COMMISSION OF INQUIRY INTO MONEY LAUNDERING IN BRITISH COLUMBIA

The Honourable Mr. Austin F. Cullen, Commissioner

AFFIDAVIT

I, Brad Desmarais, of 2940 Virtual Way, Vancouver, British Columbia, AFFIRM THAT:

- I am the Chief Operating Officer of the British Columbia Lottery Corporation ("BCLC"), a participant in this Commission of Inquiry, and as such, have personal knowledge of the facts and matters hereinafter deposed to, save and except where such facts and matters are stated to be made upon information and belief, and as to such facts and matters I verily believe them to be true.
- 2. I affirm this affidavit to provide evidence to the Commission pursuant to a summons issued to me under the *Public Inquiry Act*.

The Evolution of Money Laundering Methods and AML Practices in Casinos

- 3. My experience in policing (detailed below) was that criminals are creative and flexible and will adapt efforts to thwart or prevent their criminal activities. The same applies to money laundering. Criminals need to launder the proceeds of their crimes and will find methods to do so. The challenge for law enforcement, governments, businesses, and other organizations is to also adapt and find new and better ways to identify and deter money laundering and to differentiate between legitimate and potentially illegitimate money flows.
- 4. My experience at BCLC has been that our knowledge and understanding of the ways in which proceeds of crime may be filtered into casinos by players, most of whom were unwitting, has evolved just as it has in other sectors of society whether it be financial institutions, professional regulatory organizations, the real estate industry, or governments generally. Over the last eight years, as we at BCLC have gained a better

understanding of the techniques and methods that may be used to get potential proceeds of crime into casinos, we (in consultation with our regulators) have adapted and improved our AML processes. Sometimes this required making changes to our AML program proactively using our best judgment, before we had a complete understanding of the issue to try to make our AML program the best in class. One consequence of this approach has been the loss of legitimate players and their associated revenue to the Province.

- 5. We have gone from an AML approach, when I arrived at BCLC, based primarily on observing, recording, and reporting to FINTRAC, law enforcement, and GPEB, to an approach where we have instituted processes and procedures to prevent and deter the use of proceeds of crime in casinos even if we or law enforcement cannot prove the funds used by any particular patron are in fact the proceeds of crime. This approach is a fundamental change in how BCLC tries to identify and deter criminally implicated funds. It has been an evolving process by which BCLC has made major changes on many fronts, some of which I will describe below.
- 6. I want to emphasize that BCLC has always striven to be at the head of the gaming industry in adapting and changing its AML practices to deter money laundering within BC casinos. In fact, in my opinion, it has generally been ahead of others in the gaming industry in North America. BCLC has taken steps and imposed procedures to deter proceeds of crime from being unknowingly used in casinos before most other casino jurisdictions. It has been complimented by FINTRAC and other provincial jurisdictions for the AML innovations it has implemented at least back to since I began with BCLC, in 2013.

Experience with VPD and RCMP

- 7. I joined the Vancouver Police Department ("VPD") in March 1979. My assignments included general patrol, Strike Force, emergency child abuse, and emergency mental health response. I also worked as a crime analyst for approximately one year.
- 8. In 1993 I was seconded from the VPD to the RCMP's Integrated Proceeds of Crime Section ("IPOC") where I spent the next nine years. During this time I specialized in

major money laundering and proceeds of crime investigations with a special emphasis on organized crime targets.

- 9. In 2003, I joined the RCMP as an Acting Inspector in IPOC as a major case manager and I was confirmed as an Inspector in 2004. My responsibilities included managing a team of approximately 25 investigators analyzing and targeting criminal financial operations including the laundering of millions of dollars in currency originating from the United States and Canada and elsewhere and the transfer of real property, funds held in electronic form, and non-cash monetary instruments from Asia and elsewhere. During this period, I led major investigations involving money laundering and proceeds of crime and provided consultation and advice to other sections within the RCMP as well as municipal police departments on money laundering, proceeds of crime, and property related offences.
- In 2005, I became responsible for operational management of IPOC, the National Initiative to Combat Money Laundering Unit, and the Provincial Asset Forfeiture Unit. During this time I gained further experience with cross-border transportation of cash.
- In 2007, I left IPOC to join the Burnaby RCMP as the detachment's Operations Officer.
 The detachment was at the time the second largest in Canada.
- 12. In 2009, I returned to the VPD, first as the Officer in Charge of the Gangs & Drugs Section, before becoming the Officer in Charge of the Major Crime Section in 2011. The Gangs & Drugs Section was comprised of several teams, two of which were mandated to pursue asset forfeitures. The first, commonly referred to as the "Green Team", mainly involved the investigation of marihuana grow operations but, as part of their mandate, also engaged in asset forfeiture investigations arising from the grow operations, typically as offence related property. The second team focused on currency pick up operations as part of larger drug and money laundering investigations originating in the United States.
- 13. While at the RCMP and the VPD, I lectured on money laundering and related topics both within Canada and elsewhere, including to various RCMP sections, students at law

schools (including as a guest lecturer in Dr. German's class at UBC on money laundering), and lawyers in BC including Crown counsel.

- 14. Between approximately 1994 and 2011, I participated in or oversaw numerous proceeds of crime and asset forfeiture investigations that involved the seizure of many tens of millions of dollars in proceeds of crime in Canada and elsewhere. None of these cases involved money laundering in casinos.
- 15. Money laundering in casinos was not something that IPOC dealt with when I was with the RCMP. From my recollection, money laundering in casinos was not a priority for IPOC at this time.

Roles Held Within BCLC

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- 16. In December 2012, I was hired by BCLC. I started in February 2013 as BCLC's Vice President, Corporate Security and Compliance. Approximately 100 staff reported directly or indirectly to me in this role. I reported directly to Michael Graydon, then the CEO of BCLC. Attached to this affidavit and marked as Exhibit "1" is a true copy of BCLC's offer letter for this position dated December 14, 2012 (BCLC0010508).
- 17. In July 2014, I was also appointed acting Vice President, Human Resources. I assumed responsibilities for that position in addition to my existing duties. Attached to this affidavit and marked as **Exhibit "2"** is a true copy of BCLC's letter confirming this assignment dated November 13, 2014 (BCLC0010520).
- In June 2015, I became BCLC's Vice President, Casino and Community Gaming. Attached to this affidavit and marked as Exhibit "3" is a true copy of BCLC's offer letter for this position dated May 21, 2015 (BCLC0010506).
- After Rob Kroeker was hired as BCLC's Vice President, Legal, Compliance and Security in September 2015, my direct involvement in AML decision-making decreased. However, I continued to collaborate with Mr. Kroeker on AML matters.
- 20. In November 2018, I assumed responsibility for BCLC's public affairs (municipal government relations) on an interim basis, in addition to my role as Vice President,

Casino and Community Gaming. Attached to this affidavit and marked as **Exhibit "4"** is a true copy of BCLC's letter confirming this assignment dated November 15, 2018 (BCLC0010509).

- 21. In June 2019, I assumed the duties of Vice President, Legal, Compliance and Security and Chief Compliance Officer and some of the responsibilities of Vice President, Social Responsibility and Communications, in addition to my existing duties. Attached to this affidavit and marked as **Exhibit "5"** is a true copy of BCLC's letter confirming this assignment dated July 3, 2019 (BCLC0010518).
- 22. In June 2020, I was appointed BCLC's Chief Operating Officer. I am responsible for the operations of our three business lines -- casino, online, and lottery -- and the operations of our customer relations management and loyalty departments. I am also responsible for facilities and business development.

Joining BCLC

- 23. In 2012, I was called by a recruiter who invited me to apply for a position at BCLC. This offered an intriguing opportunity to do something meaningful, challenging and different. It also allowed me to continue to do a job which I believed provided an opportunity to make a positive contribution to the public.
- 24. When I first joined BCLC, I followed my usual change management practice when starting a new position, by meeting the people and learning about the processes and issues before making any significant decisions or changes. I interviewed various BCLC staff and met with different stakeholders, including various members of GPEB and key executives from the service providers to understand the issues facing BCLC. Through these interviews and meetings I learned that casinos in BC were, with the exception of a pilot project, cash only until 2012 and there was a significant amount of cash coming into casinos. I also reviewed documentation related to the immediately preceding few years including correspondence between BCLC and GPEB related to large cash transactions. My initial reaction was I believed this to be a complex issue and I wanted to proceed carefully.

- 25. After a few months, it became apparent to me that BCLC's AML program and customer due diligence could and should be further enhanced it was and remains my goal to have BCLC's AML program be best-in-class. I wanted to ensure BCLC had a culture of continuous improvement and do more than just meeting minimum compliance requirements. BCLC began, by the end of 2013, to enact a number of measures to enhance our AML program, including but not limited to:
 - a. forming a dedicated AML unit;
 - b. hiring more and different investigators with diverse backgrounds and skillsets (not just ex-police officers) by engaging the Justice Institute of BC ("JIBC") to create an investigator selection process;
 - c. hiring new JIBC-certified analysts and security support staff and having existing analysts qualify for JIBC certification;
 - d. providing a JIBC investigators course (made specifically for BCLC) that was designed to ensure that BCLC investigators would have the relevant skills to conduct investigations including interviewing patrons effectively;
 - e. establishing an AML-certification requirement for employees (ACAMS membership and training for all compliance / investigations staff, including analysts); and
 - f. pursuing information sharing agreements with law enforcement agencies, which were novel and took many months to negotiate and finalize.
- 26. I believed information sharing agreements with police was critical to BCLC's AML program and I sought to implement them. Attached to this affidavit and marked as Exhibit "6" is a true copy of the January 2014 information sharing agreement between BCLC and the RCMP (BCLC0007644). Attached to this affidavit and marked as Exhibit "7" is a true copy of the July 14, 2016 amendment to the information sharing agreement between BCLC and the RCMP (BCLC0007644).

- 27. BCLC operates under financial constraints imposed by government (e.g., the comprehensive cost ratio). Spending is carefully scrutinized. Despite this, any AML-related requests I made were granted without exception and I was never asked to compromise any AML response in the interests of revenue. This was indicative to me of the importance of AML to BCLC.
- 28. BCLC has a mandate to optimize financial performance. The revenue generated by BCLC pays for hospitals, schools, community programs, charities and other important social causes, and generates income for local governments and the provincial government, again to be used for the public good. Accordingly, we do not want to lose revenue at BCLC unnecessarily. However, BCLC was prepared to lose revenue for the right reasons. For example, as further described below, AML initiatives targeting patrons (e.g., player interviews and cash conditions) were put in place despite the expectation that those initiatives would likely result in lost revenue.
- 29. We had to increase our analytical capabilities to understand this complex issue and allow us to better distinguish legitimate forms of payment from those potentially connected to criminal conduct. In addition, we had to educate patrons on moving from cash to cash alternatives.
- 30. When I began at BCLC and became aware of the large cash transactions that were taking place in casinos, I was concerned and wanted to understand the prevalence of cash generally in Canadian society so that I could determine if large cash transactions in casinos was unusual. I submitted or reviewed FOI requests to CBSA and FINTRAC for information regarding the quantity of cash being declared at Canada's borders. I learned that hundreds of millions in cash was coming in through the borders and that Statistics Canada estimated in 2011 the "underground economy", not the criminal economy amounted to up to \$41 billion per year.
- 31. One of these FOI responses showed that a substantial amount of Canadian currency and other negotiable instruments were being declared at the ports of entry in Greater Vancouver. My belief was that the amount of declared currency would be a small percentage of currency entering Canada (i.e., most of it would be undeclared). Attached

to this affidavit and marked as **Exhibit "8"** is a true copy of FINTRAC's July 22, 2013 response to BCLC's FOI request (BCLC0016627).

- 32. One of BCLC's service providers, Great Canadian Gaming Corporation ("GCGC"), made a similar FOI request to FINTRAC that revealed that casinos were a small fraction of the source of STRs, most of which came from banks. This reinforced for me that the prevalence of cash in Canadian society generally and casinos specifically was a complex issue and the gaming industry was not alone in facing this issue.
- 33. This data indicated to me that people were bringing significant amounts of Canadian currency into Canada from overseas. From my police experience, I understood it was not easy for people leaving China to bring money into Canada because of the capital flight restrictions in China. These people were not coming to BC just to gamble. BC is not a premier gambling destination for people from China or anywhere else. These patrons had businesses or children in BC and were coming for reasons unrelated to gambling but liked to gamble while here. Attached to this affidavit and marked as **Exhibit "9"** is a true copy of an email chain from March 2015 where I discussed this in response to a media inquiry (BCLC0008109).
- 34. The fact that monies in casinos could be from any combination of these sources (e.g., underground economy, international ports of entry, and financial institutions as well as potential proceeds of crime) made this issue even more complex, and I resolved to try to find out more information through training, analytics, and further due diligence to try to understand better the risks associated, to respond with this information, and to recalibrate our risk tolerance if necessary.
- 35. Based on this information and my experience in law enforcement, I believed the presence of large amounts of cash was high risk for a number of reasons (e.g., public safety), but I also believe cash alone was not determinative of criminal activity. I recalled an investigation from the late 1990s where I suspected an import/export business was engaged in money laundering, but it turned out to be engaged in underground banking and was dealing with legitimate funds. Accordingly, I believed it was necessary for

BCLC to exercise due diligence by looking beyond the presence of cash to the individuals involved for indicia of criminality.

- 36. Over the course of 2013, I decided the two most important AML measures for BCLC to enact were to: (1) know our players better; and (2) confirm the source of their wealth. This was based on the guidance at the time to casinos from FATF and FINTRAC to conduct due diligence on the source of wealth of patrons. This also seemed to me to be a logical place to start. BCLC had the capacity to conduct this type of diligence and this would not be intrusive to our players. BCLC also began implementing open-source intelligence checks (e.g., adverse media) and implemented a risk matrix.
- 37. Our due diligence revealed that the vast majority of our high value patrons were legitimate businesspeople. Undesirable patrons were and continued to be banned. Proactive banning as a result of BCLC's diligence or information received from law enforcement greatly increased in early 2014. Attached to this affidavit and marked as Exhibit "10" is a true copy of an email chain from May to June 2015 where BCLC's due diligence resulted in a five year barring for a patron (BCLC0006467).

Player Interviews and Cash Conditions Program

- 38. Beginning in 2014, I directed, as part of the improvement of our customer due diligence, that some of our high-risk patrons should be interviewed and sanctions imposed against these individuals where appropriate.
- 39. Attached to this affidavit and marked as **Exhibit "11"** is a true copy of an email exchange from October 2014 describing two incidents where a patron had received cash deliveries (GCGC0024895). Attached to this affidavit and marked as **Exhibit "12"** is a true copy of an email exchange from November 2014 describing how this same patron's buy-in was declined, the source of his chips had to be verified, and he was barred from cash play until interviewed by BCLC investigators (BCLC0007975). I understand this patron was subsequently banned from all BC casinos pending an interview with BCLC investigators, and following this interview conditions were imposed on him, which remain in effect to this day. BCLC was not directed to enact any of these measures

against this patron. Implementation of cash conditions at this time was a proactive step in the evolution of BCLC's AML program.

- 40. Attached to this affidavit and marked as **Exhibit "13"** is a true copy of an email exchange from December 2014 regarding a patron who was conducting large cash buyins using small denomination bills (GCGC22745). I understand this patron was subsequently placed on sourced cash conditions by BCLC and interviewed by BCLC investigators.
- 41. Attached to this affidavit and marked as **Exhibit "14"** is a true copy of BCLC Corporate Security & Compliance's Protocol for Educating, Warning, Sanctioning or Barring Patrons dated April 16, 2015 (BCLC0002237). The initial approach to interviewing patrons was not as effective as we had hoped. Accordingly, this formal protocol was developed from approximately January to April 2015 with input from service providers.
- 42. Attached to this affidavit and marked as **Exhibit "15"** is a true copy of an email exchange from April 2015 that details one patron's attempts to circumvent sourced chip conditions that had been placed on him by BCLC (BCLC0006468). I understand this patron was subsequently banned by BCLC from all BC casinos, and this ban remains in effect to this day.
- 43. Attached to this affidavit and marked as Exhibit "16" is a true copy of an email from Ross Alderson dated May 14, 2015 that outlines the state of BCLC's player interview and cash conditions program at that time (BCLC0006501). Also attached to this affidavit and marked as Exhibit "17" is a true copy of an email exchange between Mr. Alderson and Cary Skrine in October and November 2019 where Mr. Alderson provides further context for his May 14, 2015 email (GPEB1555).
- 44. On June 4, 2015, an AML workshop was hosted at BCLC's offices and attended by members of BCLC, GPEB, FINTRAC, CFSEU, CBSA, CRA, GCGC, service providers, and others. Attached to this affidavit and marked as **Exhibit "18"** is a true copy of the backgrounder for the workshop (BCLC0000125). Attached to this affidavit and marked as **Exhibit "19"** is a true copy of the agenda for the workshop (BCLC0000126). Attached

to this affidavit and marked as **Exhibit "20"** is a true copy of the presentation GPEB's Compliance Division gave at the workshop (GPEB0750).

- 45. Attached to this affidavit and marked as **Exhibit "21"** is a true copy of a briefing note authored by Len Meilleur dated June 25, 2015 where he discusses the workshop and notes that the number of STRs filed by BCLC "has increased as a result of due diligence exercised on high-risk players, as well as continued training within the facilities to report unusual activities" (GPEB0753). I agree with Mr. Meilleur's assessment.
- 46. Attached to this affidavit and marked as Exhibit "22" is a true copy of BCLC Corporate Security & Compliance's Operational Plan to conduct interviews of patrons known to have had cash deliveries linked to Paul Jin and patrons that had 20 or more STRs in 2014 (BCLC0000101).
- Attached to this affidavit and marked as Exhibit "23" is a true copy of an email from Ross Alderson to service providers imposing sourced cash conditions on ten patrons (BCLC0008927).
- 48. Although BCLC had proactively started asking high-risk patrons about their source of funds by 2014, GPEB subsequently also requested BCLC to focus on source of funds. Attached to this affidavit and marked as Exhibit "24" is a true copy of a letter from John Mazure of GPEB to Jim Lightbody dated August 7, 2015 asking BCLC to, among other things, "focus on identifying source of wealth and funds as integral components to client risk assessment" (BCLC0000307). To the best of my recollection, this was the first time the General Manager of GPEB had written BCLC requesting that BCLC take source of funds measures. As noted above, BCLC had already started doing this.
- 49. On September 11, 2015, BCLC issued a direction to service providers imposing conditions on certain patrons. These conditions included, among other things, prohibiting these patrons from buying in without proving the source of their cash or chips. Attached to this affidavit and marked as **Exhibit "25"** is a true copy of that direction (BCLC0004222).

- 50. Attached to this affidavit and marked as **Exhibit "26"** is a true copy of an email chain dated September 11, 2015 in which Michael Graydon and I discussed Parq's concerns with these conditions (BCLC0004503).
- 51. Attached to this affidavit and marked as **Exhibit "27"** is a true copy of an email chain dated September 15, 2015 that discusses the immediate revenue impact of this direction (BCLC0004407).
- 52. Service providers have in my experience always done what BCLC has requested them to do concerning AML. There were times when service providers were unhappy with cash conditions or other rules, particularly around high-level players and how BCLC approached these patrons. Attached to this affidavit and marked as **Exhibit "28"** is a true copy of an email dated September 18, 2015 from Jim Lightbody with respect to player interviews conducted by BCLC investigators at River Rock (BCLC0004406).
- 53. On September 25, 2015, I met with one of the patrons that had cash conditions placed on him by BCLC. Attached to this affidavit and marked as **Exhibit "29"** is a true copy of BCLC's summary of that meeting (BCLC0009580). I understand that conditions still apply to this patron to this day.
- 54. On October 1, 2015, Minister Michael de Jong followed up on Mr. Mazure's August 7, 2015 letter with a letter to Bud Smith, then Chair of the Board of Directors of BCLC, directing BCLC to "evaluat[e] the source of wealth and source of funds [of customers] prior to cash acceptance." Attached to this affidavit and marked as Exhibit "30" is a true copy of that letter (BCLC0008257). To the best of my recollection, this was the first time BCLC had been directed to make source of funds inquiries.
- 55. Once the cash conditions program and other controls were implemented, the value of large cash transactions fell dramatically starting at the end of 2014. Some of the players who had been playing with significant amounts of cash began playing at lower levels or using cash alternatives. 93.5% of large cash transactions entering casinos between September 2016 and September 2017 were transactions between \$10,000 and \$20,000 (with an average in this range of \$11,634). The average transaction for all LCTs during

this period was \$14,280. Attached to this affidavit and marked as **Exhibit "31"** is a true copy of an email dated February 1, 2018 from myself attaching a report prepared by HLT Advisory dated October 11, 2017 that discusses this trend and estimates the impact of restricting cash buy-ins (BCLC0004613-4614).

- 56. In January 2018, BCLC established a receipted source of funds requirement for all patrons buying in over \$10,000.
- 57. After these changes, BCLC continued to have record revenue years, but the high limit business at service providers has been affected. BCLC began changing its product mix in or around 2015 because high limit play was seen as unsustainable, in part because it was too volatile because of low liquidity. Attached to this affidavit and marked as Exhibits "32" and "33" are true copies of emails from Alasdair Douglas of River Rock dated November to December 2015 that discussed, among other things, the impact of BCLC's AML initiatives on the high limit business at River Rock (BCLC0015851, 15849). Mr. Douglas' proposals were ultimately not approved by BCLC notwithstanding that it may have generated significant additional revenue.
- 58. Attached to this affidavit and marked as **Exhibit "34**" is a true copy of an email chain from May to June 2016 that discusses, among other things, the decrease in revenue from VVIPs (BCLC0004374).
- 59. Attached to this affidavit and marked as **Exhibit "35"** is a true copy of a presentation made to BCLC's Risk Committee on July 27, 2016 on the decline of high limit table play prepared by myself and Rob Kroeker (BCLC0008127).
- 60. One of the effects of the source of funds declarations was that many players that previously played at the \$10,000 to \$20,000 levels dropped their play down to \$8,000 to \$9,000.
- 61. BCLC recently conducted player analysis that shows that, the significant majority of patrons who were repeatedly buying in for \$50,000 or more with cash between 2014 and 2018 were eventually banned, placed on sourced cash conditions, and/or identified as high risk patrons (being identified as an HRP would result in increased scrutiny and

enhanced due diligence, including interviews). Attached to this affidavit and marked as **Exhibit "36"** is a true copy of a summary of this analysis (BCLC0016866).

<u>Articles</u>

- 62. When I first joined BCLC, there were a number of negative media articles about money laundering within BC casinos. Accordingly, I wrote a series of articles for the YAK, BCLC's internal newsletter, to update BCLC's employees of BCLC's AML initiatives. These articles reflected my view at that time, but did not impede me from taking steps to understand the evolving challenge and take the progressive AML measures described in this affidavit. In fact, some of these steps were described in these articles.
- 63. Attached to this affidavit and marked as **Exhibit "37**" is a true copy of an article entitled "Money Laundering in Casinos? Not Really" dated May 21, 2013 that I authored for the YAK, where I explain, among other things, my view at the time, respectfully, of why money laundering within a BC casino is unlikely (BCLC0010321).
- 64. Attached to this affidavit and marked as **Exhibit "38"** is a true copy of an article entitled "Changing the Way We Look at Cash" dated September 5, 2013 that I authored for the YAK, where I outlined the steps BCLC was taking to reduce large cash transactions within casinos and move towards a cashless model (BCLC0011732-11733).
- 65. Attached to this affidavit and marked as Exhibit "39" is a true copy of an article entitled "Part 1 of 2: Setting the Record Straight on Money Laundering in BC Casinos" dated November 3, 2014 that I authored for the YAK, where I discussed the measures BCLC has undertaken to prevent money laundering within BC casinos (BCC0011743-11744). Attached to this affidavit and marked as Exhibit "40" is a true copy of part 2 of this article dated November 19, 2014 (BCLC0011745-11746).
- 66. Attached to this affidavit and marked as **Exhibit "41"** is a true copy of an email exchange between myself and Mike Hiller from March 2015 where we discuss, among other things, my YAK articles from November 2014 (BCLC0011096).

67. Attached to this affidavit and marked as **Exhibit "42"** is a true copy of an article I wrote for the Winter 2015/2016 edition of Canadian Gaming Business Magazine where I set out, among other things, some of the new AML initiatives BCLC had adopted at this time (GPEB4105).

Engagement with Law Enforcement

- 68. In or about April 2014, I wrote to the officer in charge of every RCMP detachment in BC with a gaming facility advising them of the information sharing agreement that had been entered between BCLC and the RCMP in January 2014 and requesting that these detachments proactively share information with BCLC with respect to undesirable individuals who were known to frequent gaming facilities so that we could ban these patrons. I also spoke to many of the officers in charge of these RCMP detachments, and the officers in charge of the Delta Police Department and the New Westminster Police Department. Attached to this affidavit and marked as **Exhibit "43**" is a true copy of all of these letters (BCLC0007676-7705).
- 69. In addition to copying the RCMP on every STR we submitted to FINTRAC, BCLC began providing additional information about specific cash facilitators to the RCMP in or about April 2014. This was prompted by increases in the amount of cash entering casinos and growing awareness of cash facilitators.
- 70. In June 2014, BCLC initiated meetings with law enforcement, including the Richmond RCMP and CFSEU. BCLC then gave the police a list of ten targets, with Paul Jin first on the list. BCLC requested the police open an investigation into these individuals. Attached to this affidavit and marked as Exhibit "44" is a true copy of an email from John Karlovcec to CFSEU providing BCLC's top ten cash facilitator targets (BCLC0004237).
- 71. Attached to this affidavit and marked as **Exhibit "45"** is a true copy of the target sheets for the top ten cash facilitators, all of which have been redacted at the RCMP's request (BCLC0007905-BCLC0007914).
- 72. Also in June 2014, BCLC created and implemented the Extreme Risk Patron Program, under which five-year, Province-wide bans would be issued to certain patrons because of

their criminal activity, including for charges or convictions for proceeds of crime offences. Attached to this affidavit and marked as **Exhibit "46"** is a true copy of the BCLC document setting out the purpose, process, and summary of the Extreme Risk Patron Program (BCLC0000236). There are currently 547 patrons banned for five years under this program.

