

December 13, 2017

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

Attention: John Mazure
Assistant Deputy Minister

Dear John:

Re: Peter German recommendations

Thank you for your letter today regarding the implementation of Peter German's recommendation relating to a Source of Funds Declaration (SoFD). I want to clarify several points arising from your letter, specifically, your comment that "...it is critical that GPEB approve the Source of Funds Declaration and the policies and procedures around its use prior to implementation."

On December 6, 2017, you and I met with Anna Fitzgerald, Michele Jaggi-Smith, Jeff Henderson from GPEB, Brad Desmarais and Rob Kroeker from BCLC to discuss the initial two recommendations made by Peter German. At that time, we shared with you BCLC's thoughts regarding implementation of the SoFD recommendation which we all agreed was directed towards BCLC.

As noted, section 8 of the *Gaming Control Act* (GCA) gives BCLC the authority to enact rules which have the force of law. As a practical matter, BCLC also develops the operational policies and procedures that support its rules. The relevant GCA sections for the SoFD recommendation are:

- Section 8(1)(a): requiring and governing books, accounts and other records to be kept by registered gaming services providers, including but not limited to establishing time schedules for the retention of those books, accounts and other records; and
- Section 8(1)(e): respecting the handling of money and money equivalents received from players of games of chance by the lottery corporation, licensees and gaming services providers.

On December 6th, we indicated that we would collaborate with GPEB to align our approach to the recommendations. BCLC indicated that we would provide GPEB with our SoFD implementation draft for GPEB's comment. Anna Fitzgerald asked us if BCLC could provide some information to assist GPEB in understanding how to move forward on the second recommendation around government regulators being on site. We agreed with the suggestion made by Anna that GPEB would send us a list of questions around that issue and that we would be happy to oblige with feedback.

On December 8, 2017, you and I had a telephone conversation in which I reiterated that BCLC intends to implement the SoFD recommendation expediently and that we would provide GPEB our draft for review and comment the following week.



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On December 12, 2017, I sent to yourself and Kim Bruce (who you advised me would be acting on your behalf while you were on vacation until your return January 8, 2018) three documents regarding our implementation plan for the SoFD recommendation (I have attached the documents to this letter for ease of reference). As noted in my email to yourself and Kim Bruce, we requested that GPEB advise us of any questions or concerns by end of day, December 15th, 2017. BCLC is prepared, as per the Minister's direction, to implement as soon as practicable the SoFD recommendation on Monday, December 18th, 2017.

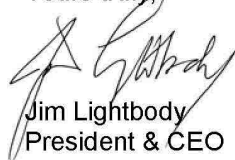
We want to work with GPEB to ensure alignment in our approach to these two recommendations from Peter German which is why we sent the documents for GPEB's review. However, BCLC does not agree with your assertion that GPEB approval is required before BCLC's implementation of the SoFD recommendation. We are prepared to consult with GPEB, however, our authority to implement arises from the GCA and specifically, section 8.

If GPEB is able to provide its comments by December 15th, BCLC will take them under advisement and if necessary, revise the current proposed SoFD. I am concerned that your letter seems to suggest that it may take considerable time for GPEB to complete its review of our SoFD. We do not want to unduly delay implementation of Peter German's recommendation to us.

John, your letter does not explicitly state whether or not GPEB will meet BCLC's requested timeline. If you are asking for a few more days to review our implementation plan, please advise and if reasonable, we will be happy to accommodate your request. As stated earlier, we could be ready as early as December 18th to implement the recommendation if there are no major concerns.

I am confident that our two organizations can work together to implement these initial recommendations by Peter German. From our perspective, the rationale for the Minister to direct Peter German to make recommendations during the process stems from a desire to see a swift response to any suggested improvements. BCLC is ready to deliver substantive action on the SoFD recommendation and we look forward to GPEB's cooperation in meeting our timeline.

Yours truly,



Jim Lightbody
President & CEO

cc: Kim Bruce, Executive Director
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Enclosure(s) x3