

## **Fintrac Examination November 2014 Findings Explanatory Document – 2015/03/04**

During the week of November 3 – 7, Fintrac compliance officers attended BC Vancouver and conducted an examination of BCLC's Anti - Money Laundering program to assess BCLC's compliance with the requirements under Part 1 of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (PCML1FA) and associated Regulations.

During the course of the Fintrac examination Fintrac compliance officers regularly commented on how robust BCLC's AML Compliance program was and how it had progressed from previous Fintrac examinations. In fact Fintrac compliance officers while reviewing BCLC's ongoing monitoring of patron business relationships suggested that they were very impressed that we [BCLC] were going above and beyond the legislative requirements and we could save some work by making some minor changes in our monitoring process. The entire Fintrac examination process was very transparent, cooperative and collaborative in nature. Throughout the process there were no major deficiencies noted by Fintrac and only a few minor areas noted that could make our AML program more robust and sound. The examination culminated with an exit interview that suggested that BCLC's AML program was a model for the rest of the gaming jurisdictions to follow and adopt. We received a phone call post examination from the Western Regional Director of Fintrac compliance congratulating us for an excellent examination.

The following are four[4] deficiencies identified and noted in Fintrac's findings letter dated January 23, 2015. The intended purpose of this document is to provide context and explanation to the deficiencies as cited below;

### **Deficiency #1: PCMLTF Regulations 71(l)(b)- Compliance Regime- Policies and Procedures- For Entity**

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

Specifically, as discussed with you and your compliance staff during the examination, your organization did not have adequate policies and procedures as required, including the legislative amendments post February 2014. We recognize that your organization provided policies and procedures; however they were inadequate as they too narrowly defined "business relationship". Your organization defined "business relationship" as being established when a client conducts two or more reportable transactions; instead of more broadly when two or more transactions simply require you to identify that client. For example, this would include a client conducting two foreign exchange transactions of \$3,000 or greater when there may be no reporting obligation.

Explanation: BCLC's definition of "business relationship" in its policies and procedures and AML Manual did not include the required oversight of "foreign exchange amounts of \$3000" however in reality the oversight was being conducted by our BCLC analysts. At the exit interview Fintrac compliance officers recognized and commented that although not in policy the oversight was in fact being conducted.

The definition of "business relationship" has since been amended to reflect Fintrac guidelines.

Moreover, the policies and procedures submitted by your organization failed to include the purpose and intended nature of the business relationship. Your compliance staff agreed this should have been included in the policies and procedures.

Explanation: BCLC had included "the purpose and intended nature of the business relationship" in its AML Manual however the same definition had not been placed in the front facing service provider policies and procedures. At the exit interview Fintrac compliance officers recognized and commented that although "the purpose and intended nature of the business relationship" ie:



Gaming high volume and Gaming casual were captured in its AML Manual it should also be included in the policies and procedures.

The amendment to BCLC Policies and Procedures has since been made and aligns with BCLC's AML Manual and Fintrac guidelines.

**Deficiency #2: PCMLTF Regulations 71(1)(c)- Compliance Regime- Risk Assessment** Your organization has the obligation to assess and document the risk of a money laundering offence or a terrorist financing offence in the course of your activities, taking into account the prescribed factors, as required by paragraph 71(1)(c) of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Regulations*.

Specifically, as discussed with you and your compliance staff during the examination, your organization did not have an adequate risk assessment as required. Your organization's risk assessment did not identify all risks related to money laundering and/or terrorist financing related to all products and services offered by your organization and its related casino sites. This included Player Gaming Fund (PGF) accounts, Global Access Cash machines and self-service redemption machines (NRTs).

Moreover, your organization's risk assessment did not evaluate the risk of the geographical locations of your clients relative to the casino sites or activities.

Explanation: Fintrac reviewed BCLC's AML risk assessment and commented how robust and detailed the risk assessment was and how far BCLC had progressed in their AML oversight. Fintrac compliance officers commented that BCLC although low risk in nature could further "tweak" their risk assessment by also including Player Gaming Fund (PGF) accounts, Global Access Cash machines and self-service redemption machines (NRTs) and the risk of the geographical locations of its clients relative to the casino sites or activities to its overall risk assessment oversight.

BCLC has since amended its AML risk register to include Fintrac's previously mentioned suggestions.

**Deficiency #3: PCMLTF Regulations 71.1 - Compliance Regime- Special Measures for High Risk Activities**

*PCMLTF Regulations 71.1 - Special measures for high risk activities*

Your organization has the obligation, in respect of the activities that pose high risk, to mitigate the risks identified, to take reasonable measures to keep information up to date and conduct ongoing monitoring for the purpose of detecting reportable transactions, as required by section 71.1 of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Regulations*.

Specifically, as discussed with you and your compliance staff during the examination, we recognize that your organization conducted a 6 month review on high risk patrons; however it did not follow the enhanced due diligence monitoring procedures for these patrons as outlined in your organization's AML manual, Section 20. In addition, your compliance staff acknowledged that the ongoing monitoring procedures need to be updated to reflect current business operations.

Moreover, our compliance team reviewed high risk clients identified by your organization through transaction testing and visits to your casino sites, and we identified that your organization is not conducting ongoing monitoring for all your high risk clients. This included reviewing PGF accounts and our compliance team concluded that special measures for high risk patrons are not being conducted on these accounts.

Explanation: BCLC had extracted and listed “enhanced due diligence measures” from Fintrac’s guidelines that “could” be employed by service provider and BCLC staff in relation to high risk patrons.

BCLC has since amended its AML Manual to include only those “enhanced due diligence measures” that are actually being applied by BCLC and its Casino Service Providers. BCLC is working closely with its Casino Service Providers to ensure that ongoing monitoring for all high risk clients including in the area of PGF accounts is conducted to ensure compliance with legislative requirements..

Finally, as discussed with you and your compliance staff during the examination, we recognize that in your Policies and Procedures, Section 11.2 states "The Service Provider shall ensure that the identification scanned into the Media field of the repeat patron's Subject Profile in CRS is valid, and that it is updated at least every 2 years or as required"; however per the *Proceeds of Crime (Money Laundering) and Terrorist Financing Regulations*, the obligation is to update client information (name, address, occupation) for high risk clients on a more frequent basis relative to their risk levels as identified by your organization.

Explanation: BCLC’s Policy and Procedures spoke to the requirement to update client identification every 2 years but did not speak to the PCMLTF Act requirement of updating of client information (name, address, occupation) for high risk clients on a more frequent basis relative to their risk levels as identified by our organization.

BCLC has since created and implemented policy to update client information (name, address, occupation and employer/business information) for high risk clients on a more frequent basis relative to their risk levels as identified by our organization.

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