- 73. Attached to this affidavit and marked as **Exhibit "47**" is a true copy of the BCLC document setting out how the RCMP-CFSEU provides BCLC with their Provincial Tactical Enforcement Priority roster each year, which then informs which patrons would be banned pursuant to BCLC's Extreme Risk Patron Program (BCLC0000278).
- 74. Attached to this affidavit and marked as **Exhibits "48", "49", "50", "51", and "52"** are true copies of emails from June 2014 discussing, among other things, actions to be taken against patrons on the CFSEU list (BCLC0000033-35, 38-39).
- 75. BCLC continued to provide the police with updated information through the summer and fall of 2014, but nothing seemed to be happening in response. BCLC, at my request, offered to fund overtime for RCMP officers, which I understand the RCMP refused. In retrospect, I agree with the RCMP's refusal from a police independence perspective.
- 76. I met with Cal Chrustie of FSOC on a Sunday in February 2015 and he agreed to commence an investigation. Attached to this affidavit and marked as **Exhibit "53"** is a true copy of an email from Mr. Chrustie to myself and others with respect to this investigation (BCLC0004226).
- 77. A month or two into the investigation, the RCMP was on the verge of dropping the investigation. BCLC staff provided a presentation on the importance of the investigation and I understood that the investigation got back on track. Attached to this affidavit and marked as **Exhibit "54"** is a true copy of this presentation (BCLC0015981).
- 78. Attached to this affidavit and marked as **Exhibit "55"** is a true copy of a section 86 report to GPEB dated July 24, 2015 that details, among other things, BCLC's efforts to involve law enforcement (BCLC0016206).

- 79. At the time, BCLC felt that it had credible information related to transactions by cash facilitators in casinos and the persons involved. BCLC was persistent in pressing for greater police involvement in investigating cash facilitators and put conditions on or banned those facilitating cash or known to be associated with them.
- 80. In October 2015, the information sharing agreement between the RCMP and BCLC was suspended by the RCMP. Attached to this affidavit and marked as Exhibit "56" is a true copy of an email chain dated October 27, 2015 where BCLC sought information from the RCMP's Real Time Intelligence Centre but was denied (BCLC0004224). Attached to this affidavit and marked as Exhibit "57" is a true copy of an email chain dated October 28, 2015 on this same incident (BCLC000071). Attached to this affidavit and marked as Exhibit "58" is a true copy of an email chain dated October 28, 2015 on this same incident (BCLC0000071). Attached to this affidavit and marked as Exhibit "58" is a true copy of an email chain dated October 29, 2015 in which the RCMP advised that the ISA had been reinstated (BCLC0008814).

Engagement with GPEB

- 81. As part of my role at BCLC, I was required to communicate with GPEB on a frequent basis. When I began at BCLC, I primarily dealt with Bill McCrea, GPEB's Executive Director of Quality Assurance & Risk and Doug Scott, then the ADM and General Manager of GPEB. I had an excellent relationship with Mr. McCrea. I spoke with Mr. McCrea frequently, both in person and on the phone. My recollection is that I was transparent with Mr. Scott on how I wanted to refine BCLC's AML strategy. I do not recall Mr. Scott disagreeing with my approach or providing me with specific guidance or direction. When I arrived at BCLC I became aware that the GPEB AML strategy was in progress, which included cash alternatives and also better compliance with the federal reporting regime.
- 82. BCLC had a harmonious relationship with GPEB's executive and most of the GPEB divisions. BCLC's disagreements with GPEB's investigations unit were with respect to the speed and means to reduce the use of currency in casinos, but even though BCLC had a revenue mandate and GPEB did not, we had the same fundamental overall objective preserving the integrity of gaming in BC. I and others at BCLC wanted to learn more about the complexities of our cash-based business and any potential nexus to criminal

activity before addressing any issues in a surgical manner. GPEB investigations unit's approach was, in my opinion, more blunt: they wanted to stop the cash immediately without further information or diligence. It is my recollection that this approach differed from the executives of GPEB's view of this issue, which was more nuanced, and GPEB's executives did not direct BCLC to refuse suspicious cash. In my view, GPEB's investigations unit's risk tolerance appeared to be at or near zero. We at BCLC thought it was key to understand the risk and devise strategies to eliminate or mitigate this risk, and while this is an area which demands continual improvement and adaption, I believe we have successfully done so.

- 83. From my time as Vice President of Corporate Security and Compliance from February 2013 to September 2015, I do not recall any significant resistance from GPEB's executive to BCLC's AML initiatives. This lack of resistance confirmed my belief at the time that GPEB agreed with or at least did not oppose the course BCLC was pursuing.
- 84. The overall relationship between GPEB and BCLC depended on the units of the two organizations. As noted above, there were challenges in the relationship with GPEB investigations. My perception was uncertainty over the lines between BCLC and GPEB's roles and responsibilities and to an extent personalities played a role in those challenges. The registration, audit, and charitable gaming divisions of GPEB do an excellent job and BCLC has and continues to have an excellent relationship with them. The relationship with GPEB investigations has improved and is now good (and I credit Kevin de Bruckyere for this improvement).
- 85. In my opinion, it is in BCLC's best interests to have a strong, well-trained, independent regulator with a clear focus on their mandate. This regulator should have a well-developed understanding of the industry and possess mature industry-wide risk management protocols with tolerance levels that make sense based on risk of occurrence and impact. I have been frustrated over the years because at times GPEB investigations has appeared to have been too focused on protecting its turf. One example of this is GPEB's role in the suspension of the BCLC/RCMP information sharing agreement in

2015 (discussed above). On several occasions, GPEB suggested that BCLC should deal exclusively with GPEB instead of the police.

- 86. Attached to this affidavit and marked as Exhibit "59" is a true copy of an email from Bill McCrea dated March 12, 2013 attaching GPEB's draft report detailing the AML initiatives GPEB and BCLC had embarked on during the 2012-2013 fiscal year (BCLC0012092-12093). Attached to this affidavit and marked as Exhibit "60" is a true copy of an email from Jim Lightbody dated March 15, 2013 attaching revisions to GPEB's draft report (BCLC0012145-12146).
- 87. Attached to this affidavit and marked as Exhibit "61" is a true copy of an email from Mr. McCrea dated March 21, 2013 attaching GPEB's final report (BCLC0012101-102). Attached to this affidavit and marked as Exhibit "62" is a true copy of an email from Mr. McCrea dated May 10, 2013 attaching, among other things, a revised version of GPEB's final report (BCLC0012142-12144). This document quotes GPEB's strategy statement: "The gaming industry will prevent money laundering in gaming by moving from a cash based industry as quickly as possible and scrutinizing the remaining cash for appropriate action. This shift will respect or enhance our responsible gambling practices and the health of the industry." I believe BCLC has worked in a manner consistent with this strategy through, for example, the implementation of cash conditions, patron interviews and the continuation of cash alternatives. With some minor improvements, I believe this statement is as relevant today as it was then.
- 88. Attached to this affidavit and marked as Exhibit "63" is a true copy of an email chain from July 2013 where BCLC staff compiled information in response to a request from Mr. McCrea regarding cash alternatives (BCLC0012147-12148).
- 89. Attached to this affidavit and marked as **Exhibit "64"** is a true copy of an email chain from December 2013 where BCLC staff again compiled information in response to a request from Mr. McCrea regarding cash alternatives (BCLC0012163-12165).
- 90. In my view, the lack of clarity between the investigative roles of GPEB and BCLC is attributable to the ambiguity of the *Gaming Control Act*. Attached to this affidavit and

marked as **Exhibit "65"** is a true copy of a letter dated May 14, 2014 that I wrote to John Mazure, who had replaced Mr. Scott as ADM and General Manager of GPEB, advising Mr. Mazure that BCLC intended to obtain an expert legal opinion on the *Gaming Control Act*, its operation, and privacy implications and inviting GPEB to join BCLC's retainer (GCGC23479). Mr. Mazure did not reply to my letter, instead choosing to respond verbally to Mr. Lightbody that he would not participate in such a review. Mr. Lightbody subsequently passed that information onto me.

- 91. One example of the lack of clarity is the HR practices review of River Rock, which BCLC believed should have been undertaken by GPEB and not BCLC. Attached to this affidavit and marked as Exhibit "66" is a true copy of a letter dated December 19, 2017 that I wrote to Terrance Doyle, the Chief Operating Officer of GCGC, with respect to this review (GPEB1171).
- 92. Attached to this affidavit and marked as Exhibit "67" is a true copy of an email from Mr. McCrea dated December 23, 2014 attaching a study GPEB had commissioned on customer due diligence in BC casinos and the terms of reference for this study (BCLC0012105-12107).
- 93. The 2015/16 mandate letter dated February 5, 2015 from Minister de Jong to BCLC makes clear that it is GPEB that "will develop anti-money laundering standards, to which BCLC will respond." Attached to this affidavit and marked as Exhibit "68" is a true copy of this letter (BCLC0003664). Attached to this affidavit and marked as Exhibit "69" is a true copy of an email exchange from November 2014 between Bill McCrea and I where we discuss draft language for this letter (BCLC0012151).
- 94. Throughout my tenure as Vice President of Corporate Security and Compliance, BCLC continued to provide information to GPEB and law enforcement and press law enforcement to act on information relating to illegal gaming facilities and money service businesses.

Delimiting Convenience Cheques

- BCLC has made a number of policy proposals to GPEB that I believe would enhance our 95. AML strategy. BCLC asked GPEB for permission to delimit convenience cheques, for example, as that would reduce the use of cash by increasing the amount that could be paid out using convenience cheques (convenience cheques are currently limited to \$10,000 per patron per week). Attached to this affidavit and marked as Exhibit "70" is a true copy of a letter dated September 19, 2013 written by me to Doug Scott, proposing to delimit convenience cheques (BCLC0000407). Attached to this affidavit and marked as Exhibit "71" is a true copy of Mr. Scott's response dated September 22, 2013 wherein he notes that GPEB could not approve BCLC's proposal at this time (BCLC0000065). Attached to this affidavit and marked as Exhibit "72" is a true copy of my email exchange with Mr. Scott (BCLC0012121). While I understand Mr. Scott's decision, I do not agree with it. Risk mitigation controls could have been put in place. This initiative alone would likely have immediately reduced the amount of cash coming into casinos by approximately 37-38% by reducing the amount of churn or recycled cash returning to casinos according to BCLC's analysis, which is attached to exhibit 6 of the first affidavit of Gurmit Aujla sworn October 29, 2020 (Commission exhibit #481).
- 96. Attached to this affidavit and marked as **Exhibit "73"** is a true copy of an email exchange dated February 2, 2018 where BCLC executives again discuss delimiting convenience cheques and raising this proposal with GPEB (BCLC0004611). While this change was supposed to be implemented on March 15, 2018, BCLC was again directed by GPEB to not implement this proposal. Attached to this affidavit and marked as **Exhibit "74"** is a true copy of an email to BCLC's service providers dated March 1, 2018 noting that this change would be implemented at a later date (BCLC0005463). As of today, convenience cheques have still not been delimited.

River Rock Chip Swap

97. Beginning in the fall of 2014, BCLC investigators began noticing instances where patrons would buy in for large amounts at River Rock and leave the site with their chips without play. Attached to this affidavit and marked as **Exhibit "75"** is a true copy of an

email from Rob Kroeker (then at GCGC) dated October 15, 2014 documenting one such incident and attaching a table tracking such occurrences (BCLC0006460-6461).

- By April 2015, BCLC staff realized that there was a \$12 million chip liability at River Rock.
- 99. BCLC's biggest concerns related to the possibility the outstanding chips could be used as criminal currency, either for illegal transactions or in illegal casinos.
- 100. BCLC began planning a chip swap, which is a significant undertaking. GCGC management had concerns about how the planned chip swap would be executed. Attached to this affidavit and marked as Exhibit "76" is a true copy of an email exchange from July 2015 between myself, Ross Alderson, and Kevin Sweeney where we discussed the chip swap (BCLC0004225).
- 101. BCLC needed to give players notice so that legitimate players could bring in their chips, but not so much notice that those with illegitimate stockpiles of chips could filter them back into the casino.
- 102. The challenge facing BCLC was not only arranging to swap the chips, but also to prepare an investigative response to the likelihood that patrons would be bringing large quantities of unsourced chips into the casino and trying to cash out.
- 103. For various reasons, it took a number of months to organize the chip swap.
- 104. On September 7, 2015, the night before the planned swap, GPEB directed BCLC to stop the chip swap because of a request from the police. I still do not know specifically why GPEB directed that the chip swap be stopped. Attached to this affidavit and marked as Exhibit "77" is a true copy of a letter from Ross Alderson to Len Meilleur of GPEB dated September 14, 2015 discussing the postponed chip swap and the risks associated with the delay (BCLC000064).
- 105. The chip swap went ahead a few months later, by which time I was no longer Vice President, Corporate Security and Compliance. By that time, the chip liability had returned to a more reasonable level. Attached to this affidavit and marked as **Exhibit**

"78" is a true copy of an email with attachments from Ross Alderson dated January 13, 2016 discussing, among other things, the start of the chip swap operation the following week (BCLC0004520-4522).

- 106. In my view, the cancelled chip swap was an extraordinary investigative opportunity that was lost. When patrons attempted to cash out chips prior to the swap, BCLC would have had an opportunity to interview them and determine whether they were holding chips that should not have been in their possession.
- 107. Since the chip swap, BCLC has not entirely addressed the risk that chips can be used as criminal currency. This can now be addressed with technological advances in chip tracking solutions (discussed below). While these solutions are complex and costly, it is my view they should be implemented to address various issues, including AML.

Current Cash Rules

- 108. The cash conditions program initiated in 2014 (complemented by the cash alternatives program initiated in 2012, most notably PGF accounts) led to a dramatic drop in large cash transactions entering casinos and a corresponding increase in PGF activity beginning in late 2014. Attached to this affidavit and marked as **Exhibit "79"** is a true copy of a report prepared by HLT Advisory dated February 22, 2018 that analyzes, among other things, this trend (BCLC0003683).
- 109. Once source of funds requirements were implemented in 2018, there was a further modest decrease in large cash transactions. Players can still buy in with any amount of cash at BC casinos today, but are required to first produce proof of the source of the funds for buy-ins greater than \$10,000. It is my opinion that currency buy-ins and cash-outs should be capped at \$25,000 per 24 hours.
- 110. It is also my personal view that BCLC should identify every player at a slot machine or a table and, in time, all play should be cashless. The first step towards this is 100% known play. The second step is account-based play. The third step is a digital wallet. This concept benefits BCLC in three ways: it (1) eliminates criminal activity; (2) enhances player health; and (3) improves business operations. BCLC is taking preliminary steps to

implement these measures, but this is something I personally feel very strongly about. In my view, this should be the next objective – there will be many steps before achieving cashless play.

- 111. However, as the casinos move away from cash, new issues will emerge. A robust risk assessment must occur at every step to identify, deter, and seek to eliminate potential criminality which may emerge.
- 112. BCLC has recently adopted new strategic pillars, including that BCLC products will do no harm and that BCLC will accept no revenue from high-risk play. Attached to this affidavit and marked as Exhibit "80" is a true copy of a January 2019 BCLC Corporate Strategy presentation that discusses, among other things, these strategic pillars (BCLC0004214).
- 113. Attached to this affidavit and marked as Exhibit "81" is a true copy of a October 2019 BCLC Corporate Strategy presentation that discusses, among other things, these strategic pillars (BCLC0008214).

Potential AML Measures

- 114. I have had the opportunity to observe the operational use of one chip-tracking technology in Macau, and attended a technical briefing on the system in Las Vegas (the system itself has not been deployed in North America). An onsite demonstration of the system was planned for Vancouver, but had to be cancelled due to COVID.
- 115. The technology uses RFID microchips embedded in casino chips to track the casino chips. RFID chips are currently embedded in casino chips but for anti-counterfeiting purposes, not chip-tracking.
- 116. The new technology tracks each individual chip as it sits in the vault, moves through the cash cage, and into the tray at a table. When a player buys in, the individual chips are registered to that player. At the table, the system would track which chips are on which part of the table, tracking who owns each chip. The system solves virtually all chip-

related problems, including chip passing, player collusion, dealer collusion, and the use of chips as a stored value instrument for criminals.

117. While costly, BCLC is actively considering chip-tracking technology though it has not yet been implemented. I anticipate that BCLC will renew its efforts to implement this technology after the pandemic. However, BCLC is currently initiating the development of technology that will enable 100% known play, account-based gaming, a digital wallet, and chip tracking.

Law Enforcement Model

118. It is my view that there is a need for a new designated policing unit in BC focused on financial crime, but this unit should not be solely dedicated to casinos. This new financial crimes unit should not be structured like a traditional police force. It should be built around people with different skill sets including lawyers, accountants, information management specialists like library scientists, and police committed and qualified to investigate financial crimes. It does not need to be led by a police officer, should not be within law enforcement, and should have a model independent of traditional police structures. It must be well-funded and well supported with an appropriate governance structure.

German Investigation

- 119. The only interactions I had with Dr. German during the course of his investigation was an hour and fifteen minute general meeting with him and Jerome Malysh, also attended by Jim Lightbody and Rob Kroeker, and a larger meeting about the SAS AML software.
- 120. My opinion is that Dr. German did not engage in sufficient data analysis to fully understand the AML issues at BC casinos and failed to give BCLC and its employees sufficient opportunities to respond to adverse allegations.

121. I am proud of the work of BCLC employees and I believe the criticisms levelled against them by Dr. German and others are unfair.

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AFFIRMED BEFORE ME at Vancouver, British Columbia, on 28/JAN/2021.

A commissioner for taking affidavits for British Columbia

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AVID BUTCHER QL

This is Exhibit "1" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this 22 day of January 2021. - 1

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A Commissioner for taking Affidavits for the Province of British Columbia

STRICTLY CONFIDENTIAL

December 14, 2012

Brad Desmarais

Redacted

Dear Brad;

Re: Offer of Employment

On behalf of BCLC, based on the terms and conditions as set out in this letter and in the enclosed attachments, I am pleased to offer you the permanent full-time position of Vice President of Corporate Security and Compliance. The anticipated start date is Monday, February 4th, 2013 and will be based from our Vancouver office. The key elements of this offer are as follows:

COMPENSATION

- 1. The annual salary offered is \$ 189,300 per year, which is paid bi-weekly by direct deposit.
- 2. You will be eligible for an annual holdback incentive of up to a maximum of \$21,000. The results will be determined each year based on metrics selected from the Shareholders Letter of Expectation (Annual Service Plan) and approved by the Board of Directors in consultation with the Minister. BCLC reserves the right, at any time, to make changes to the holdback incentive program. The holdback payment is not considered pensionable income.
- Currently the BC Provincial Government mandated a salary increase freeze for all management positions; however should this change, reviews (merit pay for performance) are conducted annually and any resulting increase is effective April 1st (prorated in your first calendar year).
- 4. The vacation entitlement is 30 days per annum (this will accumulate at 2.5 days per month), prorated in your first calendar year. Accrued vacation not used in the current annual calendar year, can be carried to the following calendar year, if it is not used by February of that following year, the balance will be paid at the end of March.

PENSION

 Enrollment in BCLC's defined benefit pension plan is mandatory and will begin on the 1st of the month following six months of employment. Further information on the plan is provided in the attached employment agreement.

HEALTH BENEFITS

You and your eligible dependents can participate in our benefits package as outlined in the altached employment agreement.

REPORTING STRUCTURE

 You will report to Michael Graydon, President and Chief Executive Officer and you will have direct reports with the overall accountability of the Corporate Security and Compliance division.



74 West Seymour Street Kamloops, BC V2C 1E2

2940 Virtual Way Vancouver, BC V5M 0A6

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TERMINATION OF EMPLOYMENT

 The employment of the Employee may be terminated at any time by BCLC, without cause and without further obligation, based on the following guidelines set by the Public Sector Employers Act (PSEA). The Employee will be provided with:

Up to six (6) months of notice or severance during the first year of service with BCLC, plus up to three (3) additional months of notice or severance for each additional year of service to a maximum notice or severance allowable by PSEC.

 An employee may terminate their employment with BCLC at any time by providing twelve (12) weeks of notice in writing.

TERMS & CONDITIONS

10. This offer is subject to acquiring Gaming Policy & Enforcement Branch (GPEB) registration.

Please confirm your acceptance of this offer by signing and returning each page of the offer letter and the attached employment agreement by 4:00pm PST on December 17, 2012. You may return fully executed copies as instructed to either our confidential HR fax at PERSONAL INFORMATION

Brad, we look forward to welcoming you to BCLC.

Yours truly

Michael Graydon Chief Executive Officer

cc: Cathy Binstead, Manager, HR Operations Employee File

Enclosures: Employment Agreement

I understand and accept the offer as outlined in this letter and all attachments.

Date: 20(2.12. Signature:

Initials ____

This is Exhibit "2" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this 22 day of January 2021.

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A Commissioner for taking Affidavits for the Province of British Columbia

STRICTLY CONFIDENTIAL

Redacted

November 13, 2014

Brad Desmarais

Dear Brad;

Re: Acting Position, Vice President, Human Resources

I am pleased to confirm that you will be receiving acting pay of 10% during the duration of your temporary acting position of Vice President, HR at BCLC.

This 10% acting pay will be retroactive to July 29, 2014. The key elements of this interim acting assignment are as follows:

COMPENSATION

- Your base salary of \$ 189,300.00 per annum will remain the same and you will receive an additional 10% acting pay, retro-active to July 29, 2014, which will be applied to your November 28th bi-weekly pay and will continue for the duration of the assignment. Once a permanent Vice President, HR is chosen and your interim acting assignment is completed, the acting pay will end.
- 2. Your salary holdback eligibility conditions remain the same.

VACATION

3. You will continue to accrue vacation at the same rate.

PENSION

 Your contributions to the pension plan will change slightly as it is based on your annual earnings.

HEALTH BENEFITS

5. Your benefit plan credits will remain the same.

All other terms and conditions of your employment remain unchanged.

Please confirm your acceptance of this offer by signing and returning this letter to me within five business days.

Yours truly m Lightbody

Interim CEO & President, BCLC

Employee File

CC:



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74 West Seymour Street Kamloops, BC V2C 1E2

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Page 1 of 2

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Signature: Brad Desmarais Date: 2014.11.13

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This is Exhibit "3" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this 22 day of January 2021.

A Commissioner for taking Affidavits for the Province of British Columbia

PRIVATE AND CONFIDENTIAL

May 21, 2015

Brad Desmarais

Redacted

Dear Brad;

Re: Lateral Offer

On behalf of BCLC, based on the terms and conditions as set out in this letter, I am pleased to offer you the permanent full-time position of Vice President, Casino and Community Gaming based from our Vancouver Office with a start date of June 1, 2015. The key elements of this offer are as follows:

COMPENSATION

- 1. Your base compensation rate will be \$200,250 per annum, which is paid bi-weekly by direct deposit with a total potential salary of \$222,500 per annum.
 - a. BCLC currently has a Holdback Plan whereby 10% of your total potential salary is withheld and payable following the end of the year. The results will be determined each year based on completion of your individual goals as determined by the CEO as well as corporate achievement based on metrics selected from the Shareholders Letter of Expectation (Annual Service Plan) and approved by the Board of Directors in consultation with the Minister. BCLC reserves the right, at any time, to make changes to the holdback incentive program.
 - b. The holdback payment is not considered pensionable income.
- BCLC reserves the right, at any time, to make changes to its total compensation program.
- 3. Currently the BC Provincial Government mandated a salary increase freeze for all management and executive positions; however should this change, reviews (merit pay for performance) are conducted annually and any resulting increase is effective April 1st (prorated in the first year of employment). PSEC has also mandated a limit on total remuneration for executive positions that may impact future increases.

REPORTING STRUCTURE

 You will continue to report to Jim Lightbody, President and Chief Executive Officer (CEO).



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VACATION

5. Your current vacation entitlement will not change.

PENSION

Your contribution to the pension plan will change as it is based on your annual earnings.

HEALTH BENEFITS

7. Your benefit plan credits will remain the same.

POST-EMPLOYMENT RESTRICTION

 In the event that your employment is terminated or you tender your resignation to BCLC, you agree that you shall be in compliance with BCLC's Standard of Ethical Business Conduct Post- Employment in force at the time of your departure.

