed me to reach out to Bud Smith and share this report with him as well but I have not been able to reach him yet.

Sam Godfrey

Ministerial Assistant, Ministry of Attorney General

Mobile: 250 208 1359 | Office: 250 925 7613

Rm 232, Parliament Buildings, 501 Belleville St., Victoria, B.C. V8V 1X4

This message, including any attachments to it, is not to be disclosed outside of the Provincial Government without prior written approval from the Ministry of Attorney General. If you have received this communication in error, please destroy the email message and any attachments immediately and notify me by telephone or by email.

Kevin Simcoe

From: Jim D. Lightbody
Sent: September-28-17 9:51 AM
To: Godfrey, Sam AG:EX
Subject: Re: Independent expert appointed to review B.C. anti-money-laundering policy

Thanks, Sam.

Sent from my iPhone

> On Sep 28, 2017, at 9:45 AM, Godfrey, Sam AG:EX <Sam.Godfrey@gov.bc.ca> wrote:

>

>

> Out in a matter of moments.

>

>

>

> For Immediate Release

> 2017AG0025-001642

> Sept. 28, 2017

>

> Ministry of Attorney General

>

> NEWS RELEASE

> Independent expert appointed to review B.C. anti-money-laundering

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- > Learn More:
- >
- > A copy of the MNP Report can be found at:
- > https://www2.gov.bc.ca/assets/gov/sports-recreation-arts-and-culture/gambling/gambling-in-bc/reports/mnp_report-redacted.pdf
- >
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- > Contact:
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- > Government Communications and Public Engagement Ministry of Attorney General
- > 778 678-1572
- >
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- > Connect with the Province of B.C. at:
- > www.gov.bc.ca/connect<<http://www.gov.bc.ca/connect>>
- > <2017AG0025-001642.pdf>

Kevin Simcoe

From: Ross Alderson
Sent: September-25-17 10:10 AM
To: Rob Kroeker
Subject: Re: MNP response plan

Will do. Just leaving river rock. Met with the team for a pep talk. They are pragmatic but also not feeling great

Ross Alderson
Director, AML & Investigations
BCLC

From: Rob Kroeker <RKroeker@bcllc.com>
Date: September 25, 2017 at 9:06:46 AM PDT
To: Ross Alderson <RAlderson@BCLC.com>
Subject: MNP response plan

Good morning Ross

s 16

s 15(1) Can you arrange to send me a copy of our response plan that was posted to our website so I can send to a few of them

Thanks

Rob

s 15(1)

Kevin Simcoe

From: Aly Couch
Sent: September-25-17 9:22 AM
To: Suzanne Rowley
Cc: Laura Piva-Babcock; Sarah Darcey; Jim D. Lightbody
Subject: Weekly Jim Session: AML, Board Strategy, Lottery and Casino Marketing and Parq

Importance: High

Hi Suzanne,

Here is Jim's email for this morning with the addition of Rob's Executive Corner.

Thank you!

Aly

Good morning,

Last week Minister David Eby released a 2016 report on anti-money laundering (AML) in B.C gaming facilities that was commissioned by GPEB and completed by MNP. He also ordered a review of current AML procedures in casinos in BC. We have a zero tolerance policy for any criminal activity and over the years have taken many steps to detect and deter these activities. This upcoming review will build on the rigorous work BCLC is already doing. We have a robust anti-money laundering program in place and we understand the important role we play to support federal and provincial regulators and law enforcement to combat illegal activity.

We proactively released BCLC's management response and action plan to the MNP report released by the Attorney General, as well as the results and actions taken following two independent audits by FINTRAC and Ernst and Young in 2016 to demonstrate the strength of our program and our commitment to rigorous review and continuous improvement. I want to thank our security and compliance team for all of their ongoing efforts to maintain BCLC's anti-money laundering compliance. To learn more about this review and BCLC's AML program, you can read this Executive Corner from our VP of Corporate Security and Compliance, Rob Kroeker.

On a related note, Rob Kroeker recently published a book on anti-money laundering. With Rob's extensive experience in the gaming industry and legal background, he provides a great inside perspective and practical advice for navigating the complex and often challenging provisions of AML. The book, entitled, Canadian Anti-Money Laundering Law: Gaming Sector, was co-written with Ontario legal director, Jeffrey Simser.

Last week your Executive team was in Vancouver for our Board Strategy meeting. These annual meetings with our Board are a great opportunity for your Executive and Board to share perspectives on our future and discuss some of our critical initiatives that support our strategy. I can tell you that our Board remains very supportive of our Vision, Strategy and Priorities.

As a dynamic, marketing-focused organization, I'm pleased to share with you how both our Lottery and Casino Marketing teams continue to embody this with new and exciting campaigns. Lottery Marketing has been working cross-jurisdictionally and applying learnings from recent player segmentation research and has developed targeted advertising to reach new audiences. You can keep an eye out on what the team is up to each month in Marketing Magazine, an interactive online publication that highlights initiatives in-market, as well as a sneak peek into what is coming down the pipe. In Casino Marketing, the team has launched a new mass media campaign, "No Two Nights Are the Same at Casinos BC." The campaign showcases the many entertainment options available at B.C. casinos and is designed to attract new players. You can check out the ads on YAK. As a marketer at heart, I'm really impressed and excited by what we're creating. Great work, teams!

Finally, it is with great pride and anticipation that I await this Friday. Over the past few years, we have re-energized and re-staged our casino business by focusing on enhanced entertainment options and amenities. We are trying to make the experience greater than the win. After years of planning and hard work by many people, I am thrilled to be part of the grand opening of yet another exceptional facility, Parq Vancouver. This has been a long anticipated project, and I can't wait to see the doors open!

Have a fun week,
Jim

Jim Lightbody
President & CEO

BCLC Head Office
74 West Seymour Street, Kamloops BC V2C 1E2
T 250 828 5650

BCLC Marketing & Sales Office
2940 Virtual Way, Vancouver BC V5M 0A6
T 604 225 6400

jdlightbody@bclc.com
bclc.com

Kevin Simcoe

From: Aly Couch
Sent: September-22-17 4:27 PM
To: Suzanne Rowley
Cc: Sarah Darcey; Jim D. Lightbody; Laura Piva-Babcock
Subject: Weekly Jim Session: AML, Board Strategy, Lottery and Casino Marketing and Parq

Hi Suzanne,

Here is Jim's final email for Monday.

Thanks, and have a great weekend!

Aly

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I am confident in the strength of our security and compliance team, which is led by an expert in the field. In fact, our VP of Corporate Security and Compliance, Rob Kroeker, recently published a book on Anti-Money Laundering (AML). With Rob's extensive experience in the gaming industry and legal background, he provides a great inside perspective and practical advice for navigating the complex and often challenging provisions of AML. The book, entitled, Canadian Anti-Money Laundering Law: Gaming Sector, was co-written with Ontario legal director, Jeffrey Simser.

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Have a fun week,
Jim

Jim Lightbody
President & CEO

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74 West Seymour Street, Kamloops BC V2C 1E2
T 250 828 5650

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jdlightbody@bclc.com
bclc.com