For reference, the current standard would require that you not enter into a contract for employment or services for a period of one year from your last day of service either individual or through a sole proprietorship, partnership or corporation with any entity:

- a. That has contractual relationship, either direct or indirect, with BCLC in any form of Operational Services Agreement;
- b. With whom you directly had substantial dealings in the final year of your employment, where such activity would be a direct conflict with the interests of BCLC unless you are able to satisfy BCLC that you will not participate in any manner on any matter involving BCLC. For these purposes, "substantial dealings" means that you have had ongoing involvement with that entity in the course of performing your duties for BCLC, or you have been involved in a decision-making role for a work assignment or project for BCLC that impacted the interests of that entity: or
- c. Where your new position would require you to act for the entity in connection with any matter regarding, relating to or involving BCLC.

For greater clarity, "last day of service" is defined as the day you conclude your operational duties as Vice President, Casino and Community Gaming, your access to BCLC systems is removed and you no longer have decision making authority on behalf of the Corporation and its subsidiaries.

TERMINATION OF EMPLOYMENT

 The employment of the Employee may be terminated at any time by BCLC, without cause and without further obligation, based on the following guidelines set by the Public Sector Employers Act (PSEA) and the British Columbia Employment Standards Act (BCESA). The Employee will be provided with:

Up to six (6) months of notice or severance during the first year of service with BCLC, plus up to three (3) additional months of notice or severance for each additional year of service to a maximum notice or severance allowable by PSEC.

 An employee may terminate their employment with BCLC at any time by providing twelve (12) weeks of notice in writing.

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All other terms and conditions of employment remain unchanged.

Please confirm your acceptance of this offer by signing and returning each page of the offer letter to me by June 1, 2015.

Brad, I am excited about you taking on this new role and continuing to provide the ongoing support that you provide to me, the Executive team and BCLC.

Yours truly,

Jim Lightbody President & CEO

cc: Employee File

I understand and accept the terms and conditions as outlined in this letter and all attachments.

Signature:

____ Date: 2015.06.01 nc Desmarais



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This is Exhibit "4" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this 22 day of January 2021.

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A Commissioner for taking Affidavits for the Province of British Columbia .

PRIVATE AND CONFIDENTIAL

November 15, 2018

Brad Desmarais



Dear Brad,

RE: Acting Position, assuming responsibility for Public Affairs

I am pleased to confirm that you will be receiving acting pay of 4% during the duration of your temporary assignment. This is in addition to your regular duties as the Vice-President, Casino and Community Gaming.

This will be in effect as of November 9, 2018 and will continue until the end of the temporary assignment. At the end of the temporary assignment, the acting pay will end.

The key elements of this offer are as follows:

COMPENSATION

1. You will receive an additional 4% acting pay, which will take effect November 9, 2018. This will be applied to your regular bi-weekly pay and will continue for the duration of the assignment.

PENSION

2. Your contribution to the pension plan will change as it is based on your annual earnings.

All other terms and conditions of employment remain unchanged.

Please confirm your acceptance of this offer by signing and returning the offer letter to me by 4:00 p.m. on November 21, 2018.

Congratulations on your assignment, Brad.

Yours thuly ightbo esident and CEO P Employee File

I understand and accept the terms and conditions as outlines in this letter.

Signature:	Ani	Date: 2018.11.10.
	Brad Desmarais	

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This is Exhibit "5" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this 22 day of January 2021.

A Commissioner for taking Affidavits for the Province of British Columbia

PRIVATE AND CONFIDENTIAL

July 3, 2019

Brad Desmarais



Dear Brad,

RE: Acting Position

On behalf of BCLC, I am pleased to confirm temporary changes to your current pay effective July 2, 2019 for assuming the duties of the Vice-President, Legal, Compliance, Security and Chief Compliance Officer in addition to some of the duties of the Vice-President, Social Responsibility and Communications. This is In addition to your regular duties as the Vice-President, Casino and Community Gaming. At the end of this assignment the acting pay will end. The key elements of this offer are as follows:

COMPENSATION

- 1. You will receive a total of 8% acting pay, which will take effect July 2, 2019. This will be applied to your regular bi-weekly pay and will continue for the duration of the assignment.
- 2. BCLC reserves the right, at any time, to make changes to its total compensation program.

PENSION

3. Your contribution to the pension plan will change as it is based on your annual earnings.

All other terms and conditions of employment remain unchanged.

Please confirm your acceptance of this offer by signing and returning each page of the offer letter to me by 4:00pm on July 10, 2019.

Congratulations on your assignment, Brad.

Yours truly n Lighth residen & CEO

I understend end accept the terms and conditions as outlines in this letter.

CC: Employee File

Signature:

Bomarc-

Date: July 9, 2019

Initials

Brad Desmarais



74 West Seymour Street Kamloops, BC V2C 1E2

2940 Virtual Way Vancouver, BC V5M 0A6

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This is Exhibit "6" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this 22 day of January 2021.

A Commissioner for taking Affidavits for the Province of British Columbia



INFORMATION SHARING AGREEMENT

BETWEEN:

The British Columbia Lottery Corporation

And

The Royal Canadian Mounted Police "E" Division (British Columbia)

January 2014

INFORMATION SHARING AGREEMENT

BETWEEN:

BRITISH COLUMBIA LOTTERY CORPORATION a Crown corporation having its registered address at 74 West Seymour Street Kamloops, British Columbia, V2C 1E2, Canada ("BCLC" or "Participant")

AND:

THE ROYAL CANADIAN MOUNTED POLICE with its "E" Division Headquarters located at 14200 Green Timbers Way Surrey, British Columbia, V3T 6P3, Canada ("RCMP" or "Participant") (collectively, the "Participants")

WHEREAS in 1983, the Government of Canada and the Province of British Columbia entered into an agreement pursuant to section 8(2)(f) of the *Privacy Act* (Canada) which permitted the release of personal information to the Government of British Columbia, including to its provincial public bodies.

WHEREAS BCLC is the provincial Crown corporate agent which conducts and manages commercial gaming in the Province of British Columbia as authorized by section 207(1)(a) of the *Criminal Code* of Canada and the *Gaming Control Act* (BC) ("GCA") and is a provincial public body;

WHEREAS the RCMP is the Canadian federal police force and provides policing services at the federal, provincial and municipal levels;

WHEREAS BCLC has the responsibility under the GCA to protect the security and integrity of gaming in British Columbia. As a result, BCLC routinely gathers personal information about its patrons and their activities while engaged in gaming operated by BCLC in compliance with the *Freedom of Information and Protection of Privacy Act* (BC) ("FIPPA").

WHEREAS BCLC must comply with the *FIPPA* and the RCMP must comply with the *Privacy Act* (Canada);

AND WHEREAS the Participants want to enter into an Information Sharing Agreement (the "Agreement" or "ISA") which will ensure timely and efficient sharing of information to assist with administration or enforcement of any law or to carry out a lawful investigation.

1.0 PURPOSE

1.1 The purpose of this Agreement is to document the terms and conditions of the exchange of certain personal information by the Participants, in compliance with *FIPPA*, the *Privacy Act* (Canada) and other applicable legislation.

2.0 DEFINITIONS

- (i) "Commanding Officer" means the Commanding Officer of the RCMP, "E" Division.
- (ii) "Disclosing Participant" means the Participant who is responding to a request by the other Participant for information.
- (iii) "FIPPA" means Freedom of Information and Protection of Privacy Act, R.S.B.C. 1996, c. 165.
- (iv) "GCA" means Gaming Control Act, Stats. B.C. 2002, c. 14.
- (v) "Member" means any person who has been appointed as an officer pursuant to section 5 or section 6(3)(a), or other member of the RCMP appointed pursuant to section 7(1)(a), of the RCMP Act, R.S.C. 1985, Chapter R-10, and any Regulations made pursuant thereto.
- (vi) "Personal Information" is defined by section 1 of *FIPPA* and section 3 of the *Privacy Act* and consists of information about an identifiable individual that is recorded in any form including, without restricting the generality of the foregoing:
 - (a) information relating to the race, national or ethnic origin, colour, religion, age or marital status of the individual;
 - (b) information relating to the education or the medical, criminal or employment history of the individual or information relating to financial transactions in which the individual has been involved;
 - (c) any identifying number, symbol or other particular assigned to the individual;
 - (d) the address, fingerprints or blood type of the individual;
 - (e) the personal opinions or views of the individual except where they are about another individual or about a proposal for a grant, an award or a prize to be made to another individual by a government institution or a part of a government institution specified in the regulations;
 - (f) correspondence sent to a government institution by the individual that is implicitly or explicitly of a private or confidential nature, and replies to such correspondence that would reveal the contents of the original correspondence;
 - (g) the views or opinions of another individual about the individual;
 - (h) the views or opinions of another individual about a proposal for a grant, an award or a prize to be made to the individual by an institution or a part of an institution referred to in paragraph (e), but excluding the name of the other individual where it appears with the views or opinions of the other individual; and,
 - (i) the name of the individual where it appears with other personal information relating to the individual or where the disclosure of the name itself would reveal information about the individual.
- (vii) **"PIC"** means the Provincial Intelligence Centre or its successor in 2014, the Real-Time Intelligence Centre (RTIC).
- (viii) "PRIME" means the Police Records Information Management Environment.
- (ix) "Privacy Act" means the Privacy Act, R.S.C. 1985, c. P-21.

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20

- (x) "RCMP" means the Royal Canadian Mounted Police, Government of Canada.
- (xi) "RCMP Act" means Royal Canadian Mounted Police Act, R.S.C. 1985, c. R-10.
- (xii) "Receiving Participant" means the Participant who has made a request for information from the other Participant.
- (xiii) **"Surveillance Media"** means all media, whether electronic or otherwise and in any format, including video footage and still shots extracted from video footage, originating from surveillance systems installed and operating in British Columbia gaming facilities in which BCLC conducts and manages gaming.

3.0 AGREEMENT AUTHORITY

- 3.1 This Agreement is entered into by the Commanding Officer under the authority of section 5 and in relation to section 20 of the *RCMP Act* in aiding the administration of justice in the province and in carrying into effect the applicable legislation.
- 3.2 This Agreement is entered into by BCLC with the authority of the GCA, specifically:
 - (a) section 91 which requires BCLC to remove anyone from premises if they are not lawfully present or if it is suspected that they are about to commit an offence;
 - (b) section 92 which authorizes BCLC to refuse entry to anyone deemed undesirable;

and with the authority of section 35 of the *Criminal Code* (R.S.C. 1985, c. C-46) which enables BCLC to remove (or prohibit) any individual that BCLC reasonably believes is not entitled lawfully to be on the premises or who is about to commit an offence.

4.0 SUBJECT MATTER

- 4.1 In order to administer the GCA, BCLC may require Personal Information in the custody of the RCMP. In addition, the RCMP may choose to proactively disclose to BCLC Personal Information of individuals who may be undesirable pursuant to the GCA and are known to frequent gaming facilities. Personal Information will then be utilized by BCLC to assist BCLC in removing or barring undesirable individuals from gaming facilities and to provide the required written notices.
- 4.2 Upon receiving a request from BCLC, PIC / RTIC shall review three main categories of criteria from PRIME:
 - (a) Propensity for violence (including history related to violent and/or serious criminal activities, duty to warns, and charges and convictions);
 - (b) Person has a history of or is suspected of possession of the proceeds of crime as defined in Part XII.2, section 462.3(1) of the *Criminal Code*; and,
 - (c) Known gang/organized crime association.
- 4.3 In general, PIC / RTIC will provide information based on a two year history, unless the circumstances warrant expanding the search beyond the two year limit. This information

will then be provided to BCLC so that BCLC may determine if the subject poses a threat to public safety or is otherwise determined to be undesirable within the meaning of the *GCA* and therefore, should be ejected or barred from BCLC premises.

- 4.4 Similarly, the RCMP may require Personal Information in the possession of BCLC to assist with RCMP police investigations. Such information, including but not limited to: contact information, Surveillance Media, and financial transaction details.
- 4.5 The Participants will make all requests and disclosures of Personal Information within the limits established by *FIPPA* and the *Privacy Act* (Canada).

5.0 REQUEST FOR PERSONAL INFORMATION

5.1 Either Participant may request disclosure of Personal Information regarding a specific individual or individuals. The request shall be made in writing and provided to:

BCLC:

Vice President, Corporate Security and Compliance or designate

RCMP:

Officer-in-Charge, Provincial Intelligence Centre (PIC or RTIC)

- 5.2 Once a request is received, the Disclosing Participant shall advise the Receiving Participant as to the availability of the information. It is possible that some requests for Personal Information may be denied and require either Participant to obtain a court order prior to disclosure.
- 5.3 BCLC acknowledges that there are categories of sensitive information that would not normally be provided by the RCMP to BCLC:
 - (a) correspondence or communications between the RCMP and Crown Counsel, or between the RCMP and solicitors advising them, for the purpose of giving or receiving legal advice;
 - (b) documents which it would be contrary to the public interest to produce and, in particular, documents which if disclosed could:
 - (i) reveal correspondence or communications between the RCMP and Crown Counsel other than those referred to in paragraph 5.3(a);
 - (ii) prejudice the conduct of a criminal prosecution which is anticipated or has been commenced but not finally concluded, where the dominant purpose for the creation of the documents is that prosecution (not including reports, photographs, videotapes or other records of or relating to the incident created by or for the RCMP on their attendance at the scene of the incident or as a contemporaneous record of such attendance);
 - (iii) harm an ongoing statutory investigation or ongoing internal RCMP investigation;
 - (iv) reveal the identity of a confidential human source or compromise the safety or security of the source;
 - (v) reveal sensitive police investigation techniques; or,
 - (vi) harm international relations, national defence or security or federal provincial relations; or,

- (c) protected from production by the *Youth Criminal Justice Act*, S.C. 2002, c. 1, or by any other applicable statute.
- 5.4 The Disclosing Participant shall:
 - (a) advise the Receiving Participant as to whether or not the Disclosing Participant is able to provide the requested Personal Information; and,
 - (b) provide, as soon as practicable, the requested Personal Information.

6.0 SECURITY AND CONFIDENTIALITY

- 6.1 All Personal Information and documentation provided to, collected by, delivered to or compiled on behalf of the Participants to this ISA in the performance of their duties and responsibilities shall be dealt with subject to and in accordance with federal and provincial statutes, particularly the *Privacy Act* (Canada), the *Access to Information Act*, R.S.C. 1985, c. A-1, and *FIPPA*.
- 6.2 The Participants agree that for the purposes of section 13(1) of the Access to Information Act, section 19(1)(c) of the Privacy Act and section 16(1)(b) of FIPPA, all information disclosed and received between the Participants under this ISA is disclosed and received in confidence and the Receiving Participant will maintain all such information in strict confidence and not divulge or otherwise communicate it to any person other than as permitted by, and to the limited extent necessary to fulfill the purpose of, this Agreement.
- 6.3 Where a Participant receives a request under the Access to Information Act, the Privacy Act, FIPPA, or in connection with any administrative or court proceeding including without limitation a court order, notice of application, demand for production of documents, summons or subpoena for disclosure of records that are subject to this ISA, that Participant shall immediately consult the other Participant to this ISA before disclosing the records to the applicant.
- 6.4 The Participants agree to establish a media relations plan to regulate contacts with the media in relation to this ISA. All media releases shall be reviewed by both Participants to the ISA before disclosing those media releases to the media and the public.

7.0 DISCLOSURE OF SURVEILLANCE MEDIA

- 7.1 The RCMP acknowledges that BCLC's Surveillance Media constitutes highly confidential and proprietary information of BCLC that is not disclosed to or otherwise available to the general public and agrees that it will:
 - (a) retain Surveillance Media disclosed by BCLC in strict confidence and within its sole custody, possession and control other than as provided for in accordance with this Agreement;
 - (b) not reproduce, release, divulge, disclose or otherwise distribute Surveillance Media or the contents thereof to any person outside of the RCMP and the Category I law enforcement RTIC partners, other than as provided for and in accordance with this Agreement; and,

- keep confidential all documents, materials or information regarding or containing information disclosed in the Surveillance Media, including notes or memoranda based on the Surveillance Media, and to destroy any such documents and materials upon conclusion of the matter in respect of which disclosure of the
- Surveillance Media was made, subject to the retention and disposal requirements of the *Library and Archives of Canada Act*, Stats. Can. 2004, c. 11 and the RCMP Retention and Disposal Schedule.
- 7.2 If the RCMP deems it necessary, for the purposes of assisting with the administration or enforcement of any law or to carry out a lawful investigation, to provide Surveillance Media to expert advisors or consultants retained by it, then the RCMP shall obtain from that person written confirmation that the person will keep the Surveillance Media strictly confidential, not make any copies of the Surveillance Media, maintain it in a secure manner at all times, and return it to the RCMP as soon as practicable.
- 7.3 In the event that the RCMP receives any request or demand whatsoever that could result in disclosure of Surveillance Media, including without limitation any request under the *Access to Information Act*, the *Privacy Act*, *FIPPA*, or in connection with any administrative or court proceeding including without limitation a court order, notice of application, demand for production of documents, summons or subpoena, the RCMP shall promptly and prior to making any disclosure of Surveillance Media give notice to BCLC in accordance with section 9.1 of this Agreement so that BCLC may seek a protective order or other appropriate remedy in respect of the Surveillance Media.

8.0 COSTS

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8.1 In the event that a Receiving Participant requests information and the Disclosing Participant incurs a cost in producing, gathering, copying or amassing the requested information, the Receiving Participant shall fully reimburse the Disclosing Participant for its costs PROVIDED THAT neither Participant shall seek reimbursement for any staffing costs associated with fulfilling a request for information.

9.0 NOTIFICATION

9.1 All notices or communications provided for in this ISA will be in writing and will be mailed or delivered to the individuals or positions responsible for the discharge of the obligations detailed in this Agreement. For the purposes of delivery of Notice, the addresses for delivery are:

For BCLC:

British Columbia Lottery Corporation Attn: Brad Desmarais; Vice President Corporate Security and Compliance 2940 Virtual Way, Vancouver, BC V5M 0A6 Email: PERSONAL INFORMATION

For the RCMP:

OIC, Provincial Intelligence Centre (PIC / RTIC) 14200 Green Timbers Way (Mail stop #701), Surrey, BC V3T 6P3

7

or at such address as a Participant has advised in writing.

9.2 Any such notice or communication given by mail will be deemed to have been delivered 72 hours after having been deposited in the mail service with first class postage prepaid. If given by electronic transmission, then such notice or communication will be deemed effective when received.

10.0 LIABILITY

- 10.1 The Participants agree that claims for damage and/or liability from third parties, the applicable provisions of the *RCMP Act*, the *Crown Liability and Proceedings Act*, R.S.C. 1985, c. C-50, and the Provincial Police Service Agreement shall apply and that the RCMP shall be deemed to be acting pursuant to paragraph 11(1)(b) of the *Police Act* while performing its duties under this Agreement.
- 10.2 Each Participant waives all claims against the other Participant in respect of damage caused to its personnel and/or its property by personnel or agents (excluding contractors) of the other Participant arising out of, or in connection with, the implementation of this Agreement.
- 10.3 However, if the damage described in Section 10.2 results from reckless acts or reckless omissions, willful misconduct or gross negligence of a Participant, its personnel or agents, the liability for any costs will be the responsibility of that Participant alone.
- 10.4 If one Participant receives notice of a claim by a third party for damage of any kind, caused by one of the Participant's personnel or agents arising out of, or in connection with, the implementation of this Agreement, the receiving Participant will notify the other Participant as soon as is practicable.
- 10.5 In the event of a notice of claim as described in Section 10.4, the Participants will consult and attempt to resolve the claim. If required, the Participants will divide financial responsibility between themselves to satisfy the claim. If such liability results from reckless acts or reckless omissions, willful misconduct or gross negligence of a Participant, its personnel or agents, the liability for any costs will be the responsibility of that Participant alone.
- 10.6 These provisions will survive the termination of this Agreement for any reason whatsoever.

11.0 TERM OF AGREEMENT

- 11.1 This Agreement will come into full force when signed by both Participants.
- 11.2 This Agreement will remain in full force and effect until replaced by another agreement or terminated in accordance with this Agreement.

24

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- 11.3 This Agreement may be terminated at any time by either Participant if the other Participant fails to meet its obligations under this Agreement.
- 11.4 In compliance with the directive issued by the Solicitor General of Canada (2002) to the Commissioner of the RCMP that addresses agreements entered into by the RCMP, the Participants agree:
 - (a) to reviews, audits and evaluations of any aspect of this Agreement;
 - (b) to amendments by mutual written agreement at any time duly executed by the Participants to this Agreement; and,
 - (c) that either of the Participants to this Agreement may terminate participation in this agreement upon provision of thirty (30) days written notice to the other Participant of their intention to terminate this Agreement.
- 11.5 Nothing in this Agreement is in any way intended to replace or amend any obligation that either Participant is bound to or required to perform by operation of law.
- 11.6 Nothing in this Agreement shall be interpreted to conflict with or derogate from the *Royal Canadian Mounted Police Act*, or *Royal Canadian Mounted Police Regulations*, 1988, or the British Columbia Police Act, R.S.B.C. 1996, c. 367 and Regulations under the Police Act but shall be interpreted in all respects to be subject to the *Royal Canadian Mounted Police Act* and *Royal Canadian Mounted Police Regulations*, 1988 or the Police Act and Royal Canadian Mounted Police Regulations under the Police Act. Should any provision of this Agreement be found in conflict or derogation of the Royal Canadian Mounted Police Act or Royal Canadian Mounted Police Act and Regulations, 1988, or the Police Act and Regulations under the Police Act and Regulations, 1988, or the Police Act and Regulations under the Police Act and Regulations under the Police Act and Regulations under the Police Act. Should any provision of this Agreement be found in conflict or derogation of the Royal Canadian Mounted Police Act or Royal Canadian Mounted Police Act or Royal Canadian Mounted Police Act and Regulations under the Police Act such provision shall be null and void.

12.0 General

- 12.1 This Agreement will be governed by and construed in accordance with the laws in force in the Province of British Columbia and the federal laws of Canada, without reference to any choice of law or conflict of law principles.
- 12.2 Each Participant is an independent contractor for the purposes of this Agreement and will not be deemed to be a servant, employee, agent, partner or joint venturer of any other Party.
- 12.3 If any provision of this Agreement is determined by any court of competent jurisdiction to be illegal or unenforceable, that provision will be severed from this Agreement and the remaining provisions will continue in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to either of the Participants.
- 12.4 Each Participant will perform the acts, execute and deliver the writings, and give the assurances necessary to give full effect to this Agreement.
- 12.5 This Agreement contains the entire agreement of the Participants concerning the subject matter of this Agreement, and no other understandings or agreements verbal or otherwise exist between the Participants with respect to such subject matter.

- 12.6 This Agreement may be executed in any number of counterparts or by fax or other electronic means, each of which will be deemed an original and all of which together will constitute one and the same agreement.
- 12.7 This Agreement reflects the good faith and spirit of cooperation of the Participants, but is not legally binding on any of the Participants.

Authorized representatives of the Participants:

BRITISH COLUMBIA LOTTERY CORPORATION

Brad Desmarals Vice-President Corporate Security and Compliance

Date

ROYAL CANADIAN MOUNTED POLICE

Craig J. Callens Deputy Commissioner Commanding Officer, "E" Division

12 FEB 2014

Date

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This is Exhibit "7" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this 22 day of January 2021.

A Commissioner for taking Affidavits for the Province of British Columbia ----

INFORMATION SHARING AGREEMENT AMENDING AGREEMENT

This Amending Agreement dated as of July 14, 2016.

BETWEEN:

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BRITISH COLUMBIA LOTTERY CORPORATION

a Crown corporation having its registered address at 74 West Seymour Street Kamloops, British Columbia, V2C 1E2, Canada ("BCLC" or "Participant")

AND:

THE ROYAL CANADIAN MOUNTED POLICE

With Its "E" Division Headquarters located at 14200 Green Timbers Way Surrey, British Columbia, V3T 6P3, Canada ("RCMP" or "Participant")

(Collectively, the "Participants")

WHEREAS the RCMP and BCLC entered into an information Sharing Agreement (the "Agreement") signed February 12, 2014;

And WHEREAS the RCMP is a member of the Combined Forces Special Enforcement Unit British Columbia and the Joint Illegal Gaming Investigation Team;

AND WHEREAS the Participants wish to amend the Agreement to document the terms and conditions of the exchange of certain personal information by the Participants;

NOW THEREFORE, the parties hereto agree as follows:

Article 1 - Amendment

- 1.01 The Agreement is hereby amended as follows:
 - (a) Section 2.0(v) is deleted and replaced with:

"Member" means any person who has been appointed as an officer pursuant to section 5 or section 6(4), or other member of the RCMP appointed pursuant to section 7(1), of the RCMP Act, R.S.C. 1985, Chapter R-10, and any Regulations made pursuant thereto.

(b) Section 4.1 is deleted and replaced with:

"In order to administer the GCA, BCLC may require Personal Information in the custody of the RCMP. In addition, the RCMP may proactively or reactively disclose to BCLC Personal Information of individuals who may be undesirable pursuant to the GCA, or where it has reasonable grounds to believe that an offence has or may occur at or in relation to a British Columbia gaming facility. Personal Information may include information regarding Provincial Tactical Enforcement Priority Individuals who frequent gaming facilities. Personal Information

PROTECTED "

may then be utilized by BCLC to assist it in removing or barring undesirable individuals from gaming facilities and to provide the required written notices."

(c) Section 4.4 is deleted and replaced with:

"Similarly, the RCMP may require Personal Information in the possession of BCLC to assist with RCMP investigations. In addition, BCLC may proactively disclose to the RCMP Personal Information where it deems it appropriate to do so and such disclosure relates to the *Criminal Code*, R.S.C. 1985, c. C-46, the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*, S.C. 2000, c. 17 or the GCA. Such information may include, but is not limited to: contact information, Surveillance Media, Incident reports and financial transaction details."

- (d) Section 5.1 is amended as follows:
 - (i) The words "Vice President Corporate Security and Compliance" are deleted and replaced with "Vice President responsible for Compliance, or designate".
- (a) Section 9.1 is amended as follows:
 - the words "Brad Demarais; Vice President Corporate Security and Compliance" are deleted and replaced with "Vice President responsible for Compliance, or designate"; and
 - (ii) the words "Email: PERSONAL INFORMATION are deleted.
- (f) The following is added as section 10.7:
 - "10.7 If a Participant shares information disclosed pursuant to this Agreement with a third party, that Participant agrees to indemnify and hold harmless the other Participant from any claim, liability or damage relating to any acts or omissions of the third party connected with such information."

Article 2 – General

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- 2.01 Capitalized terms used but not otherwise defined herein have the meaning ascribed thereto in the Agreement.
- 2.02 Except as modified hereby, the Agreement will remain in full force and effect.
- 2.03 This Amending Agreement may be executed in one or more counterparts, each of which will be deemed an original and will constitute one and the same instrument. Signatures exchanged via facsimile or digital scans of original signatures will be deemed originals.

[Remainder of page intentionally left blank.]

This Agreement reflects the good faith and spirit of cooperation of the Participants, but is 2.04 not legally binding on any of the Participants.

IN WITNESS WHEREOF the participants hereto have entered into this Amending Agreement as of the date first written above.

BRITISH COLUMBIA LOTTERY CORPORATION OB Per:

Authorized Signatory

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Robert Kroeker Vice President, Corporate Security and Compliance

14,2016 Date:

ROYAL CANADIAN MOUNTED POLICE

Per:

Authorized Signatory

Craig J. Callens, Deputy Commissioner Commanding Officer, "E" Division

Date: 2016.07.20

This is Exhibit "8" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this 200 day of January 2021.

A Commissioner for taking Affidavits for the Province of British Columbia ----

32



Financial Transactions and Reports Analysis Centre of Canada Ottawa, Canada K1P 1H7 Centre d'analyse des opérations et déclarations financières du Canada Ottawa, Canada K1P 1H7

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Your File: Our File: A-2013-00004/00017mn

Ms. Cathy Anastasio BC Lottery Corporation 74 West Seymour Street Kamloops, BC V2C 1E2

July 22, 2013

Dear Ms. Anastasio:

This is further to our acknowledgment email of May 17, 2013 and your request dated May 6, 2013, which we received in our office on May 14, 2013, submitted under the *Access to Information Act* requesting access to:

"I am seeking information as outlined below for calendar year 2012.

- I. Individual Instances (excluding personal/third party information) or total number of instances of unreported but detected currency of \$10,000 or more inbound at the international ports of entry in the Greater Vancouver Area of BC including land, marine and air. Please include the following details for each instance:
 - a. Port of Entry
 - b. Date and location of incident
 - c. Amount of currency (including denominations if available)
 - d. Nationality of Currency
 - e. Amount of fine or terms of release (if applicable)
 - f. Country of origin

 Individual Instances (excluding personal/third party information) or total number of instances of reported currency of \$10,000 or more in bound at the international ports of entry in the Greater Vancouver Area of BC including land, marine and air. Please provide the following details for each instance:

- a. Port of Entry
- b. Date and location of incident
- Amount of currency (including denominations if available)
- d. Nationality of Currency
- Country of origin."

In respecting the 10 principles of processing requests under the Act, in order to respond to you, based on our interpretation of your request and available information, a report was prepared by the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC). The report was reviewed in accordance with the Act and we are pleased to inform you that it is being released in its entirety.

You do have the right to submit a complaint concerning our response, within 60 days of the date of this correspondence. Should you choose to submit a complaint, you may do so by contacting the Information Commissioner, by telephone toll-free at 1-800-267-0441, or by mail at the following address:

Office of the Information Commissioner of Canada Place de Ville 7th Floor, Tower B 112 Kent Street Ottawa, Ontario K1A 1H3

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Should you have any questions, please do not hesitate to contact Mijanoux Beauchamp by telephone at PERSONAL INFORMATION, e-mail: PERSONAL INFORM/PERSONAL INFO , or at the address noted above. When communicating with us, we would appreciate it if you would quote the file number we have assigned to your

Yours truly, John Widdis ATIP Coordinator

Encl.

request.

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Document released under the Access to Information Acces

Response to ATI Request M2013tobio04 gué en vertu de la Loi sur l'accès à l'information

For the purpose of the above-noted Access to Information request, the locations in BC are: Aldergrove, Delta, Richmond, Surrey, and Vancouver.

Response to Part 1 of the request

*Please note the following caveats for the table below.

- The currency seizure amounts have been converted into Canadian dollars.
- The currency amounts do not reflect the total amount seized for each report. Some seizure
 reports could hove several different denominations in the total.

Total seizures: 445

Issue Country Name	Total \$ (CAD)
Argentina Peso	795.51
Australian Dollar	56303.49
Canadian Dollar	4665840.00
Ethiopian Birr	0.27
Euro	120633.98
Hong Kong Dollar	154850.58
Iranian Rial	4524.20
Israeli New Shekel	2324.08
Japanese Yen	4532.43
Kuwaiti Dinar	143.84
Malaysian Ringgit	1787.94
Mexican New Peso	59.62
New Taiwan Dollar	5161.11
New Zealand Dollar	118.48
Pataca	172.11
Phillipine Peso	372.70
Pound Sterling	51157.86
Qatari Rial	1107.07
Rupiah	1286.48
Singapore Dollar	3608.86
South Korean Won	7608.67
Swedish Krona	8.97
Swiss Franc	14866.50
Thailand Baht	326.80

RDIM5 450753

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Document released under the Access to Information Act

UAE Dirham	2469.22
US Dollar	2381621.41
Yemeni Rial	0.09
Yuan Renminbi	230795.27
Total:	7,712,477.54

Document divulgué en vertu de la Loi sur l'accès à l'information

Response to Part 2 of the request

*Please note the following caveats for the table below.

- The total cross-border currency report (CBCR) amounts are in their original currency and have not been converted into Canadian dollars.
- The CBCR currency amounts do not reflect the total omount declared for each report. Some CBCR reports could have several different denominations in the total.
- The CBCR reports include currency from any country as well as any monetary instruments which for these purposes means the following instruments in bearer form or in such other form as title to them passes on delivery, namely,
 - (a) securities, including stocks, bands, debentures and treasury bills; and

(b) negotiable instruments, including bank drofts, cheques, promissory notes, trovellers' cheques and money orders, other than warehouse receipts or bills of lading."

Currency	Total*
AED	127097
ALL	5200
AUD	1115948.57
BBD	0.91
BDT	22500
BRL	1800
CAD	168425762.2
CDF	50900
CHF	529320
CHW	46400
CLP	42000
CNY	6390955.5
COP	10000

Total Reports: 10,471

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COU	29500
CSD	22000
СҮР	20175
CZK	407100
EGP	30000
EUR	3000124.5
FJD	44210
GBP	424912.9
GNF	64000
GRD	13300
HKD	9157262
HRK	5110
IDR	30658558.79
ils	870
INR	32247626
IRR	46394500
JOD	2700000
JPY	190484663
KPW	315
KRW	26828646
LBP	5300
MAD	620
MKD	7420
ММК	17000
МОР	1330
MXP	60716
MYR	27248
NGN	360520
NOK	201000
NZD	77877.19
PHP	5393621.91
PKR	550
PLN	20000
QAR	20489
ROL	82.3
RON	5910
RSD	210015
RUB	37523.95
RUR	32850
SAR SEK	94189.5 410130

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RDIMS 450753

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Document released under the Access to Information Act

Document divulgué en vertu de la Loi sur l'accès à l'information

SGD	336259.83
тнв	167475
TRY	2259
TWD	645373
UAH	169057
UGS	141390
UGX	15000
USD	136034135.7
USN	102200
USS	10510
UYI	30000
UYP	186342
UYU	13000
UZS	17540
VND	12272170
VUV	1165700
ZAR	807100
ZMK	3942500

*Amounts represent totals in currency, not in Canadian dollars.

RDIMS 450753

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This is Exhibit "9" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this 22 day of January 2021.

A Commissioner for taking Affidavits for the Province of British Columbia To:Brad DesmaraisFrom:Laura Piva-BabcockSent:Mon 2015-03-02 7:49:35 PMSubject:RE: FOR REVIEW South China Morning Post inquiry

Thank you. L

From: Brad Desmarais Sent: March 2, 2015 11:48 AM

To: Laura Piva-Babcock

Subject: RE: FOR REVIEW South China Morning Post inquiry

That sounds good. The situation with respect to flight of capital is not nearly as simple or as clear cut as the author suggests; most of the thrust of the flight of capital laws is focused on personal wealth, not business investments. Canada's recent agreement with China is a good example of that where both countries agree that each of our currencies, and most notably RMB, can be used as a settlement instrument for trade. Similarly, the Chinese government acknowledges and encourages certain types of investments in foreign jurisdictions including BC. Look at Chinese investment in the energy and property development sectors. The vast majority of our Chinese players have an income stream generated from BC investments or businesses but despite that, many still prefer to deal in cash in some circumstances (a situation we are trying to socialize them away from).

Brad Desmarais

Vice President, Corporate Security & Compliance (and) Interim Vice President, Human Resources BCLC, 2940 Virtual Way, Vancouver, B.C. V5M 0A6

PERSONAL INFORMATION

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, March 02, 2015 9:16 AM

To: Brad Desmarais

Cc: Lisa Green

Subject: FOR REVIEW South China Morning Post inquiry

Hi Brad,

I thought I'd let you take a look first before I move it up to Monica, Susan and then Jim. His deadline is 1 p.m., and we'll have to get through GPEB and GCPE review as well. I've gone through our powerpoint and it mentions global watch lists, media etc. Do we use media articles to ensure that these folks do indeed have sources of wealth in B.C. as well? I think I'll need to explain to GCPE how that is done.

1. How is the BCLC catering to the needs or preferences of mainland Chinese gamblers?

- ∀Our high limit table game strategy is focused on the unique preferences of players who have the wealth and desire to play at higher limits (regardless of nationality). This includes more private and semi-private salons for baccarat with levels of customer service that are comparable to what can be expected in similar salons in casinos around the world.
- 2. I noted in an interview with the Victoria Times Colonist this week that Mr Lightbody referred to the BCLC's strategy of having increased the number of private rooms with table limits of C\$100,000 per hand, with most clients being mainland Chinese. I was wondering how the BCLC reconciles this strategy with Chinese law, which prohibits the export of more than US\$50,000 per year. This law applies to both Chinese tourists and Chinese emigrants. Does the BCLC feel any obligation to comply with Chinese law in this respect?
- ∀ BCLC conducts a higher level of due diligence on players who play at these levels. This includes knowing and understanding their background, sources of wealth etc. We know the high limit players who are visiting from China not only have businesses and investments in China, but also have investments and business interests in B.C.

 \forall This due diligence is conducted for business purposes and is also part of a comprehensive anti-money

laundering program, designed to meet our obligations under federal legislation and regulations.

3. Was the BCLC previously aware of this aspect of Chinese law? I can find no reference to it in any BCLC documents available online; if such references exist, could the material please be forwarded to me?

∀ BCLC is aware of restrictions on capital out of China. Our service plan, for example, indicates that currency restrictions present risks for growth. [can we say anything more here about how we augmented our due diligence knowing this?? Or how we have kept our budget projections in line with the fact we know there is a small number of people we can deal with]

From: Brad Desmarais

Sent: February 27, 2015 6:28 PM To: Laura Piva-Babcock

Subject: Re: South China Morning Post inquiry

This is easy to answer. We've done due diligence and we know that these individuals pretty much all have BC investments and business interests. The flight of capital laws are not absolute. Chinese can invest in some opportunities lawfully in foreign jurisdictions.

Sent from my BlackBerry 10 smartphone on the TELUS network.

From: Laura Piva-Babcock

Sent: Friday, February 27, 2015 17:05

To: Susan Dolinski; Jennifer Keim; Brad Desmarais

Subject: South China Morning Post inquiry

Hi,

I spoke to the reporter and he was up front indicating that he mainly wants to ask Jim (BCLC) how a Crown corporation can square the fact that its going after players who are very likely breaking Chinese law by bringing more than \$50k US out of the country per year. He says he's not so much concerned about the money laundering aspect, since he's fully aware that most of these folks are likely legitimate business people who take the money out of the country. He says while realtors and car dealers to do their thing with wealthy Chinese industrialists, it's another for a Crown to build a strategy around this money/these people. So he's mainly looking at the philosophical question.

He sent us the following questions after I spoke to him -

1. I noted in an interview with the Victoria Times Colonist this week that Mr Lightbody referred to the BCLC's strategy of having increased the number of private rooms with table limits of C\$100,000 per hand, with most clients being mainland Chinese. I was wondering how the BCLC reconciles this strategy with Chinese law, which prohibits the export of more than US\$50,000 per year. This law applies to both Chinese tourists and Chinese emigrants

2. Does the BCLC feel any obligation to comply with Chinese law in this respect?

3. Was the BCLC previously aware of this aspect of Chinese law? I can find no reference to it in any BCLC documents available online; if such references exist, could the material please be forwarded to me?
4. How is the BCLC catering to the needs or preferences of mainland Chinese gamblers?

I believe we reference something about other laws as a risk in our Service Plan, but I'll double check on that. We can answer question 4 easily.

As for the other two questions. I had a conversation with Jenn earlier today SOLICITOR-CLIENT PRIVILEGE

SOLICITOR-CLIENT PRIVILEGE

His deadline is Monday afternoon. Let me know if you have any thoughts. Thanks

Laura Piva-Babcock

Manager, Media and (ssues Management 74 West Seymour Street, Kamloops, B.C. V2C 1E2

PERSONAL INFORMATION Connect with us:

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Each year, revenue from gambling contributes more than \$1 billion to fund important provincial, municipal and charitable programs across B.C.

41

This is Exhibit "10" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this day of January 2021.

A Commissioner for taking Affidavits for the Province of British Columbia To:Rob KroekerPERSONAL INFORMATIONFrom:Brad DesmaraisSent:Mon 16/04/2018 8:13:55 PMSubject:FW: Confirmed hit

Example of DD resulting in banning.

From: Ross Alderson Sent: Monday, June 15, 2015 11:21 AM To: Brad Desmarais Subject: Re: Confirmed hit

Banned as undesirable 5 years

Ross Alderson Director, AML & Operational Analysis

Sent from my BlackBerry 10 smartphone on the TELUS network.

From: Brad Desmarais Sent: Monday, June 15, 2015 2:16 PM To: Ross Alderson Subject: RE: Confirmed hit

Where did we end up on this? thanks

Brad Desmarais Vice President, Corporate Security & Compliance (and) Interim Vice President, Human Resources

BCLC, 2940 Virtual Way, Vancouver, B.C. V5M 0A6 Personal Information

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: Thursday, May 28, 2015 4:34 PM To: Kevin Sweeney; Brad Desmarais Subject: FW: Confirmed hit

One for discussion. Interpol warrant for bribery – warrant origin <u>China</u> RRCR player. About \$1.4 million in buy in's this calendar year Overall \$200 -300K down (this year) Burnaby address

Ross Alderson CAMS

Director, AML & Operational Analysis Corporate Security and Compliance Division, BCLC 2940 Virtual Way, Vancouver, BC, V5M 0A6 PERSONAL INFORMATION

PERSONAL INFORMATION

From: Brad Rudnicki Sent: Thursday, May 28, 2015 4:07 PM To: Ross Alderson Cc: Daryl Tottenham; Cathy Cuglietta Subject: Confirmed hit

SID 95916-wated by Interpol for accepting bribes. Lots of iTrak activity, recent LCTs and STRs. He has been added to the spreadsheet for your review.

Brad Rudnicki, CAMS Business Intelligence Analyst, AML & Operational Analytics Corporate Security & Compliance Division, BCLC

BCLC, 2940 Viriual Way, Vancouver, BC V5M 0A6 PERSONAL INFORMATION

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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.

This is Exhibit "11" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this 22 day of January 2021.

A Commissioner for taking Affidavits for the Province of British Columbia

46

Message	
From:	Patrick Ennis PERSONAL INFORMATION
Sent:	2014-10-20 3:58:20 PM
To:	John Karlovcec PERSONAL INFORMATION
CC:	Brad Desmarais PERSONAL INFORMATION Robert G. Kroeker PERSONAL INFORMATION Kevin Sweeney
	PERSONAL INFORMATION Kris Gade PERSONAL INFORMATION; Daryl Tottenham PERSONAL INFORMATION
Subject:	Re: Unusual Financial Transaction

Just a further update now that I have had a chance to review the table reports on his play his total loss for this visit was 1.5 million.

On Oct 18, 2014, at 10:57 AM, John Karlovcec PERSONAL INFORMATION wrote:

Gents,

Simply an Eyi and heads up that VIP Kesi WEI had another significant cash drop off of \$645 K cash this morning around 3 am at RRCR. A white Mercedes SUV delivered the money [unknown who the driver was]

1 just spoke to Georgie at River Rock Surveillance at 1030 am . He advised that Kesi WEI was still in the high limit room however he had essentially lost all of the money that had been delivered to him this morning.

As you know back on September 25 Kesi WEI had a similar drop off of cash that caused GPEB investigations to go on a rampage.

We told GPEB's Bill McCrae in a phone conversation on Thursday that the September drop off was an anomaly [which it was at the time] for Kesi WEI as he always uses his PGF account.

We now have an identical drop off of cash which no doubt will fuel Larry and Joe's fire.

Pat perhaps this incident and strategy surrounding Mr. WEI can form part of the dialogue at the Monday meeting.

Thanks,

John

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

From PERSONAL INFORMATION

Sent: Saturday, October 18, 2014 3:23 AM

To: Cathy Anastasio; Tom Plante; Stone Lee; John Karlovcec; Brian Stephens; Don Merkel; David Slobodian; Daryl Tottenham; Brad Rudnicki; Bruno Gatto; Darryl Tateishi; Rolly Dioquino; Kris Gade; Brandon Norgaard; Tom Caverly; PERSONAL INFORMATION

Subject: Unusual Financial Transaction

Unusual Financial Transaction

Property: River Rock (GCC)

Incident File # IN20140052723 Date: Oct 18 2014 3:22:47 AM

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File details: B/L of \$645,105 for SubJD#144419 to MDB 27 (4493 X \$50, 2744 X \$100, 7302 X \$20, 1 X \$5, 1 X \$10) Created by: Irezek 10/18/2014 03:23:22 AM Modified by:

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This is Exhibit "12" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this day of January 2021.

A Commissioner for taking Affidavits for the Province of British Columbia To: Brad Desmarais PERSONAL INFORMATION]; Monica Bohm PERSONAL INFORMATION; Susan

Dolinski^[PERSONAL INFORMATION] From: Jim D. Lightbody Sent: Thur 2014-11-27 3:52:11 AM Subject: Re: Kesi Wei

;;;;;; Thanks Brad, well done.

Sent from my BlackBerry 10 smartphone on the TELUS network. **From:** Brad Desmarais **Sent:** Wednesday, November 26, 2014 7:18 PM **To:** Monica Bohm; Jim D. Lightbody; Susan Dolinski **Subject:** Kesi Wei

This VVIP tried to come into the RR with \$500K after being spoken to twice about using cash originating from our person of interest. The RR has declined to accept the cash and he departed. He also said he had a large amount of chips but was advised he could use them if he verified source. All LMD Casinos have been advised not to accept cash from this person and he will be banned from cash play at our Casinos until interviewed by BCLC investigators.

Sent from my BlackBerry 10 smartphone on the TELUS network.

This is Exhibit "13" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this 23 day of January 2021.

A Commissioner for taking Affidavits for the Province of British Columbia Message

From:	Robert G. Kroeker PERSONAL INFORMATION
Sent:	2015-01-02 2:59:44 AM
To:	Shauna Gillespie PERSONAL INFORMATION
Subject:	FW: Binshun CAO # 11435

For info.

-----Original Message-----From: Brad Desmarais [mailto:PERSONAL INFORMATION Sent: Wednesday, December 31, 2014 11:52 AM To: Robert G. Kroeker Cc: John Karlovcec Subject: RE: Binshun CAO # 11435

Copy...

John FYI.

Brad Desmarais Vice President, Corporate Security & Compliance (and) Interim Vice President, Human Resources

BCLC, 2940 Virtual Way, Vancouver, B.C. V5M 0A6 PERSONAL INFORMATION

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

-----Original Message-----From: Robert G. Kroeker [**PERSONAL INFORMATION**] Sent: Wednesday, December 31, 2014 11:31 AM To: Brad Desmarais Subject: Re: Binshun CAO # 11435

Agree. How about John connecting directly with Deborah and Daniel

Sent from my iPhone

On Dec 31, 2014, at 11:38 AM, Brad Desmarais wrote:

PERSONAL INFORMATION

I guess we need to have a call about this guy...

Brad Desmarais Vice President, Corporate Security & Compliance (and) Interim Vice President, Human Resources

BCLC, 2940 Virtual Way, Vancouver, B.C. V5M 0A6 PERSONAL INFORMATION Last year, more than \$1 billion generated by BCLC gambling activities went back into health care, education and community groups across B.C.

From: John Karlovcec Sent: Wednesday, December 31, 2014 9:37 AM To: Brad Desmarais Cc: Daryl Tottenham Subject: RE: Binshun CAO # 11435 Importance: High

Hi Brad,

As a follow up I spoke with Daryl this morning re: CAO.

CAO attended RRCR last night and conducted another large cash buy-in using small denomination consisting of ($20 \times 18,001 + 10 \times 1 + 5 \times 1 = 360,035$).

This now places him at 1.8 million in cash in 7 days, mostly small bills.

Daryl identified that CAO opened a PGF account in July and ran a bank draft for a half million into it which he used over the following week but he has not used it since then.

This is starting to be very similar to Kesi Wei's situation. As an initial step I'm going to suggest that we have RRCR management speak with CAO much like we did with Kesi Wei to determine source of funds as well as to encourage the use of the PGF account. RRCR can then monitor his activities following the discussion.

I recognize that we do not want to jeopardize revenue however if the dialogue does not garner the intended results we may need to have our investigators have a chat with him and/or look at imposing additional restrictions relative to his use of cash to play.

If you are in agreement we will have the RRCR investigators chat with RRCR management to make arrangements to speak with CAO.

John

From: Brad Desmarais Sent: December-30-14 11:24 AM To: Daryl Tottenham Cc: John Karlovcec Subject: RE: Binshun CAO # 11435

At this point we are uncertain where the cash is coming from? Can we get the SP Cash Cage to do a source of funds inquiry? Any other suggestions?

Brad Desmarais Vice President, Corporate Security & Compliance (and) Interim Vice President, Human Resources

BCLC, 2940 Virtual Way, Vancouver, B.C. V5M 0A6

PERSONAL INFORMATION

53

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

From: Daryl Tottenham Sent: Tuesday, December 30, 2014 11:21 AM To: Brad Desmarais Cc: John Karlovcec Subject: RE: Binshun CAO # 11435

Morning Brad,

Just to update you on this player, upon reviewing his activity this morning there were a number of LCTs in the past 6 days but only 2 incident files and the female was still LNU. I sent a request to the guys at RR this morning to review his activity asap and advise and it turns out RR decided not to report 2 of his cash buy-ins for \$250,000 on each occasion: The first on the 23rd because they were \$100 bills and the 2nd on the 29th and no indication what the bills were. The 450K cash buy-in on the 24th was all \$20's and the second 450K cash buy-in was in various bills from \$10 to \$100. Two of his buy-ins showing 545K and 620K on the 26th and 27th are from winnings the previous night but there should be 2 more UFT files that need to be created and 4 STR's in total over 6 days. His total cash buy-in's during these 6 days sits at 1.4 million, much of which is in small bills. Jerome is looking after my requests to deal with Arlene regarding the circumstances of these buy-ins but the investigators would like to know if there is anything that you wish them to do if CAO returns again tonight, which he is likely to do. Let me know if there is anything you would like me to follow up with, I have Cathy and Brad doing a priority deep dive on both subjects so we can confirm their source of wealth and stated occupations. Daryl

Duryt

From: Brad Desmarais Sent: Monday, December 29, 2014 1:25 PM To: Daryl Tottenham Subject: RE: Binshun CAO # 11435

Thanks, Daryl. Please let me know if this pattern of LCTs continue.

Brad Desmarais Vice President, Corporate Security & Compliance (and) Interim Vice President, Human Resources

BCLC, 2940 Virtual Way, Vancouver, B.C. V5M 0A6 PERSONAL INFORMATION

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

From: Daryl Tottenham Sent: Friday, December 26, 2014 9:47 AM To: AML Cc: Brad Desmarais Subject: Binshun CAO # 11435

Brad/Cathy

54

When you return could you please do a priority dive on this guy and create a dossier for him? I have added him on the HRP list and flagged him accordingly and placed him on watch, along with comments to obtain details on the hotel he refers to in his occupation as "hotel owner". He was with a female on his last 2 large buy-ins and although she parked the car and brought in 200K in small bills and gave it to CAO, they did not get ID from her on either visit so she is listed as an LNU. I have flagged her as well to obtain ID and occupation details and will advise accordingly when it is added to this file.

He has a history with BCLC and River Rock back in 2005/2006 but his buy-ins were generally in the 20-60 K range. He disappeared in Nov 2006 and re-surfaced in July 2014 and has had 17 LCT's since that time with buyins ranging from 200K to 600K which total 2.6 million from July to December. However he did have a PGF deposit in July for 266 K and the vast majority of the buy-ins from July to late August are grossly inflated due to the churn factor. Most of those buy-ins can be tracked to large disbursements and carry-over.

The anomaly from his play started on December 23rd, 2014 as he had no play between August and Dec 23rd, then showed up with the female and brought in \$250,000 in \$20 bills for table play. (It appears he lost all but 25K of that buy-in.) This cash was brought in by them when they arrived in their Mercedes.

He returned on the 24th with the same female and CAO carried in 250K in cash and the female followed shortly after with another bag of 200K which she gave to him. The total buy-in was for \$450,000 and was in \$10, \$20, \$50, and \$100 bills and the only disbursement shown anywhere at this point if for 10K at 0727 hrs on the 25th. Will follow further with the RR investigators when they are back to work next week and try to confirm ID on the female.

Brad, you were CC'd on this as an FYI just in case you get a phone call as both buy-ins were properly reported to GPEB and may trigger some activity.

Thx Daryl

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A Commissioner for taking Affidavits for the Province of British Columbia

BCLC Investigations Protocol for Educating, Warning, Sanctioning or Barring Patrons

April 16, 2015

Prepared By:

BCLC Corporate Security & Compliance



56

BCLC0002237



Corporate Security & Compliance Implementation Date: April 16, 2015

RE: BCLC Investigations Protocol for Educating, Warning, Sanctioning or Barring Patrons

BCLC Investigations Protocol for Educating, Warning, Sanctioning or Barring Patrons

When the behaviour, activity or conduct of a patron:

- is considered a risk to his or her safety or the safety of others;
- is considered unacceptable or suspicious in nature;
- is inconsistent with anti-money laundering strategies.

and a decision is made to escalate action to be taken to correct the behaviour, activity or conduct, a BCLC Investigator will make a verbal notification to the Service Provider representative that has been identified to BCLC by the Service Provider as the main Point of Contact for the purposes of this protocol.

Note: If the behaviour, activity or conduct <u>is</u>, or possibly is, unlawful in nature, the required notification will be made to the appropriate Law Enforcement agency and this protocol is not applicable.

Note: The Service Provider should identify a main Point of Contact with a designate(s) to allow for the necessary notification to be communicated in a timely manner.

Subsequent to the verbal notification, the BCLC Investigator will follow up with an email notification to the Point of Contact and designate(s).



Course of Action Options

Depending on the circumstances, the following are possible courses of action:

- 1. Service Provider Session with Patron to Educate is appropriate when:
 - The patrons behaviour, activity or conduct is not considered serious in nature and/ or there is no or limited previous history.

2. Service Provider Session with Patron to Warn

- The patron's behaviour, activity or conduct is minor in nature and reasonable efforts have been made to educate, or a session to educate is not appropriate.

3. BCLC Investigator Interview of Patron to Educate

 The patron's behaviour, activity or conduct is minor in nature and the Service Provider has had a session(s) to educate the patron or the Service Provider chooses to have the BCLC Investigator have the session to educate the patron or a session to educate by the Service Provider is not appropriate.

4. BCLC Investigator Interview of Patron to Warn

- The patrons behaviour, activity or conduct is such that a warning is appropriate for the circumstances and/ or a Service Provider session(s) to educate was unsuccessful and/ or a session(s) to educate by BCLC Investigator was unsuccessful.
- 5. Immediate barring from gambling pending an interview by a BCLC Investigator
 - The patron was previously educated and/ or warned on the behaviour, activity or conduct and /or the behaviour, activity or conduct is considered serious in nature.
- 6. BCLC Sanctions that could possibly be imposed:

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- Not permitted to play with un-sourced chips.
- Not permitted to play with un-sourced funds.
- Requirement to open and utilize a Patron Gaming Fund account.



BCLC0002237.03

7. BCLC Provincial Barring up to five (5) years

 Reasonable efforts have been made to educate the patron and/or a previous warning or warnings did not correct the behaviour, activity or conduct, and/or the circumstances are considered egregious.

Notification by BCLC Investigator to Service Provider

When a BCLC Investigator makes the initial notification to the Service Provider Point of Contact (SP POC) and designate(s) about an identified issue with the behaviour, activity or conduct of a patron, the notification will include:

- a description of the issue with as much detail as possible and appropriate;
- what course of action is considered appropriate by BCLC.

Notwithstanding the above, when the notification is made and when appropriate, a consultative process can be exercised by the SP POC and BCLC Investigator to determine the appropriate course of action.

The BCLC Investigator will share with the SP POC as much information as possible that can be shared without compromising the integrity of the investigation or breach the patron's privacy.

Course of Action

4

Session with Patron to Educate

When the course of action is to educate the patron, the BCLC Investigator will:

- request that an SP representative (SP Rep.) conduct the session to educate; or
- advise that a BCLC investigator will conduct the session to educate.

The option is available to the SP POC to choose not to be involved in the process to educate the patron.

By Service Provider - When the course of action is for the patron to be educated by a SP Rep, the session to educate will take place on the next occasion when the patron is on site or as soon as is practicable.



Note: As soon as is practicable is defined as the earliest appropriate opportunity for both the patron and the Service Provider without unreasonable or unjustified delay.

The session to educate will be documented in CRS (iTrak) by the SP Rep. detailing the discussion with the patron and what if any acknowledgement of the issue and commitment to comply was made by the patron.

By BCLC Investigator -When the course of action is for the patron to be educated by a BCLC Investigator, the session to educate will take place as soon as is practicable.

Note: As soon as is practicable is defined as the earliest appropriate opportunity for both the patron and BCLC Investigator.

When the session to educate by the BCLC Investigator is to take place:

- The SP Rep. will be requested to identify an appropriate room that will ensure privacy.
- The SP Rep. will be requested to approach the patron and request attendance to meet with the BCLC Investigator.
- The SP Rep. will not be included in the session unless specifically requested by the BCLC Investigator. However, there may be occasion when a patron requests the presence of a SP Rep. during the session with a BCLC Investigator; in these situations the BCLC Investigator will determine if having a SP Rep. present as an observer is appropriate and or practical.
- If the BCLC Investigator is unable to make arrangements beforehand for an interpreter, if necessary, a request will be made to the SP to assist with providing an interpreter.

The session to educate will be documented in CRS (iTrak) by the BCLC Investigator with details of the discussion with the patron and what if any acknowledgement and commitment to comply was made by the patron.

Note: The CRS (iTrak) may in some cases have restricted access.

In addition to documenting in CRS (iTrak), the BCLC Investigator will provide the SP POC with an email summary.

Repeat a Session to Educate

5

On each occasion when deciding on a course of action, the circumstances will be assessed on a case by case basis and an available option can be to repeat a session to educate.



Session with Patron to Warn

When the course of action is to warn the patron, the BCLC Investigator will:

- request that a SP Rep. conduct the session to warn; or
- advise that a BCLC Investigator will conduct the session to warn.

The option is available to the SP POC to choose not to be involved in the process to warn the patron.

Service Provider session with patron to warn

When the course of action is for the patron to be warned by a SP Rep, the session to warn will take place on the next occasion when the patron is on site or as soon as is practicable.

Note: As soon as is practicable is defined as the earliest appropriate opportunity for both the patron and the Service Provider without unreasonable or unjustified delay.

A session to warn involves advising the patron that to continue the behaviour, activity or conduct could result in:

- A Service Provider site barring.
- A Service Provider imposed sanction.
- A BCLC Provincial barring up to 5 years,
- A BCLC imposed sanction.

The session to warn will be documented in CRS (iTrak) by the SP Rep. detailing the discussion with the patron and what if any acknowledgement of the issue and commitment to comply was made by the patron.

BCLC Investigator session with patron to warn

When the course of action is for the patron to be warned by a BCLC Investigator, the session to warn will take place as soon as is practicable.

Note: As soon as is practicable is defined as the earliest appropriate opportunity for both the patron and BCLC Investigator.



BCLC0002237.06

A session to warn involves advising the patron that to continue the behaviour, activity or conduct could result in:

- A BCLC Provincial barring up to 5 years.
- A BCLC imposed sanction.

When the session to warn by a BCLC Investigator is to take place:

- The SP Rep. will be requested to identify an appropriate room that will ensure privacy.
- The SP Rep. will be requested to approach the patron and request attendance to meet with the BCLC Investigator.
- The SP Rep. will not be included in the session unless specifically requested by the BCLC Investigator. However, there may be occasion when a patron requests the presence of a SP Rep. during the session with a BCLC Investigator; in these situations the BCLC Investigator will determine if having a SP Rep. present as an observer is appropriate and or practical.
- If the BCLC Investigator is unable to make arrangements beforehand for an interpreter, if necessary, a request will be made to the SP to assist with providing an interpreter.

The session to warn will be documented in CRS (iTrak) by the BCLC Investigator with details of the discussion with the patron and what if any acknowledgement and commitment to comply was made by the patron.

In addition to documenting in CRS (iTrak), the BCLC Investigator will provide the SP POC with an email summary.

Note: The CRS (iTrak) may in some cases have restricted access.

Repeat a Session to Warn

On each occasion when deciding on a course of action, the circumstances will be assessed on a case by case basis and an available option can be to repeat a session to warn.

BCLC Investigator Interview

7

When the behaviour, activity or conduct of a patron is or possibly is identified as an Anti-Money Laundering associated risk and it is necessary to satisfy the requirements of FINTRAC regulations and guidelines, BCLC Corporate Security and Compliance will direct a BCLC Investigator to conduct an interview of the patron.



Patron Interview objectives may be to determine:

- source of funds, and or;
- employment /company, and or;
- other information as needed.

Subsequent to the interview, the following are possible outcomes:

- patron is permitted to continue play
- sanctions / restrictions
- BCLC Provincial barring

BCLC Provincial Barring pending an interview by a BCLC Investigator

When a patron has been previously educated and or warned about behaviour, activity or conduct, and or the behaviour, activity or conduct, is serious or egregious in nature, an assessment will be performed by BCLC Corporate Security and Compliance.

BCLC Corporate Security and Compliance will determine if the patron will receive an immediate BCLC Provincial barring pending an interview by a BCLC Investigator to prevent a recurrence or continuance of the behaviour, activity or conduct in question.

When a patron receives a BCLC Provincial barring pending an interview by a BCLC Investigator, if a BCLC Investigator will possibly not be available to conduct the interview when the patron is in attendance at the site, direction may be given to the Service Provider to allow the patron to gamble if:

- the patron commits to not repeat the behaviour, activity or conduct that resulted in the barring, and;
- the patron must agree to contact the BCLC Investigator as soon as possible; and
- the Service Provider will provide the patron with the name and number of the BCLC Investigator the patron is to contact to schedule an interview.

BCLC Provincial Barring

When a patron has been previously educated and or warned about behaviour, activity or conduct, and or the behaviour, activity or conduct, is serious or egregious in nature, an assessment will be performed by BCLC Corporate Security and Compliance.



BCLC Corporate Security and Compliance will determine:

- if the patron will be categorized as an Undesirable and receive an immediate BCLC Provincial barring of up to five (5) years.
- if a sanction or sanctions will be imposed on the patron.

Sanctions

BCLC Sanctions that could possibly be imposed:

- Not permitted play with un-sourced chips.
- Not permitted play with un-sourced funds.



This is Exhibit "15" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this 22 day of January 2021.

A Commissioner for taking Affidavits for the Province of British Columbia

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To:Rob Kroeker[PERSONAL INFORMATION]From:Brad DesmaraisSent:Mon 16/04/2018 8:09:04 PMSubject:FW: GAO...latest

RR buy in refusal in 2015 – this will be as a result of our direction.

From: Ross Alderson Sent: Monday, April 27, 2015 8:55 AM To: Kevin Sweeney <<mark>PERSONAL INFORMATION</mark>>; Brad Desmarais <<mark>PERSONAL INFORMATION</mark>> Subject: FW: GAO...latest Importance: High

Hi Brad/Kevin, an FYI.

Mr. GAO attended RRCR over weekend with approx. \$500K in un-sourced chips. Although he did not buy in with the chips, RRCR cashed out \$200K worth of chips, GAO left and returned with a bank draft and bought in. RRCR then rejected a similar \$300K attempt by GAO to buy in.

Talking to Kris this morning apparently GAO was asked to return all his outstanding chips some time ago with a time line and he stated he had returned all his chips. It appears clear he is sourcing these from third parties, cashing them out and then using that cash to deposit to a bank account.

In a way this may not be such a bad thing.

The mass of RRCR outstanding chips are being returned. GAO is not buying in with them Original direction: (*If Mr. GAO decides to buy-in with gaming chips, the site must be able to show that said chips were the result of a verified win by Mr. GAO*) GAO is having to deposit to a bank (LCT will be submitted by bank) GAO then buys in with a bank draft which is traceable and more desireable.

In my opinion although GAO is trying to circumvent the process a little this may help us get rid of the outstanding RRCR chips while forcing GAO to use bank draft which meets our AML needs

Thoughts?

Ross Alderson CAMS

Director, AML & Operational Analysis Corporate Security and Compliance Division, BCLC 2940 Virtual Way, Vancouver, BC, V5M 0A6 PERSONAL INFORMATION

PERSONAL INFORMATION

From: Kris Gade Sent: Monday, April 27, 2015 8:18 AM To: Kevin Sweeney; Ross Alderson Cc: Bruno Gatto Subject: FW: GAO...latest Importance: High

I would say the sites are "enabling" this behaviour... Not sure what we can do to make them get the point

here ...

Kris Gade Manager, Investigations Corporate Security and Compliance Division, BCLC

2940 Virtual Way, Vancouver BC, V5M 0A6

PERSONAL INFORMATION

PERSONAL INFORMATION

bclc.com

From: Steve Beeksma Sent: April-26-15 3:42 PM To: Bruno Gatto; Kris Gade Cc: Jerome Wakeland; Jim Husler Subject: GAO...latest Importance: High

Hi all,

Just wanted to get this to you, I'm sure we'll be looking into it further tomorrow.

Yesterday I received a phone call from Peter Demonte (survei(lance manager) advising that GAO came to RRCR and redeemed 200+ in chips (un-sourced). He took the cash and left the site. He returned later with a band draft in what I understand to be the same amount. The transaction was completed and GAO gambled with no further irregularities known at this time. Peter called to give me a heads up as clearly GAO has found a work around. I told him it's OK for now as the buy in money was from a draft as directed and we'd make further inquiries on Monday.

Peter called again today to advise that he attempted the same thing today with \$300K in un-sourced chips. This time RRCR made the decision to not allow the transaction as they feel that he is circumventing the sanctions we imposed. It's beloved he's taking the disbursed cash from the casino, depositing it into his bank then taking out a draft to gamble with. Peter does not believe these chips are from past winnings.

Needless to say GAO will likely do the same thing at a competitors casino (if he hasn't already) so I'm sure it was not easy for RRCR to turn away \$300k.

I wanted to bring this to your attention ASAP as this will probably require some pretty quick action or direction from us tomorrow if we want to prevent him from trying this elsewhere.

More to follow tomorrow,

Steve

Sent from my BlackBerry 10 smartphone on the TELUS network.

67

This is Exhibit "16" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this 22 day of January 2021.

A Commissioner for taking Affidavits for the Province of British Columbia To:Rob KroekerPERSONAL INFORMATIONFrom:John KarlovcecSent:Wed 14/03/2018 6:44:58 PMSubject:FW: VVIP Players and sanctions

As requested here is Ross's E mail.

From: Daryl Tottenham Sent: March-13-18 12:22 PM To: John Karlovcec PERSONAL INFORMATION Subject: FW: VVIP Players and sanctions

Daryl Tottenham Ba, CAMS Manager, AML Programs Legal, Compliance & Security Division

2940 Virtual Way, Vancouver, BC V5M 0A6 PERSONAL INFORMATION PERSONAL INFORMATION

•Yes, and...•

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

From: Ross Alderson Sent: Thursday, May 14, 2015 3:49 PM To: AML PERSONAL INFORMATION; Kris Gade PERSONAL INFORMATION; Bruno Gatto PERSONAL INFORMATION > Subject: VVIP Players and sanctions

Hi Guys,

I have been following the email chains over last couple of days regarding some of the actions of the VVIP players.

I have no concerns about requesting further employment clarification and noting it on a player's iTrak profile, nor having the Investigations Management and AML Specialist jointly discussing whether a player should be interviewed, so Investigators can then be provided with that instruction.

However in the absence of any written escalation procedures right now, before we contemplate suspending, barring or putting conditions on any of the VVIP players which may impact revenue (similar to GAO) please bring Kevin and myself into the loop in the form of arranging a teleconference or preferably a joint meeting so we can get an overall picture.

Ultimately we will have to brief Brad. Being mindful that email is not always the best method of communication in these sensitive matters lest it be misinterpreted.

I would classify any player who has \$500K + of buy in's as a VVIP player which is consistent with our AML documentation.

Many thanks

Ross Alderson CAMS

Director, AML & Operational Analysis Corporate Security and Compliance Division, BCLC 2940 Virtual Way, Vancouver, BC, V5M 0A6 PERSONAL INFORMATION

PERSONAL INFORMATION

This is Exhibit "17" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this <u>22</u> day of January 2021.

A Commissioner for taking Affidavits for the Province of British Columbia

72

Skrine, Cary J GPEB:EX

 From:
 Skrine, Cary J GPEB:EX

 Sent:
 Friday, November 1, 2019 10:44 AM

 To:
 'Ross Alderson'

 Subject:
 RE: 2019-10-25 - INV# 103684 - Follow Up Question

Thanks Ross. Got your message and will take a look.

Cary

Cary Skrine

Executive Director Enforcement Division Gaming Policy & Enforcement Branch Ministry of the Attorney General #200 - 1517 Water St. Kelowna, BC V1Y 1J8 PERSONAL INFORMATION

If you believe that you have received this email in error, please notify the sender and delete the email from your mailbox.

From: Ross Alderson Sent: Friday, November 1, 2019 10:09 AM To: Skrine, Cary J GPEB:EX Subject: Re: 2019-10-25 - INV# 103684 - Follow Up Question

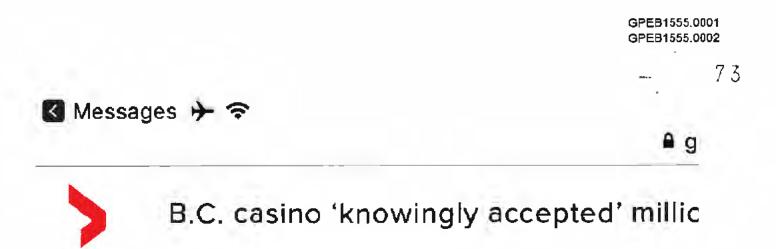
Hi Cary,

As an additional follow up to the email obtained by Mr. Kroeker's lawyer I think this is relevant too for context considering he was head of compliance for GCGC at the time. I was not at the November 2014 meeting referenced in the report but Global obtained the notes. I am sure this media report and the 10 month gap before the cash conditions program officially started in August 2015 will form part of the conversation for the casino piece of the public inquiry.

What I also find interesting is that I have requested a number of my own emails from bold through FOI and they have not been forthcoming.

Regards Ross

https://globalnews.ca/news/4905610/river-rock-casino-paul-king-jin/



Records obtained by Global News Brad Desmarais met several times Canadian Gaming, the operator of executive responsible for running I rooms — chief operating officer Tel and compliance director Robert Kr

EITHE STATE SHOP

"Lengthy discussion problems, cash de of outstanding Riv Lottery Corp. reco

74

Sent from Ross's iPad

On Oct 26, 2019, at 11:46 AM, Ross Alderson PERSONAL INFORMATION wrote:

Hi Cary,

Obviously this was 4 and a half years ago and I don't have access to my notes but here is my recollection.

I believe GAO is referencing Jia GAO who was denied gaming privileges because of concerns that immerged regarding his background. He may in fact be the first person that was placed on cash conditions in April of 2015. (According to the BCLC cash condition list on <u>BCLC.com</u> there was one individual around April 14,2015)

At the time of this email I was Director for about two weeks and was managing both the Playnow Investigations and supervising the AML team. My recollection is that GAO was denied a lottery retailer licence (GPEB may have intel on that) and there was other information that came to light which made him unsuitable. This then included a casino ban.

As GAO was a big casino patron rated as a 'VVIP' his banning was a big deal at the time. I believe he was a regular patron at the River Rock so that likely had a significant impact for them and I believe Great Canadian were very upset by the decision. More so because they were not provided with much detail or rationale for the ban. I believe that the term 'VVIP' was defined by BCLC at the time by players who regularly bought in for around 500K so that's probably why I reference that threshold in my email around 'documentation.' (I do recall a power point produced by the AML group prior to my appointment as Director which has a pie chart with 'VVIP' players buy ins.)

When I became Director in May 2015 there was no formal process to interview players. BCLC Investigations created a document in 2015 which I signed off on but the interview protocol and process for cash conditions wasn't established until around August/sept 2015 after my meeting with RCMP in July re; Paul JIN and ePirate. Bruno, Daryl and Kris put that Interview document together.

I recall when I became Director I was asked by Brad Desmarais to ensure any AML decisions regarding high value players were run by him as it impacted revenue and he had to have those discussions with the Service Provider as it ultimately impacted their bottom line. That wasn't at all interference by Brad but rather he wanted to be able to provide an explanation, to Great Canadian and River Rock in particular, a sound evidence based decision on why their customer was banned. I think that was entirely reasonable. It was also a case that I was brand new in the role and I think Brad wanted to ensure I was making sensible decisions. In a short period in time Brad trusted me to make those decisions myself and communicate directly with the Service Provider.

Again going off my recollection I think my reference to keeping off email was that for GAO there was an email chain between the AML specialist (TOTTENHAM) and the investigators that was likely inappropriate. it may have had references to criminal associations or allegations that were not substantiated. You may be able to retrieve those emails. I do recall myself and Kevin specifically talking about that. Kevin was responsible for the Investigations Division at that time. I recall Kevin, Kris GADE and Bruno GATTO complaining to me that the AML Specialist was instructing the investigators to make decisions when he was not their supervisor. If someone was being banned it was necessary for both the AML team and the Investigations from the service provider so it was important they were informed as were their management team. This was really an issue with the BCLC Corporate Security structure at the time and was one of the reasons we restructured the division in 2016 and I took over the Investigations group and I made Daryl a manager. The AML investigators then reported directly to him and it worked

much smoother. I do recail talking to Daryl TOTTENHAM about being careful on what he put on email in light that anything could be FOI'ed and Daryl had a tendency to put stuff in emails containing unsubstantiated allegations, comments and statements that could be misinterpreted. I believe the GAO email chain was probably an example of that.

In summary I believe my email was to the team to say: essentially if you are going to make a decision please loop Kevin SWEENEY and I in as we have to provide rationale to Brad who then has to have that conversation with GCGC. I believe the GAO ban was relatively ad hoc, involved poor communication and created a number of headaches. The process which I later established in 2015 involved Investigators escalating players of concern to AML Specialist (Daryl) who then made a recommendation of banning etc. I ultimately then made the decision as it was generally up to me and/or Brad to communicate that to the service Provider. Kevin was also looped in as he was responsible for Compliance and Investigations and he also needed to inform his team. Kevin and I wanted to insure that we had an evidence based approach to decision making and we could not be accused by the service provider of making "rogue" decisions. There was certainly a feeling at the time that the service provider had fittle respect for the BCLC Compliance folks so we wanted to make sure we came from a solid position and they were way more comfortable with a Director making decisions that impacted their bottom line than a manager or investigator. Through 2015 in particular you will note that all the directives around cash bans came from me (The emails from Aug 5 and Sept 11 which Cc'ed GPEB are examples) However as the AML program evolved through 2015-2017 I passed the "cash ban" decision making responsibility on to the Manager for AML, which was Daryl when he was promoted in 2016. By that time the cash conditions program was well and truly established so generally there was no pubback from the sevice provider.

There were quarterly AML/Compliance meetings established in 2015 with service providers to ensure they were aware that players would be cash banned. Of note myself (and Brad) met with KROEKER and Terrence DOYLE in late July/early August 2015 to inform them we were going to cash ban players due to ePirate. We told them Police had established a link between proceeds of crime and casino buy ins and that we would be cash banning players. Both KROEKER and DOYLE stated they were supportive

That is about all I can recall. It is pretty ironic that the lawyer would point to this as some sort of evidence of misdoing from me considering it was generally Great Canadian (including KROEKER) who challenged BCLC on AML decisions. I would also point you to my internal BCLC report of Sept 8, 2015 to KROEKER containing a number of recommendations which were not implemented. That document is now in the public arena having been FOI'ed and quoted in the media repeatedly.

Feel free to contact me if you need any clarification or have any further concerns

Regards

Ross

On Fri, Oct 25, 2019 at 3:22 PM Skrine, Cary J GPEB:EX PERSONAL INFORMATION > wrote:

Ross,

As discussed during our telephone call today, I received a written statement from Mr. Kroeker's attorney identifying an email that you had sent AML and investigative staff on May 14, 2015. Below is a copy of the body of the email which I have received from BCLC. Can you please review and provide clarification on the intention and context surrounding your message? Thanks in advance.

Hi Guys,

I have been following the email chains over last couple of days regarding some of the actions of the VVIP

players,

I have no concerns about requesting further employment clarification and noting it on a player's Trak

profile, nor having the Investigations Management and AML Specialist jointly discussing whether a

player should be interviewed, so investigators can then be provided with that instruction.

However in the absence of any written escalation procedures right now, before we contemplate

suspending, borring or putting conditions on any of the VVIP players which may impact revenue (similar

to GAO) please bring Kevin and myself into the loop in the form of orranging a teleconference or

preferably a joint meeting so we can get an overall picture.

Ultimately we will have to brief Brad. Being mindful that email is not always the best method of

communication in these sensitive matters lest it be misinterpreted.

I would classify any player who hos \$500K + of buy in's as a VVIP player which is consistent with our AML

documentation.

Many thanks

Ross Alderson CAMS

Director, AML & Operational Analysis

Corporate Security and Compliance Division, BCLC

2940 Virtual Way, Vancouver, BC, V5M OA6

PERSONAL INFORMATION

-

Cary

Cary Skrine

Executive Director

Enforcement Division

Gaming Policy & Enforcement Branch

Ministry of the Attorney General

#200 - 1517 Water St. Kelowna, BC V1Y 1J8

PERSONAL INFORMATION

If you believe that you have received this email in error, please notify the sender and delete the email from your moilbox.

This is Exhibit "18" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this 220 day of January 2021.

A Commissioner for taking Affidavits for the Province of British Columbia

Backgrounder – June 4, 2015 Anti-Money Laundering Workshop

Purpose of Workshop:

To ensure effective practices are in place and to combat the perception that casinos are vulnerable to large-scale money laundering and other criminal activities, the Gaming Policy and Enforcement Branch (GPEB) and BC Lottery Corporation (BCLC) are developing strategies and new measures to strengthen the prevention of money laundering in gaming facilities.

In 2011, the government undertook a review of anti-money laundering (AML) policies and practices for B.C. gaming facilities. The Review found that "standard and appropriate AML strategies" were employed but identified some further opportunities to strengthen AML efforts. Government implemented a multi-phased AML Strategy focused on minimizing the opportunity for money laundering at gaming facilities through development of cash alternatives and promotion of their use by patrons and consideration of enhanced regulator intervention including measures relating to customer due diligence.

This workshop is part of the final phase of the implementation of the AML Strategy. The goal is to *identify and explore collaborative strategies to enhonce practices in BC gaming facilities with the goal of preventing money laundering.* Representatives from stakeholders, interested parties and organizations subject to AML regimes are being brought together to share their experience, expertise, perspective and knowledge of best practices to generate ideas and ways to:

- Increase awareness in anti-money laundering trends;
- strengthen the current anti-money laundering practices in BC casinos;
- explore additional alternatives and mechanisms to reduce the reliance on cash; and
- determine whether opportunities exist for developing partnerships or MOU's for the purpose of information sharing.

The information, advice and insight provided by workshop representatives will be considered in making recommendations to the Minister responsible on collaborative measures to be taken that will further enhance the prevention of money laundering in B.C. gaming facilities.

79

History:

BC has had anti-money laundering policies in place for its gaming facilities since 1998. In 1998 the federal government passed the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* and in 2000 created the Financial Transactions and Reporting Analysis Centre of Canada (FINTRAC), the federal body whose mandate is to facilitate the detection, prevention and deterrence of money laundering and the financing of terrorist activities. Businesses such as banks, life insurance companies, real estate companies and gambling facilities are required to report large financial transactions including all cash transactions and other disbursements over \$10,000, foreign exchanges over \$3,000 and all "suspicious" transactions to FINTRAC.

In Fiscal Year 2014/15, BCLC filed 1,735 notifications of Suspicious Transactions to FINTRAC, compared to 1,254 in Fiscal year 2013/14. One reason for the increased number of reports to FINTRAC is enhanced due diligence exercised on high-risk players, as well as continued training within gaming facilities to report unusual activities.

Money laundering in BC casinos is a repeated topic of media attention with a focus on suspicious transactions, security reports or other items obtained via Freedom of Information and Protection of Privacy requests. Media coverage often suggests that suspicious transactions are criminal acts and police should be called or that transactions involving large amounts of cash indicate that money laundering is taking place and criminals are in casinos.

Roles and Responsibilities:

GPEB is charged with ensuring the integrity of gaming in the province. The *Gaming Control Act* establishes the mandate and authority of GPEB over gaming in the Province. GPEB's Licensing, Certification and Registration Division, the first line of defence against money laundering, is responsible for registering all companies and gaming workers. The Compliance Division is responsible for audits, investigations and horse racing. This includes collecting information and intelligence, conducting analysis, and taking action on reported matters relating to the commission of offences under the *Criminal Code* that are relevant to a lottery scheme, horse racing or an offence under the *Gaming Control Act*.

BCLC has been responsible for management of slot gaming since 1997 and all casinos since 1998. Casinos identify financial transactions to BCLC, which in turn reports to FINTRAC. BCLC is also responsible for reviewing suspicious currency transaction reports made by service providers (casinos) and, if substantiated, filing a suspicious transaction report to FINTRAC within 30 days. Generally, a "suspicious transaction" report is filed if a player buys in with a large amount of cash in small denomination bills, or if there are any other indicators of potential or attempted money laundering or other unusual financial activity involved. BCLC also ensures that the information is reported to GPEB by filing a report as per Section 86 of the *Gaming Control Act*.

FINTRAC uses the information reported to it to identify patterns and gather evidence of potential money laundering. It shares this data with law enforcement, which often requests data from both GPEB and BCLC on individuals or companies.

AML Program:

AML Strategy

The AML Strategy developed and implemented by government beginning in 2011, includes the following three phases:

- Phase 1: Develop and implement cash alternatives, to obtain funds inside the facilities, for gaming.
- Phase 2: Operator intervention to more actively engage the use of the cash alternatives by patrons.
- Phase 3: Regulator intervention, which involves conducting research and considering potential direct intervention regarding customer due diligence (CDD) of cash entering gaming facilities.

Improvements implemented under Phase 1 and 2 of the AML Strategy, include:

- Over-the-counter debit withdrawals at gaming facilities;
- Access to ATMs inside and in close proximity to gaming facilities;
- Casino chips may only be used at a single property. They cannot be redeemed at any facility other than where they were initially purchased.
- Discouraging chip passing on the casino floor;
- Patron gaming fund (PGF) accounts allowing casino customers to hold an account at a Casino. The
 PGF account can be funded via a bank draft, certified cheque, cheque from a Canadian casino, wiretransfer, electronic funds transfer (EFT), debit card transaction, or internet banking transfer from an
 authorized personal bank account, cash or chips from a 'verified win' issued at the same casino
 opening the account. (Note: An authorized bank account means an account in the name of one
 individual at a Canadian regulated financial institution or a United States regulated financial
 institution);
- If a player buys in with a large amount of cash, they receive cash back in the same denomination and any cheque issued is clearly marked as a verified win or as a "return of funds that are not gaming winnings". Cheques are more secure than cash and allow players to leave a casino with a cheque up to a maximum of \$10,000;
- A "cheque hold" system for high-volume players where players can secure play against a personal cheque from an approved bank that will not be processed by a casino until an agreed upon period of time and any winnings or remaining funds are paid back to the player by casino cheque.

In addition, once the FINTRAC reporting threshold is met, play is no longer anonymous and photo ID and other personal details are collected.

The 2015/16 Government's Letter of Expectations to BCLC, establishes specific accountabilities for BCLC to further develop and promote the use of cash alternatives for gaming facility patrons, and deliver enhanced due diligence as required by FINTRAC. (In February 2014, FINTRAC expanded its "Know Your Customer" monitoring requirements. As a result, transactions thought to be related to proceeds of crime or money laundering require additional collection of data, increased monitoring, client risk analysis and further examination of client's business relationships.)

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82

As part of Phase 3, GPEB has formed an AML Working Group to investigate options for AML compliance, customer due diligence and regulatory intervention. In 2014 GPEB commissioned Malysh Associates Ltd. to research customer due diligence standards used by financial institutions and other businesses when accepting cash deposits. The September 2014 report summarizes best practices based on experiences of businesses required to maintain an AML compliance regime and other AML compliance issues identified in the research. The June 4, 2015 AML workshop with stakeholders and interested parties is another input to Phase 3 of the strategy.

Compliance and Investigation:

BCLC Internal Audit Services conducts independent tri-weekly audits of all "Unusual Transaction Reports" and "Large Cash Transaction Reports" in order to ensure timeliness and completeness of reporting.

Every facility-based gaming worker must complete BCLC's anti-money laundering training with a refresher course every two years with additional management training. All BCLC Corporate Security and Compliance staff involved in identifying potential money laundering have received training through the Justice Institute of B.C. and are members of the Association of Certified Anti-Money Laundering Specialists (ACAMS) – an internationally recognized organization. New investigators are hired using the Justice Institute of B.C. Investigative Aptitude tool and existing staff are expected to be certified as a "Certified Anti-Money Laundering Specialist" the industry-recognized gold standard training from ACAMS.

BCLC has an information-sharing agreement with the RCMP, which provides information to initiate proactive bans of individuals with organized crime/gang links, those identified as a threat to public safety or who are involved in criminal conduct likely to generate proceeds of crime. BCLC has barring procedures that include 14 day barring periods for investigating unusual activity such as very large-cash buy-ins or suspicious chip swapping. This allows BCLC's investigators time to review cases and determine if a further ban is appropriate. A cash ban may be imposed if there is suspicion that the player is obtaining money from a suspect source. To date, approximately 88 people have been banned from gambling facilities as a result of this initiative.

GPEB as the regulatory enforcement and compliance body for the provincial government liaises regularly with law enforcement and other agencies to ensure there is awareness in the area of suspicious currency transactions and the associated amount of cash entering gaming facilities. GPEB's investigators are provincial special constables who have responsibility for ensuring the overall integrity of gaming, however do not have the mandate or resources to investigate criminal offences in this area. Therefore, where possible, GPEB relies upon and works with law enforcement and other regulatory bodies to address identified concerns.

Technology

BCLC has purchased new business intelligence software from a leading provider to financial institutions, including three of Canada's five big banks. The software will support a 360 degree view of a customer's risk profile and/or analysis.

The software, currently being customized, will allow for a scalable and auditable case management system (first phase of roll out expected in late 2015) that automatically monitors patrons by name, date

of birth and business relationships against a variety of global watch lists and creates and sorts alerts by risk priority. The majority of this work is currently being done manually by BCLC investigators.

Security & Surveillance

Gaming Security officers and surveillance personnel monitor activity on the gaming floor and at facility entrances, and tools used include:

- Comprehensive surveillance monitoring camera system;
- Automated alerts to Security and Surveillance personnel for persons of interest;
- iKiosks to screen anyone entering the facility appearing under the age of 2S;
- License Plate Recognition for self-excluded or other persons of interest.

BCLC is in the planning phase for Facial Recognition technology. Recent improvements (such as 3D capabilities) now make this a viable option with an estimated 92-95% detection rate. This will assist in promoting FINTRAC compliance by tracking individuals who may visit multiple casinos and conduct transactions just under the reporting threshold while also helping in the identification of self-excluded, banned and undesirable individuals.

This is Exhibit "19" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this 200 day of January 2021.

A Commissioner for taking Affidavits for the Province of British Columbia

AGENDA

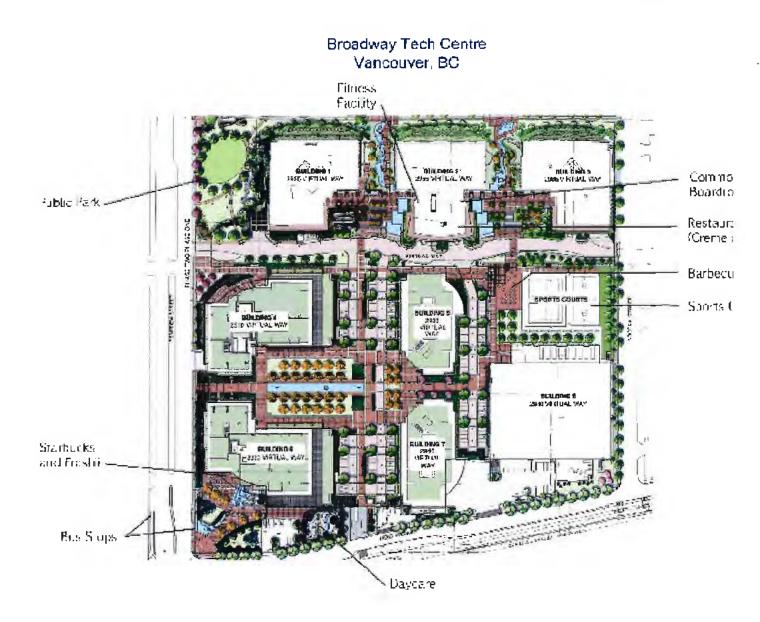
Exploring Common Ground, Building Solutions Options for Enhancing Anti-Money Laundering Practices in Casinos

Date & Time:	4.2015 0.00 am to 4.00 pm			
		June 4, 2015, 9:00 am to 4:00 pm		
Location:	BCLC Offices, 2940 Vir	tual Way, Building #7, Vancouver, BC V5M 0A6		
Participants:	Len Meilleur	Executive Director, Compliance Division, GPEB		
	David Pyatt	Community Supports, GPEB		
	Michele Jaggi-5mith	Director, Strategic Policy and Projects Division, GPEB		
	Brad Desmarais	VP Corporate Security and Compliance, BCLC		
	Ross Alderson	Director, AML and Operational Analysis, BCLC		
	Kevin Sweeney	Director, Compliance & Investigations, BCLC		
	Murray Dugger	FINTRAC		
	Kevin Hackett	Chief Supt., Combined Forces Special Enforcement Unit		
	[To be confirmed]	Criminal Operations Federal Policing		
	Pierre McConnell	TD Bank		
	Peter McLelan	Western Union		
	Bernie Beck	Ascendant FX		
	Rob Kroeker	Great Canadian Gaming Corporation		
	Glen Atchison	Gateway Casinos and Entertainment Limited		
	Ros Smith	Edgewater Casino		
	Krista Ober	Canada Border Services Agency		
	Caroline Darts	Criminal Investigations Division, Canada Revenue Agency		
	Phil T awte l	Civil Forfelture Office, Ministry of Justice BC		
	Tom Steenvoordern	Police Services Division, Ministry of Justice BC		
	Luke Clark	Director, Centre for Gambling Research at UBC		
Observer:	[To be confirmed]	Criminal Operations Federal Policing		
Facilitation:	Kim Thorau	Perrin, Thorau and Associates Ltd.		
	Rachel DeMott	Strategic Policy and Projects Division, GPEB		
	Lisa Burke	Operations Division GPEB		
	Greg Tonn	Compliance and Enforcement Sec., Ministry of Justice		
Logistics:	Dress:	Business Casual		
	Parking:	Visitor's spots are available and there is free street parking		
		as well as pay parking around complex - \$8.25 per day		
	Lunch and Coffee:	Provided by GPEB – one hour lunch break		
	Location:	A map of the BCLC office complex is attached		
	Hotel:	If accommodation is required, the Executive Suites Hotel		
		and Conference Centre Burnaby is close to the meeting		
		venue; http://www.executivehotels.net/burnaby		

Purpose of	To identify and explore collaborative strategies to enhance practices in BC gaming	
Meeting:	: facilities with the goal of preventing money laundering	

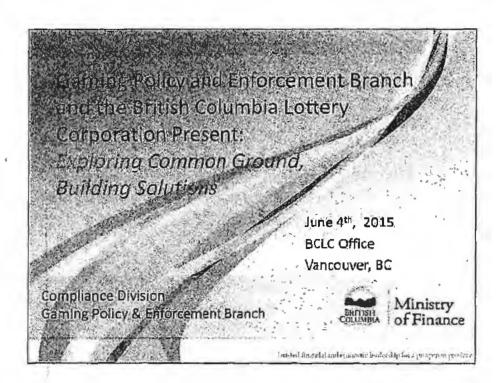
Time	Agenda Item	Lead		
9:00 am	Welcome and Introductions	L. Meilleur		
9:15 am	The Current Environment:			
	Presentation – Journey to the West (The Asian Perspective)	Jonathan Manthorpe		
10:15 am	Break			
10:30 am	The Current Environment (continued):			
	Presentation – AML Practices in BC Gaming Facilities	B. Desmarais		
	Presentation – The Regulatory Perspective	L. Meilleur		
11:30 am	Strengths & Weaknesses in Current Environment	Plenary Group		
Noon	Lunch			
1:00 pm	Building Solutions – identifying Options for Enhancing AML Practices	Small Groups		
2:30 pm	Break			
2:45 pm	Reviewing Options	Plenary Group		
3:30 pm	30 pm Next Steps Closing Remarks			

Background Materials:	•	Backgrounder – June 4, 2015 Anti-Money Laundering Workshop
	•	Factsheet: Anti-Money Laundering Strategies, December 16, 2014
	•	Province of British Columbia, Summary Review: Anti-Money Laundering Measures at BC Gaming Facilities, February 2011



This is Exhibit "20" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this 12 day of January 2021.

A Commissioner for taking Affidavits for the Province of British Columbia -

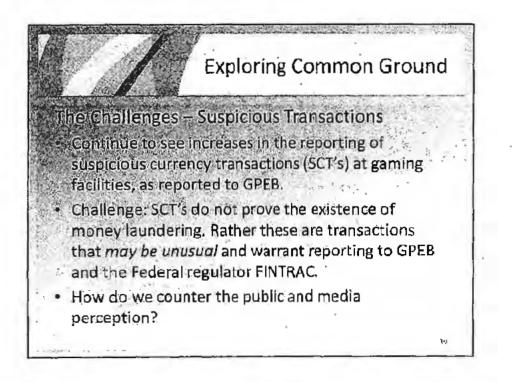


Opening – Once again thank everyone and if you have forgotten by this point in time. Thank and explain RCMP presence CFSEU and Fed Policing, Intelligence as in the responsibility for these crimes are under their mandate and we seek out simply to inform of our challenges in GPEB, BCLC, government and public perception.

GPEB0750.00011

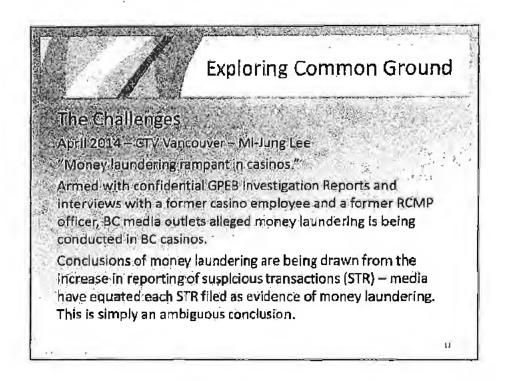
GPEB0750.0001 GPEB0750.0010

20



Explain each of these. FINTRAC reporting is required when there are on reasonable grounds to suspect tat a transaction is related to a money laundering or terrorist financing offence. So how does the public interpret the difference about what is reported on reasonable grounds without them having expertise or all of the information. The dilemma is simply they believe that the money is "bad" money because it is being reported. I don't have the answer!

GPEB0750.0001 101



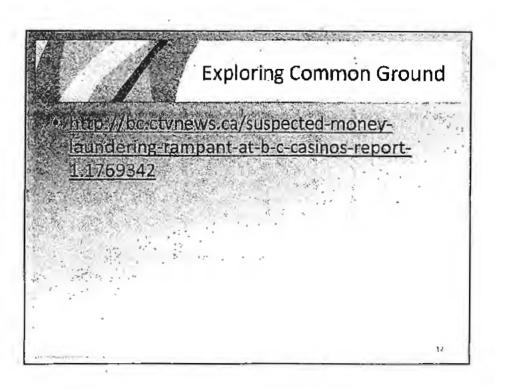
Speak of this and internal media leak which did not help. Opgoing FOI requests and inquisitive mind of opposition critic.

11

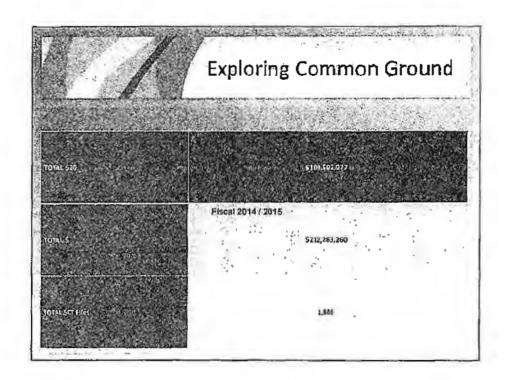
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GPEB0750.0001 GPEB0750.0012

92

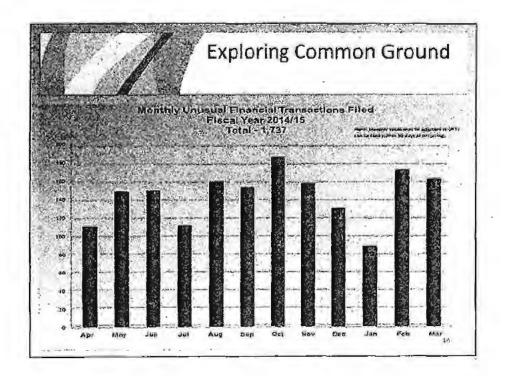


Play video 4 minutes



SCT total reported by way of Section 86 Reports to GPEB. The number is a number. What does it really mean, represent? How much is truly a concern, how much is unnecessary reporting, how much can be reduced by providing alternatives?

GPEB0750.0001_131

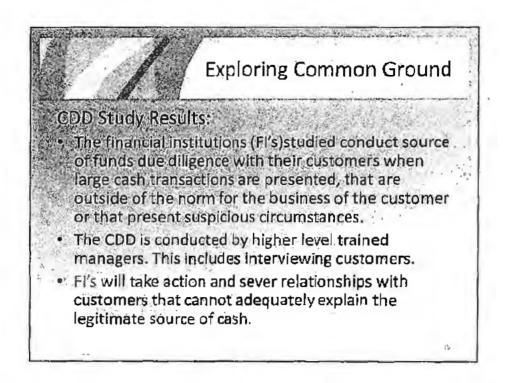


More Statistics, this graph depicts the monthly amount of report filed to by service providers relating to suspicious/unusual transactions. Source BCLC

14

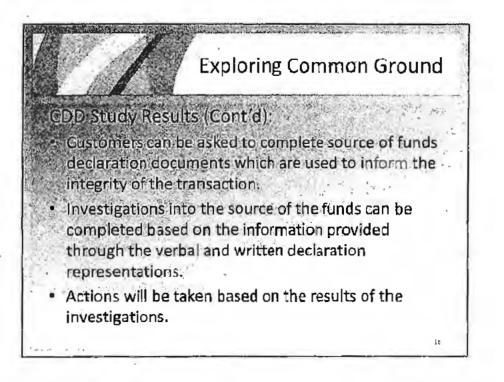
GPEB0750.0001 141





Banks account for largest percentage of reporting to FINTRAC but then again banks deal with largest volume. Training is one thing but what level of interdiction should a regulator expect. Again the need for balance to maintain a healthy industry. Don't get me wrong, I have a healthy sense of what the risks are and what can occur, so I do lose sleep.

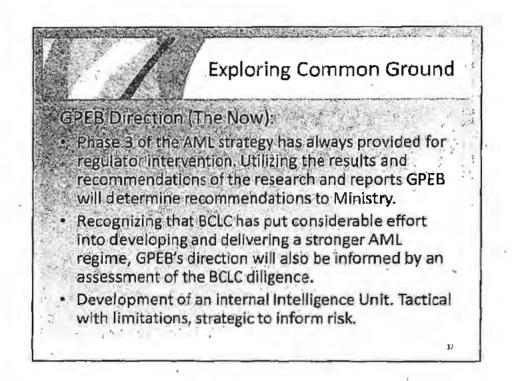
GPEB0750.0001_151



As mentioned is such a notion a reality? Does this get solved by other means? Or does it need to be examined?

161

GPEB0750.0001

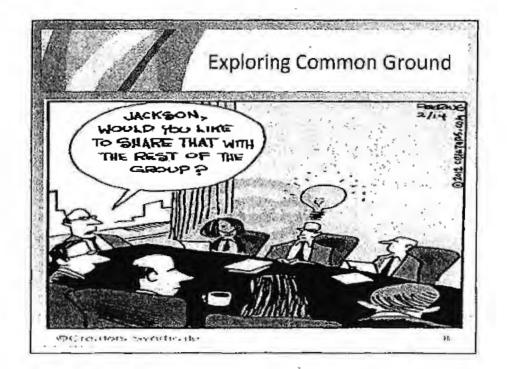


Read each and explain

17

GPEB0750.0001 GPEB0750.0018

98

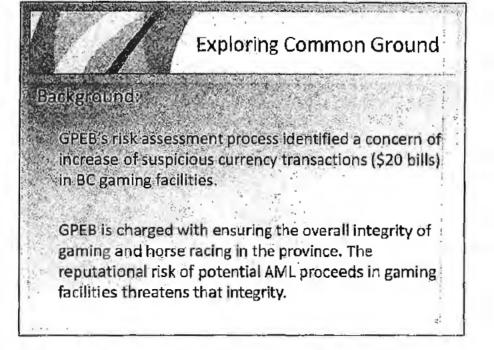


The purpose of today, capture the brilliant ideas from some of the industry's finest regulators, private industry, crown agencies and policing. Only then will I be able to conclude what might need to be enhanced and report upwards. I ask you to think about this today. If you were in the Minister's chair or to that point if you were being focused upon for solutions to this matter what would you want to do and know?

Exploring Common Ground Conclusion. GPEB; BCLC and casino service providers have made progress'in working toward certain solutions to deal with the risk of money laundering in BC gaming facilities. Further work continues with parties focussed on different aspects of the challenge. New approaches are being built that will ensure the continued integrity of gaming in the province. Your assistance and generosity today is most appreciated.

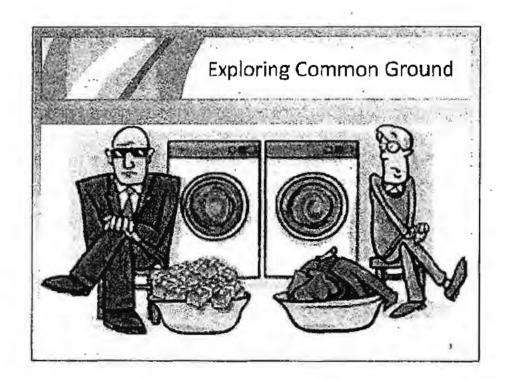
Emphasis the appreciation.

GPEB0750.0001_191



Mention process GPEB used to identify risk and voting. Explain that although we are charged with overall integrity of gaming that has to do with the applicable CC provisions as supported by Crown and Police, and the Gaming Control Act & Regulation. We are not investigating money laundering or related proceeds of crime offences. It would be risky, unsafe and we do not have the resources and training to do so. We do however track what is occurring and refer that information on to police and other organizations on a case-by-case basis. Is there room for improvement of information sharing, MOU's, absolutely!

GPEB0750.0001



This is Len on the right and as the cartoon depicts there is a little bit of fear about the unknown? What, if anything is going on? What is reality, what is myth, what is being misrepresented, what is being misinterpreted?

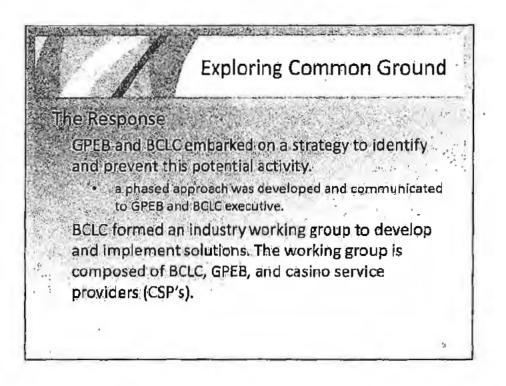
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GPEB0750.0001_31

Exploring Common Ground In 2011 a series of news reports focused on cash transactions at BC gaming facilities, with the media questioning how well gaming in BC was protected from money laundering. The PSSG Minister ordered a review of AML strategies at BC gaming facilities. The 2011 review found that "standard and appropriate AML strategies" were employed at BC gaming facilities. It also identified further opportunities to strengthen AML efforts.

2011 was the formal start of an initiative. Prior to that GPEB was working with BCLC and monitoring trends, amounts. Explain Section 86 process.

GPEB0750.0001 41



Explain strategy and strategy statement was defined by GPEB's Executive at that time. Industry has always been focused on issue and addressing it in the most efficient manner.

GPEB0750.0001_51

Exploring Common Ground

The Strategy:

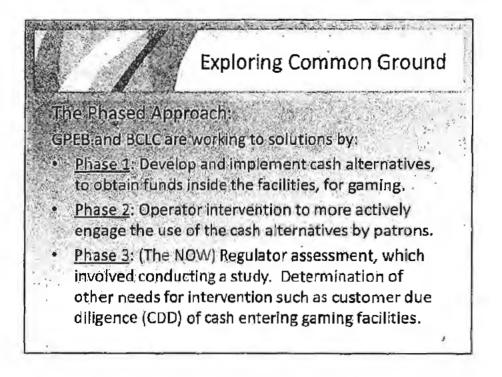
GPEB set the following strategy in place, which has been used to frame the regulatory AML activities.

"The gaming industry will prevent money laundering in gaming by moving from a cash based industry as quickly as possible and scrutinizing the remaining cash for appropriate action. This shift will respect or enhance our responsible gambling practices and the health of the industry."

Read strategy, Explain the delicate balance of enabling and constraining an industry. Overall 2.6 billion, net 1.2 – 1.4 billion what it pays for and sensitive issue of considering how directives or guidelines impact the industry. Is reasonable and more importantly is it feasible. i.e. interdiction by staff, questions about source of funds, leads to interruption of service, how do you balance all of this. However note, answer by Minister will be that it is not acceptable that one dollar of unlawful money enter BC's gaming facilities so how do we balance all of this. What are we able to add that brings value?

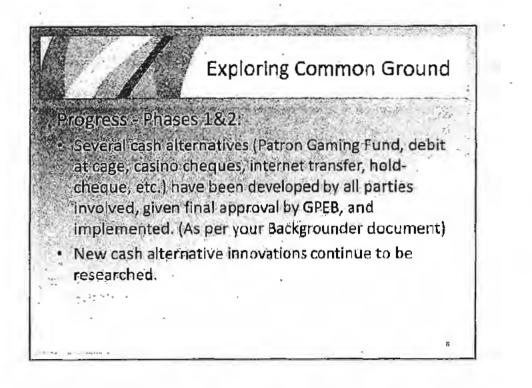
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GPEB0750.0001

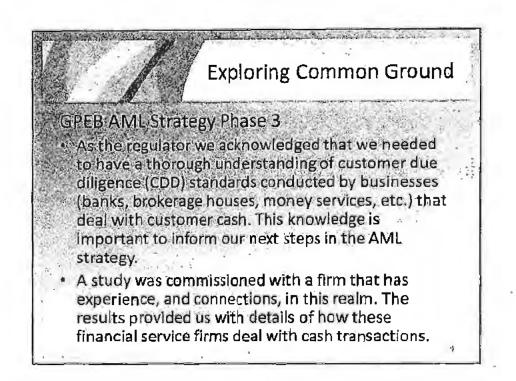


Strategy is a phased approach. Seek ideas, implement and assess. Have there been gaps, certainly but we meet and try to mutually resolve with our partners. i.e. Bank Drafts to PGF accounts.

7

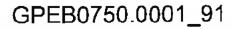


Mention other jurisdictions have credit, is that a reality in our jurisdiction. Limited group contribute most of revenue so how do we service their needs and prevent the bad money from arriving and entering the gaming venue?



Malysh and Associates. A study is not the panacea to problem solving, it is one component but as I will stress again what are the gaps and how can we leverage others for success? We do have some challenges, NEXT SLIDE

9



This is Exhibit "21" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this 22 day of January 2021.

A Commissioner for taking Affidavits for the Province of British Columbia **---**---

CONFIDENTIAL MEETING HIGHLIGHTS

Gaming Policy and Enforcement Branch Date: June 25, 2015

Assistant Deputy Minister Responsible: John Mazure Anti-Money Laundering Workshop: Exploring Common Ground

DETAILS:

- Government launched an Anti-Money Laundering (AML) strategy in 2011 focused on reducing the use of cash in gaming facilities. Phases 1 and 2 have been completed.
- The third and final phase of this strategy involves regulator guidance around the potential need for additional measures to be implemented to address enhanced AML diligence.
- The Gaming Policy and Enforcement Branch (GPEB) and the BC Lottery Corporation (BCLC) co-hosted a one-day workshop, Exploring Common Ground, at BCLC headquarters on June 4, 2015. The workshop included representatives from:
 - Major B.C. gaming service providers;
 - Royal Canadian Mounted Police;
 - Financial Institutions;
 - Canadian Border Services Agency;
 - Canada Revenue Agency; and
 - Financial Transaction and Report Analysis Centre of Canada (FINTRAC).
- This workshop represented the first time that there was a dialogue around AML that included all of these participants.
- The intent of the meeting was to ensure effective practices are in place and to combat the perception that casinos are vulnerable to large-scale money laundering and related criminal activities. In addition, GPEB and BCLC are continuing to develop strategies and new measures to strengthen the prevention of money laundering in gaming facilities.
- A discussion paper is to be completed by the GPEB facilitator and will be disseminated amongst the attendees for additional input. This document will then be provided to the ADM of GPEB.

1

MEETING OUTCOMES:

- The working group identified areas for further discussion and are ideas for consideration by GPEB leadership :
 - Enhanced Customer Due Diligence (CDD) focused on Knowing Your Customer (KYC), used to address concerns over the source of wealth and the source of funds. The introduction of a source of funds questionnaire may reduce the need for filing of a Suspicious Transaction Reports (STR) for that individual to avoid over-reporting;
 - Strengths:
 - BCLC investment of millions of dollars into SAS software;
 - High risk players will be identified by service providers through internal metrics and a process of Know your Customer (KYC) and where necessary a focus on the source of funds;
 - BCLC has a surveillance regime that is more comprehensive and not as restricted by legislation that governs financial institutions;
 - · Stronger audit trail and traceability; and
 - Awareness of the difference between source of wealth and source of funds.
 - Opportunities:
 - Key is a regime that includes the identification of source of funds at the point each suspicious currency transaction begins;
 - Enhanced metrics that identify risks based on # of Suspicious Currency Transactions (SCT's) filed on an individual and an immediate intervention action plan;
 - Informs business and tactical intelligence;
 - Enhancement of the current AML program that reduces the difficulties of verifying the information provided;
 - Increased relationships by GPEB with the RCMP and local police of jurisdiction;
 - Mature customer segmentation process that cascades into a series of CDD protocols that, as required, may ultimately end in a face to face interview; and

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111

- The interview can be used to market non-cash alternatives and the risk of cash as an instrument.
- BCLC to make a business case for enhancing non-cash alternatives such as credit and unlimited convenience cheques.
 - Strengths for delimited convenience cheques:
 - Enhanced public safety;
 - Stronger audit trail and traceability;
 - Source of funds is only identified once; and
 - Decrease in the number of Suspicious Transaction Reports (STR) filed; and
 - Opportunities for delimiting convenience cheques:
 - Relies upon strength of the CDD at the point of the first interaction.
 - Strengths for offering credit:
 - A Hold Cheque is very similar to the purpose and function of convenience cheques;
 - Offered only to a select number of high limit patrons;
 - Enhanced public safety; and
 - Increased accessibility on a 24 hour basis to funds.
 - Reduction of any underground banking economy.
 - Opportunities for offering credit:
 - BCLC and Service Providers would need to
 establish
 - How the structure would work;
 - How the process would work;
 - o Identifying risks; and
 - Clarify any accounts payable and collections issues.
- Develop a public education and information strategy that would counter negative perception about the increasing numbers of SCTs reported.
 - Proactively frame the issue as one of increased capacity to detect and report;
 - This is an opportunity for transparency; and
 - Investigate a role for third-party experts to provide their perspective about increased number of STRs.

- Develop a coordinated audit, compliance, intelligence and enforcement capacity.
- Increase the working relationship and sharing of tools between GPEB Compliance Division and BCLC Corporate Security in the area of AML
 - Coordinated response between GPEB and BCLC to ensure there is no duplication of process;
 - Use of BCLC tools, including SAS software, by GPEB staff; and
 - Retain the Exploring Common Ground working group as an advisory body.
- Continue ongoing dialogue with RCMP senior management about the possibility of shared intelligence responsibility and work on a tactical intelligence report on gaming in British Columbia.
- Assess need for interdiction team as a final stage of process. Details of this will be outlined in the report.
- Assess need for an internal AML oversight committee.
- The tone and direction provided by GPEB and BCLC was well-received.
- Key partners were brought together for a cross-perspective discussion of an issue that impacts all the organizations who attended.
- There was a commitment by attendees to continue dialogue on this issue.

BACKGROUND:

- BC has had anti-money laundering policies in place for its gaming facilities since 1998.
- In 1998 the federal government passed the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* and in 2000 created the Financial Transactions and Reporting Analysis Centre of Canada (FINTRAC), the federal body whose mandate is to facilitate the detection, prevention and deterrence of money laundering and the financing of terrorist activities.
- In February 2014, FINTRAC expanded its "Know Your Customer" monitoring requirements. As a result, transactions thought to be related to proceeds of crime or money laundering require additional collection of data, increased monitoring, client risk analysis and further examination of client's business relationships.

4

113

- of Expectations, establishes specific
- BCLC's 2015/16 Government's Letter of Expectations, establishes specific accountabilities for BCLC to further develop and promote the use of cash alternatives for gaming facility patrons, and deliver enhanced due diligence as required by FINTRAC.
- In 2011, government implemented an anti-money laundering (AML) strategy that focuses on minimizing the opportunity for money laundering at gaming facilities.
- Phase 1 and 2 of the strategy involved developing and implementing cash alternatives and intervention by service providers to encourage the use of cash alternatives by patrons.
- As part of Phase 3, GPEB has formed an AML Working Group to investigate options for AML compliance, customer due diligence and regulatory intervention.
- In 2014 GPEB commissioned Malysh Associates Ltd. to research customer due diligence (CDD) standards used by financial institutions and other businesses when accepting cash deposits.
- The September 2014 report summarizes best practices based on experiences of businesses required to maintain an AML compliance regime and other AML compliance issues identified in the research.
- In Fiscal Year 2014/15, BCLC filed 1,735 notifications of Suspicious Transactions to FINTRAC, compared to 1,254 in Fiscal year 2013/14. This number has increased as a result of due diligence exercised on high-risk players, as well as continued training within the facilities to report unusual activities.

Submitted by Len Meilleur Executive Director Compliance Division

Assisted by Lisa Burke Quality Assurance and Risk Operations Division

- 114

Appendix A

Date & Time:	June 4, 2015, 9:00 am to 4:00 pm		
Location:	BCLC Offices, 2940 Virtual Way, Building #7, Vancouver, BC V5M 0A6		
Hosts:	Len Meilleur Brad Desmarais	Executive Director, Compliance Division, GPEB VP Corporate Security and Compliance, BCLC	
Participants:	David Pyatt	Director, Grants, Community Support Division, GPEB	
	Michele Jaggi-Smith	Director, Strategic Policy and Projects Division, GPEB	
	Ross Alderson Kevin Sweeney Murray Dugger	Director, AML and Operational Analysis, BCLC Director, Compliance & Investigations, BCLC FINTRAC	
	Chief Supt Kevin Hackett	Combined Forces Special Enforcement Unit	
	A/Comm, Wayne Rideout	Investigative Services and Organized Crime (ISOC)	
	Insp. Calvin Chrustie Supt Dennis Erickson	Federal Serious and Organized Crime (FSOC) "E" Division Officer in Charge, Crim. Intelligence Sec.	
	Pierre McConnell	TD Bank	
	Peter McLelan	Western Union	
	Bernie Beck	Ascendant FX	
	Rob Kroeker	Great Canadian Gaming Corporation	
	Glen Atchison	Gateway Casinos and Entertainment Limited	
	Ros Smith	Edgewater Casino	
	Krista Ober Jim Talbot	Canada Border Services Agency Criminal Investigations, Canada Revenue Agency (CRA)	
	Phil Tawtel Tom Steenvoorden Luke Clark	Civil Forfeiture Office, Ministry of Justice BC Police Services Division, Ministry of Justice BC Director, Centre for Gambling Research at UBC	
Observers:	Laura Piva-Babcock Sgt. Glen Lesson Caroline Darts	Manager Media and Issues Management, BCLC FSOC Criminal Investigations, CRA	
Facilitation:	Kim Thorau Rachel DeMott Lisa Burke Greg Tonn	Perrin, Thorau and Associates Ltd. Strategic Policy and Projects Division, GPEB Operations Division GPEB Compliance and Enforcement Sec., Ministry of Justice	

This is Exhibit "22" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this 2 day of January 2021.

A Commissioner for taking Affidavits for the Province of British Columbia ---



CORPORATE SECURITY & COMPLIANCE OPERATIONAL PLAN

BACKGROUND

A review of all Suspicious Transaction Reports (STR's) filed between June 1 to July 23, 2015 has been conducted by our AML and Operational Analysis team at BCLC. Below is a breakdown of that analysis:

- 162 (67%) of the STR's originated at the River Rock Casino and Resort (RRCR)
- 145 of the mention "vehicle" in the narrative and were reviewed to determine if a vehicle delivered cash or if Paul King JIN was involved.
- 41 of the 145 (28%) of the STR's from RRCR had cash deliveries (nearly \$7M) and 13 out of the 145 (95) mention some association to Paul King JlN.

In addition a review of all STR's filed in 2014 resulted in the following:

- 345 patrons accounted for a total of 1583 STR's
- 14 patrons had 20 or more
- 23 patrons had 10-19 STR's
- 166 patrons had between 2-9 STR's
- 142 patrons had 1 STR

OBJECTIVES

As a result of the information noted above coupled with intelligence we have received from authorities, we are requesting that the Investigators assigned to this plan conduct interviews with players with the intention to obtain information surrounding the origin of the funds as well as educate the players as per the BCLC Patron Education Protocol – April 16, 2015.

For the purpose of this operational plan we have separated the action items into two (2) priorities:

Priority 1

Scope of Investigation

Interview players known to have had cash drop offs linked to Paul King JIN.

Process

- 1. Project Leader to work with Great Canadian Gaming Corporation on contacting the 13 players (see appendix A) with connection to the cash drop off involving Paul JIN and schedule time for Investigator(s) to interview them.
- 2. Update subject profile "Player to be interviewed by BCLC Investigator at earliest opportunity".
- 3. Conduct interview of players
- 4. Summarize findings and interview in report to be submitted to Project Leader

116

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Interview Script/Process

- 1. Print off subject profile to confirm personal details, including stated address, employment/company, and status in Canada
- 2. Thank Player for their cooperation in attending interview
- 3. Introduce yourself and try to confirm personal details as above.

Advise the patron that:

"BCLC is concerned about recent cash deliveries brought to you outside the River Rock Casino. As a result this interview was requested. We are also concerned that you are putting yourself at risk of robbery receiving cash drops off of this nature"

"All cash buy in over \$10K are required to be reported to the Canadian Federal Govt as Casino Large cash Transactions" (REMEMBER YOU CANNOT EVER MENTION THEY HAVE BEEN THE SUBJECT OF AN STR)

"Canada Revenue agency and law enforcement has unfettered access to that information."

"We appreciate your patronage however if we receive any information that the cash used by you is suspected to be derived from proceeds of crime then BCLC will be unable to accommodate any further cash buy ins and you are putting yourself at risk and we would strongly advise you utilize a PGF account. By accepting funds believed to be the proceeds of crime this also puts the Casino business in BC at risk. "

"Should you be found by Police in an illegal Common gaming house that is a criminal offence in Canada."

(If the player is not a citizen in Canada you can also advise:

"This would likely impact any residency statuses that you may have or travel to and from Canada."

"A copy of the interview will be sent to BCLC Senior Management who will determine if there will be any sanctions imposed including no further cash buy in's and/or un-sourced chip play"

Interview content

- Request the source of funds, (specifically mention cash dropped off outside the facility involving vehicles such as white Toyota Siennas)
- Player association to the person(s) dropping off the cash
- Whose vehicle is it?
- How does the player arrange the delivery (get as much info as possible)
- Does the player ever ask where the money comes from? (eg are the funds his? If so why in cash?)

- If the funds are borrowed then ask player player how/when he pays it back and how can we be assured that the funds are not proceeds of crime?
- Does player believe this behavior (cash drops offs) is suspicious?
- Why does the player utilize this method rather than use a PGF account (find out if they have businesses here/bank accounts or any assets)
- Does the player know of any information which can help BCLC determine that the player's funds are from legitimate sources.
- What can we do to assist you in future to not using cash in this method?
- Is the player aware of any illegal gaming houses in the lower mainland. (if so get details)

Priority 2

Interview players who have had 20 or more STR's in calendar year 2014.

Process

- Update subject profile "Player to be interviewed by BCLC Investigator at earliest opportunity".
- Conduct interview of players
- Summarize findings and interview in report to be submitted to Project Leader

Interview Script/Process

- 1. Print off subject profile to confirm personal details, including stated address, employment/company, and status in Canada
- 2. Thank Player for their cooperation in attending interview
- 3. Introduce yourself and try to confirm personal details as above.

Advise the patron that:

"BCLC is conce**rn**ed about suspicious cash recently brought into BC Casinos and as a result this interview was requested. We are concerned that you are also putting yourself at risk of robbery by using cash almost exclusively.

All cash buy in over \$10K are required to be reported to the Canadian Federal Govt as Casino Large cash Transactions" (REMEMBER YOU CANNOT EVER MENTION THEY HAVE BEEN THE SUBJECT OF AN STR)

Canada Revenue agency and law enforcement has unfettered access to that information.

We appreciate your patronage however if we receive any information that the cash used by you is suspected to be derived from proceeds of crime then BCLC will be unable to accommodate any further cash buy ins and





119

you are putting yourself at risk and we would strongly advise you utilize a PGF account." By accepting funds believed to be the proceeds of crime this also puts the Casino business in BC at risk.

Should you be found by Police in an illegal Common gaming house that is a criminal offence in Canada.

(If the player is not a citizen in Canada you can also advise:

"This would likely impact any residency statuses that you may have or travel to and from Canada."

"A copy of the interview will be sent to BCLC Senior Management who will determine if there will are to be any sanctions imposed including no further cash buy ins and/or un-sourced chip play"

Interview content

- Request the source of funds,
- Player association to source of cash (His or borrowed?)
- If applicable (eg borrowed):
- How does the player arrange to get the funds (get as much info as possible)
- Does the player ever ask where the money comes from?
- Is it his? Otherwise how does he pay it back?
- Does player believe this behaviour is suspicious?
- Why does the player utilize this method (Cash) rather than use a PGF account (find out if they have businesses here/bank accounts or any assets)
- Does the player know of any information which can help BCLC determine that the player's funds are from legitimate sources.
- What can we do to assist you in not using cash?
- Is the player aware of any illegal gaming houses in the lower mainland. (if so get details)

INVESTIGATION TEAM MEMBERS

Project Leader:	Bruno Gatto
Project Team:	Jerome Wakeland, Jim Husler, Stone Lee and Tom Caverly

SUBMITTED BY

Kevin Sweeney Director, Compliance and Investigations

&

Ross Alderson Director, AML and Operational Analysis This is Exhibit "23" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this <u>74</u> day of January 2021.

A Commissioner for taking Affidavits for the Province of British Columbia

To: Glen Atchison PERSONAL INFORMATION PERSONAL INFORMATION
PERSONAL INFORMATION ; Craig Longley PERSONAL INFORMATION
PERSONAL INFORMATION ; 'Rob
Kroeker PERSONAL INFORMATION]; PERSONAL INFORMATION ; 'Patrick
Ennis' PERSONAL INFORMATION
PERSONAL INFORMATION
Great Canadian Casino-Security Director PERSONAL INFORMATION
PERSONAL INFORMATION
PERSONAL INFORMATION Devin McCormack
PERSONAL INFORMATION
PERSONAL INFORMATION
Cc: Bruno Gatto PERSONAL INFORMATION]; Kevin Sweeney PERSONAL INFORMATION); Brad
Desmarais PERSONAL INFORMATION]; Daryl Tottenham PERSONAL INFORMATION
From: Ross Alderson
Sent: V3: Operational File -
Subject: Sanctions on high limit players
V3: Operational
Fil C t

Good morning,

This morning certain conditions were imposed on a list of 10 Casino Patrons which I have attached to this email. Their iTrak profiles will be shortly updated.

All players on the list are no longer permitted to buy-in at any BC Casino with any "un-sourced" cash or gaming chips until further notice.

BCLC has attempted to contact all 10 players to arrange an interview with each patron to inform them of the conditions and discuss certain recent activity which has resulted in these conditions. Unfortunately at this time due to sensitivity I am not at liberty to discuss that activity further.

Below are the following conditions to be imposed effective IMMEDIATELY:

1/ Un-sourced Cash and Chips

- If any of the players on the list decides to buy-in using cash (any amount), this buy-in must be accompanied by a withdrawal slip from an accredited financial institution showing the same date as the attempted buy-in.

- If any of the players on the list decides to buy-in with gaming chips, the site must be able to show that the chips were the result of a previous verified win, otherwise they will not be accepted at this time until BCLC has conducted a player interview.

- No player on this list can accept any cash or chips (either sourced or un-sourced) from any other persons at any time. Eg no "chip passing" of any kind

Please note the above applies to all transactions, regardless of amount

2/ Bank Drafts

- If any of the players on the list make a deposit into their PGF Account using a bank draft, the following restrictions apply:

- Bank Draft must be from an accredited financial institution

- The player must be able to show that the Bank Draft is derived from their own bank account, and must be made payable to the Casino accepting the deposit

Any deviation from the above conditions, may result in immediate additional measures, including sanctions such as possible suspension or outright prohibition of the players gaming privileges.

As we value our business partnership with all our players, it is critical that all Service Partners assist in

ensuring these conditions are followed without exception. BCLC will continue to reach out to all players today in the hope of alleviating the need for any future sanctions.

As always we appreciate the assistance of our business partners.

If there are any comments or questions please feel free to contact me at your earliest convenience and I will attempt to answer as much as I am able.

Thank you for your cooperation

Regards

Ross Alderson CAMS

Director, AML & Operational Analysis Corporate Security and Compliance Division, BCLC 2940 Virtual Way, Vancouver, BC, V5M 0A6 PERSONAL INFORMATION

PERSONAL INFORMATION

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This is Exhibit "24" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this 72 day of January 2021.

A Commissioner for taking Affidavits for the

Province of British Columbia

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Know your limit, play within it.



August 7, 2015

[345004]

Jim Lightbody CEO and President British Columbia Lottery Corporation 2940 Virtual Way Vancouver BC V5M 0A6

Dear Mr. Lightbody

Re: Enhancements to Anti-Money Laundering Regime in B.C. Gaming Facilities

Pursuant to the Ministerial 2015/16 Mandate Letter to the British Columbia Lottery Corporation (BCLC), and work undertaken to date under the AML Strategy, I am requesting that BCLC increase its efforts to develop and promote the use of cash alternatives and implement enhancements to its due diligence and compliance program as part of its anti-money laundering (AML) regime in gaming facilities.

The 2015/16 Mandate Letter established as a specific strategic priority that:

"BCLC will use information provided by law enforcement to create actions and solutions to prevent money laundering in BC gaming facilities. GPEB will develop anti-money laundering standards, to which BCLC will respond. Additionally, BCLC will identify and implement strategies to increase the use of cash alternatives and measure and demonstrates this progress".

The multi-phased AML Strategy, begun in 2012, includes:

Phase 1 - the development and implementation of cash alternatives;

Phase 2 - the promotion of cash alternatives by gaming facility patrons; and

Phase 3 - the consideration of regulatory guidance about potential additional measures for enhancing AML due diligence.

I want to acknowledge BCLC's active involvement in delivering the AML Strategy. This includes leading the development, implementation and promotion of cash alternatives in gaming facilities, and participating in recent discussions about exploring opportunities that will enhance compliance in the area of cash entering gaming facilities, including the recent workshop held on June 4th with AML stakeholders and experts.

Ministry of Finance

Gaming Policy and Enforcement Branch Assistant Deputy Minister's Office Mailing Address: PO BOX 9311 \$1N PROV GOVT VICTORIA BC VSW 9N1 (PERSONAL NFORMATION) Location: Third Floor, 910 Government Street Victoria, BC

Web: www.gaming.gov.bc.ca

To enhance the AML regime, BCLC is asked to pursue the following activities:

- 1. Develop and implement additional Customer Due Diligence (CDD) policies and practices constructed around financial industry standards and robust Know Your Customer (KYC) requirements, with a focus on identifying source of wealth and funds as integral components to client risk assessment. This assessment should be based upon suspicious currency transaction occurrences.
- 2. Develop and implement additional cash alternatives, focusing on furthering the transition from cash-based to electronic and other forms of transactions, and instruments, and exploring new ways to promote existing and new cash alternatives. These alternatives should form part of a broader strategy for increasing the use of cash alternatives in gaming facilities, including implementing a performance measurement framework and an evaluation plan to determine service provider participation.
- 3. Work with GPEB to develop processes and approaches to clarify roles and responsibilities around AML intelligence, analysis, audit and compliance activities. This includes considering information sharing and access to systems that support the AML strategy's elements.
- 4. Work with GPEB and other stakeholders such as FINTRAC to develop a BCLC public information and education strategy and action plan for government's review and approval. The plan should include coordinated messaging about anti-money laundering activities in gaming facilities, and outline the requirements, roles and responsibilities for identification, reporting, investigation and enforcement.

I would be happy to discuss any of the above with you further. I recommend that BCLC staff consult and review with GPEB staff on developing approaches and specific actions to implement the above activities.

Yours sincerely,

John Mazure General Manager Gaming Policy and Enforcement Branch

This is Exhibit "25" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this 22 day of January 2021.

A Commissioner for taking Affidavits for the

Province of British Columbia

....

11 Sept 2015

RE: BCLC Direction to BC Gaming Service Providers

Good Morning,

Today certain conditions are to be imposed on a small number of Casino Patrons. The list of patrons is attached in a separate PDF document attached to this email.

The iTrak profiles of these players will be updated shortly. This list includes the previous list of patrons from my email dated August 5, 2015.

All players on the list are no longer permitted to buy-in at any BC Casino with any "unsourced" cash or "un-sourced" gaming chips until further notice.

BCLC continues to use a sound evidence based approach to all player activity. Decisions made regarding the player behavior of the players on this list are made unique to each individual player and/or circumstance. They align with both BCLC's Anti Money Laundering Program and with BCLC's key values specifically, Social Responsibility and Integrity.

Below are the following conditions to be imposed effective IMMEDIATELY:

Un-sourced Cash and Chips

- If any of the players on this list wish to buy-in using cash (any \$ amount), this buy-in must be accompanied by a withdrawal slip from an accredited financial institution (including from an ATM) withdrawn within 2 Business days of the attempted Casino buy-in.
- If any of the players on this list wish to buy-in with gaming chips, the site must be able to show that the chips were the result of a previous verified win, otherwise they will not be accepted until BCLC has conducted a player interview to ascertain the origin of those chips.
- No player on this list will be able to accept any cash or chips (either sourced or un-sourced) from any other persons while in a facility at any time. Eg: no "cash passing or chip passing" of any kind.
- No player on this list will be allowed to dictate game play to a third party while in a Gaming Facility.

Please note the above applies to all transactions, regardless of amount. We would strongly encourage players to utilize the cash alternative options available to them.



74 West Seymour Street Kamloops, BC V2C 1E2

- T 250 828 5500
- F 250.028 5631

2940 Virtual Way Vancouver, BC, V5M 0A6

T 604 215.0649 F 604.225.6424 Incluient Any deviation from the above conditions may result in immediate additional measures, including possible suspension or outright prohibition of the players gaming privileges.

We value our business partnership with all our players. It is critical that all Service Partners assist in ensuring these conditions are followed without exception. It is equally imperative for the integrity of this industry that we discourage all our players from using funds which are potentially borrowed from unknown or unfamiliar sources.

When there are reasonable grounds to believe players are willingly associated with criminality they will be banned outright. When there are reasonable grounds to believe players may be un-wittingly associated with criminality, they will be banned from buying in with any un-sourced financial instrument until the source of that instrument can be reasonably confirmed as legitimate.

BCLC Investigations will attempt to contact all players to arrange an interview with each patron to discuss the activity which has resulted in these conditions.

NOTE: All patrons who have been interviewed previously will not be required to be interviewed. Any players on this list who are currently banned or VSE will not be interviewed until the ban/VSE has expired.

As always we appreciate the assistance of our business partners.

Please feel free to contact me at on PERSONAL INFORMATION or via email on PERSONAL INFORMATION if there are any comments or concerns and I will attempt to answer as much as I am able.

Thank you once again for your cooperation

Regards

Ross Alderson Director AML & Operational Analysis, BCLC



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i 250 628 5500

F 250 828 5631

2940 Virtual Way Vancouver, BC VSM 0A6

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cc.

Brad Desmarais Vice President, Casino and Community Gaming, BCLC

Rob Kroeker Vice President, Corporate Security & Compliance, BCLC



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74 West Saymour Street Kamloops, BC V2C 1E2

T 250 828.5500 F 250.828.5631

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 604.225.6424
 bolk.com

This is Exhibit "26" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this _____day of January 2021.

A Commissioner for taking Affidavits for the Province of British Columbia -----

 To:
 Michael Graydon[PERSONAL INFORMATION]; Dennis Amerine PERSONAL INFORMATION]

 Cc:
 Jim D. Lightbody
 PERSONAL INFORMATION]; Rob Kroeket
 PERSONAL INFORMATION]

 From:
 Brad Desmarais

 Sent:
 Fri 11/09/2015 8:36:11 PM

 Subject:
 RE: BCLC Request for assistance - Casino Patrons

Michael

We couldn't agree more and we are pressing our regulator on both fronts: 1) Disruption or elimination of illegal gambling sites that are likely to draw players away from legitimate gambling venues; and 2) Approval, at least in principle, of several cash-alternative strategies BCLC is advocating which not only will likely reduce or eliminate the migration of high limit gamblers away from legitimate gambling venues, but may in fact lift revenue. The use of non-cash instruments will also substantially reduce regulatory and reputational risk to both our organizations.

We share your frustration and I can assure you we are working hard and fast on cash alternatives. BCLC takes an evidence based, principled approach to player restrictions and/or banning. We do neither lightly and are acutely aware of the revenue implications for both of us. In know this doesn't lessen the sting of a potential hit on revenue but we strongly believe this is the right course of action at this moment. I should add that our concern rests with the method of payment, not the players themselves who we have no reason to believe are criminally culpable.

Brad

Brad Desmarais

Vice President, Casino and Community Gaming

BCLC, 2940 Virtual Way, Vancouver, B.C. V5M 0A6

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

From: Michael Graydon PERSONAL INFORMATION Sent: Friday, September 11, 2015 12:40 PM To: Brad Desmarais Cc: Dennis Amerine Subject: Fwd: BCLC Request for assistance - Casino Patrons

Understand the need for this but we have to have other forms of transaction in place to provide the avenues of opportunity for buy in. Both shoes have to drop, I am hopeful that BCLC is making every effort to expand the mechanisms available to customers. The short term consequence of these actions is a drop in revenue and driving these players into the unregulated options for gaming. I support your efforts but we have to have better solutions. Mg

Sent from my iPhone Begin forwarded message:

From: "Dennis Amerine" PERSONAL INFORMATION
To: "Scott Menke" PERSONAL INFORMATION "Michael Graydon"
PERSONAL INFORMATION "Eric Boes" PERSONAL INFORMATION
Subject: FMU BCLC Request for accidence - Casino Patrons

Subject: FW: BCLC Request for assistance - Casino Patrons

Here is the list. The EW has already received it as well. Dennis

From: Ross Alderso	PERSONAL INFORMATION	
Sent: Friday, September 11	, 2015 11:49 AM	
To: Glen Atchison;	PERSONAL INFORMATION	Craig Longley;
	PERSONAL INFORMATION	
PERSONAL INFORMA	TION; Dennis Amerine; Devin McCormack	
	PERSONAL INFORMATION	'Patrick Ennis'; Shauna
Gillespie; Erin Olive	er; Cameron Conn; Cameron Conn	

Cc: Rob Kroeker; Brad Desmarais; Kris Gade; Bruno Gatto; Kevin Sweeney; Daryl Tottenham **Subject:** BCLC Request for assistance - Casino Patrons

Good morning,

Please find attached a letter regarding conditions to be placed on a small number of Casino Players.

Also attached is a list of the players involved.

The letter outlines what the conditions are and the rationale.

I appreciate this may have a significant impact to your business and is not a decision made lightly.

I apologize for not being able to convey this news in person but I wanted to assure everyone was notified at the same time and it is a time sensitive matter.

It is BCLC's desire to interview these players and we would ask for your assistance in facilitating that if possible. We encourage any player on this list to contact BCLC Consumer Services on 1-866-815-0222 or email through http://corporate.bclc.com/customer-support.html to schedule an interview so we can ensure we have the appropriate resources including translation services. Investigators will be available from Monday September 14, 2015.

I appreciate if you can make your operational staff aware of the conditions.

Many thanks for your cooperation.

Ross Alderson CAMS

Director, AML & Operational Analysis Corporate Security and Compliance Division, BCLC 2940 Virtual Way, Vancouver, BC, V5M 0A6 PERSONAL INFORMATION

PERSONAL INFORMATION

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.

This is Exhibit "27" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this 20 day of January 2021.

A Commissioner for taking Affidavits for the Province of British Columbia ----

 To:
 Rob Kroeker
 PERSONAL INFORMATION

 Cc:
 Jim D. Lightbody
 PERSONAL INFORMATION

 From:
 Brad Desmarais

 Sent:
 Tue 15/09/2015 7:56:12 PM

 Subject:
 FW: VVIPs

Please see below. I guess we'd better confirm Edgewater isn't accepting cash from the flagged players.

Brad Desmarais

Vice President, Casino and Community Gaming (Interim) Vice President, Corporate Security & Compliance

BCLC, 2940 Virtual Way, Vancouver, B.C. V5M 0A6 Personal Information

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

From: Bradley Bodenhamer Sent: Tuesday, September 15, 2015 12:52 PM To: Brad Desmarais; Adriana Markman; Todd Rende; Ryan Persaud Subject: RE: VVIPs Importance: High

Brad,

Here is what I have come up with for the questions below. I'm comparing the past Fri-Mon (Sept 11-14) against the previous Fri-Mon (Sept 4-7).

- CPV drop went from \$8.4M last Fri-Mon to \$3.4M this Fri-Mon, a drop of \$5M. This didn't go to other sites. (don't have CPV data for Edgewater) Should be noted there was significant change after Friday.
- Out of the previous 11 days, only one had CVP drop under \$1M and the daily average was \$1.8M

CPV Drop	River Rock	Grand Villa	Edgewater	Starligh	nt TOTAL	
Fri-Mon (TW)	\$3,383,600	\$568,580	\$0	\$150,0	000 \$4,102,	180
Fri-Mon (LW)	\$8,432,510	\$835,940	\$0	\$1,319,0	020 \$10,587,	470
	-\$5,048,910	-\$267,360	\$0	-\$1,169,0	020 -\$6,485,	290
	-59.9%	-32.0%		-88.	6% -61.	.3%
			CPV Drop	Day	River Rock	
			Aug 31	Mon	\$1,038,525	
			Sept 1	Tue	\$1,181,320	
			Sept 2	Wed	\$1,894,560	
			Sept 3	Thu	\$1,018,440	
			Sept 4	Fri	\$1,498,380	
			SeptS	Sat	\$3,769,440	
			Sept 6	Sun	\$2,644,690	
			Sept 7	Mon	\$520,000	
			Sept 8	Tue	\$1,667,000	
			Sept 9	Wed	\$2,698,160	
			Sept 10	Thu	\$2,542,240	
			Sept 11	Fri	\$1,468,400	
			Sept 12	Sat	\$466,000	
			Sept 13	Sun	\$629,200	
			Sept 14	Mon	\$820,000	

Total drop Friday-Monday was \$10M at RR, down 35% from the Fri-Mon last week.

o Looks like some of this drop went to Edgewater as they had a 64% increase in the same time.

TOTAL Drop	River Rock	Grand Villa	Edgewater	Starlight	TOTAL
Fri-Mon (TW)	\$10,074,277	\$4,112,584	\$6,495,129	\$1,803,058	\$22,485,048
Fri-Mon (LW)	\$15,529,050	\$4,575,996	\$3,967,163	\$3,062,766	\$27,134,975
	-\$5,454,773	-\$463,412	\$2,527,966	-\$1,259,708	-\$4,649,927
	-35.1%	-10.1%	63.7%	-41.1%	-17.1%

• Bottom line net win stayed roughly the same at River Rock and overall compared to the same Fri-Mon last week. This despite some crazy swings at both GV and Starlight.

WIN	River Rock	Grand Villa	Edgewater	Starlight	TOTAL
Fri-Mon (TW)	\$2,259,570	\$297,906	\$834,331	\$1,187,631	\$4,579,438
Fri-Mon (LW)	\$2,233,610	\$1,310,848	\$1,259,883	-\$347,098	\$4,457,244
	\$25,960	-\$1,012,942	-\$425,552	\$1,534,728	\$122,194
	1.2%	-77.3%	-33.8%	-442.2%	2.7%

Hopefully this helps, let me know if you have any more questions:

Bradley Bodenhamer Senior Business Intelligence Analyst eGaming-Business Intelligence, BCLC PERSONAL INFORMATION

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

From: Brad Desmarais Sent: Tuesday, September 15, 2015 8:13 AM To: Adriana Markman Cc: Monica Bohm Subject: FW: VVIPs

Can you please have a look at this – If possible I'd like something for the executive meeting today.

Brad Desmarais

Vice President, Casino and Community Gaming (Interim) Vice President, Corporate Security & Compliance

BCLC, 2940 Virtual Way, Vancouver, B.C. V5M 0A6 Personal Information

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

From: Rob Kroeker Sent: Tuesday, September 15, 2015 7:10 AM To: Brad Desmarais Subject: VVIPs

Darryl says it looks like there was only one buy-in last night at RR for \$20K. We should get a look into how much business has dropped off. Can you get numbers for RR, Edgewater and Villa buy-ins for Friday to yesterday as compared to average or same time last year?

This is Exhibit "28" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this 22 day of January 2021.

A Commissioner for taking Affidavits for the Province of British Columbia

 To:
 Brad Desmarais
 PERSONAL INFORMATION
]; Rob Kroeker
 PERSONAL INFORMATION
]; Susan

 Dolinski
 [PERSONAL INFORMATION]
 From:
 Jim D. Lightbody

 Sent:
 Fri 18/09/2015 8:46:47 PM

Subject: Rod

I called Rod today and told him that we have raised the issue and we should expect action soon. I also told him we reinforced out AML solutions with GPEB and the Ministry and expect actions on that front too. I reiterated that Brad and Rob Would work with Terrance, Pat, etc to ensure we are handling out customers appropriately.

He seems to have calmed down and appreciated what we have done. He's in no hurry to release any announcement any longer.

I also talked with Bud. He has a meeting with Kim Henderson soon and I've given him some information to share and request a "summit' meeting about AML. I told him that the Minister needs to get advice from experts and we have two in Brad and Rob! Stay tuned. Jim

Sent from my BlackBerry 10 smartphone on the TELUS network.

This is Exhibit "29" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this 27 day of January 2021.

A Commissioner for taking Affidavits for the Province of British Columbia

BCLC Interview Intelligence Summary

Individual interviewed: NAME Redacted - Patron Interview Identifying Information SID # Interview Date: September 25, 2015 Interview Time: 17:00 hours Interview Location: Tramonto Restaurant, RRCR Language spoken: Mandarin GCC Translator Yang (Lisa) GAO

BCLC Investigator: Brad DESMERAIS - Vice President, Casino and Community Garning

Copy of report provided by DESMERAIS

On Friday, 2015-09-25 at 1700 hrs I met with reacted at Tramonto Restaurant at the River Rock Casino Resort in Richmond, BC. The purpose of the meeting was to explain to store the "no-cash" restrictions placed on him. Also present for this meeting was Rob Baker, CEO of Great Canadian Gaming Corporation and Terrence Doyle, the COO. A RRCR guest services manager, Lisa, acted as translator. The following is a synopsis of the conversation with restrictions

• Tradector was upset that he had this restriction placed on him and suggested he would limit his attendance at RRCR in the future;

• He indicated that he thought it proper and appropriate that he be given notice before this restriction was placed on him. I advised that this is his notice and that, absent clear evidence where he obtained currency from, he would only be permitted to play with non-cash financial instruments;

He inquired about chips and I advised that only sourced chips would be permitted without a further interview.
 Received said he had approximately \$3M in chips at his residence (Terrence DOYLE advised RRCR would review internal records to determine if that quantity of chips could reasonably be attributed room play/buy-in; B.D.);
 Received said that cash is his preferred means of play at BC Casinos because he does not want his

Kannow said that cash is his preferred means of play at BC Casinos because he does not want his family (wife?) knowing what his gambling habits are.

• **Example :** obtains cash through an arrangement with individuals in China/Hong Kong/Macau whereby he makes a call there and cash is delivered to him here;

Resided advised he and most (all?) of his friends use this underground banking service everywhere they gamble, anywhere in the world. He couldn't understand why Canadians are upset with this arrangement as it is in use in every country that has a casino industry;

 He had no idea of the source of the cash delivered to him here; he settles the debt plus a very small handling fee through a domestic EFT in China.

• He also uses this underground banking system to circumvent Chinese law (presumably referring to the Flight of Capital laws; B.D.)

• Remarks stated that the use of credit and international wire transfers (he specifically mentioned Singapore) would significantly reduce the demand for cash amongst his contemporaries who gamble.

* Reported was coy when asked about illegal gambling houses although he did state he had other alternatives to BC Casinos if he wanted to gamble, even at high stakes.

The meeting concluded with Patient lamenting further about his inability to use cash and suggested there was some discriminatory component to this rule because he had seen others using cash. I advised that we had become concerned about the source of his cash which Is why this step was being taken. Peter seid he knew there was a "list" of players who were no longer allowed to play with cash and how unfair this is. Reasons should have a crystal clear understanding of restrictions now placed on him with respect to the use of cash and un-sourced chips. The meeting terminated at 1745 hours.

Brad Desmarais Vice President, Casino and Community Gaming This is Exhibit "30" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this I day of January 2021.

A Commissioner for taking Affidavits for the Province of British Columbia



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Bud Smith, Chair Board of Directors British Columbia Lottery Corporation 74 West Seymour Street Kamloops BC V2C 1E2

Dear Mr. Smith:

Re: Anti-Money Laundering Strategy

I want to acknowledge the British Columbia Lottery Corporation's (BCLC) active involvement in delivering on the Province's anti-money laundering (AML) strategy, and the work that has been done on the first two phases of that strategy including leading the development, implementation and promotion of cash alternatives in gaming facilities, and participating in recent discussions about exploring opportunities to enhance compliance in the area of cash entering gaming facilities. The purpose of this letter is to provide you with direction on phase three of the AML strategy which focuses on regulator guidance and intervention.

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:

- 1. Ensure that BCLC's AML compliance regime is focused on preserving the integrity and reputation of British Columbia's gaming industry in the public interest, including those actions set out in the General Manager's letter of August 7 (enclosed) and any subsequent actions or standards that may follow;
- 2. Participate in the development of a coordinated enforcement approach with the Gaming Policy and Enforcement Branch (GPEB), the RCMP and local police to mitigate the risks of criminal activities in the gaming industry; and
- 3. 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.

.../2

Ministry of Finance

Office of the Minister

Mailing Address: PO Box 9048 Sta Prov Govt Victoria BC V8W 962 PERSONALINFORMATION

Location: 501 Belleville Street Padiament Buildings, Victoria website: www.gov.bc.cn/fin

144

These actions are in addition to, and in support of those activities identified in the August 7, 2015, letter from the General Manager of GPEB to BCLC. I would like to take this opportunity to acknowledge the response received from CEO and President Jim Lightbody, to the initiatives put forward in that letter. The diligence and detail provided on how BCLC will implement each activity is appreciated.

Thank you for your continued effort and commitment to protecting the integrity of gaming on behalf of the people of British Columbia.

Sincerely,

Michael de Jong, Q.C. Minister

- Enclosure: Letter dated August 7, 2015, to BCLC from GPEB, Enhancements to Anti-Money Laundering Regime in BC Gaming Facilities
- cc: Jim Lighthody, CEO and President, BCLC John Mazure, ADM and General Manager, GPEB

September 16, 2015

Gaming Policy & Enforcement Branch PO BOX 9311 STN PROV GOVT Victoria BC V8W 9N1

Attention: John Mazure General Manager

Dear John:

Re: Anti-Money Laundering Regime Enhancements

I write in response to your letters of August 7, 2015, September 1, 2015, and in furtherance of my letter to you of September 2, 2015, in which I committed to having a response to you by the third week of September. Also relevant to this response is the Cash Alternatives document BCLC provided to GPEB in April of 2015 which sets out a number of initiatives BCLC recommends to strengthen the anti-money laundering regime at gaming facilities in British Columbia. I appreciate your patience with respect to the timing of my response, as I noted in my letter of September 2nd this slight delay allowed me to receive the advice of our new incoming Vice-President of Corporate Security & Compliance on the matters here under consideration.

I would like to take this opportunity to acknowledge the recently renewed commitment to a cooperative approach between our organizations (of course within the bounds of and recognizing the appropriately distinct and separate aspects of our respective mandates) in regard to ansuring the integrity and oversight of gaming in the province. A collegial and collaboretive approach can only enhance our collective effectiveness and ensure we deliver on the expectations laid out by the Minister.

Turning to your letter of August 7, 2015, you list four activities BCLC is asked to pursue with the intent of enhancing BCLC's anti-money laundering (AML) regime. I will address each of those activities in the order laid out in your letter.

The first activity you suggest is:

Develop and Implement additional Customer Due Diligence (CDD) policies and practices constructed around financial industry standards and robust Know Your Customer (KYC) requirements, with a focus on identifying source of wealth and funds as integral components to client risk assessment. This assessment should be based upon suspicious currency transaction occurrences.

At your request, BCLC has looked at its existing policies and procedures in the context of Guideline 6G published by the Financial Transactions and Reports Analysis Centre (FinTRAC) and which deals with client identification requirements for Financial Entities. I have enclosed a copy of the relevant section of Guideline 6G for ease of reference.

It is our understanding and belief that BCLC's client identification, risk assessment and on-going monitoring policies and procedures meet or exceed not only the statutory requirements found in the *Proceeds of Crime (Money Laundering)* and *Terrorist Financing Act*, and FinTRAC Guideline 6F (which sets out client identification



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and monitoring requirements for the casino sector), but also meet the obligations found in Guideline 6G – the requirements for Financial Entities. With respect to your specific suggestions in regard to source of wealth, source of funds, and suspicious transaction reports made to FinTRAC, I can confirm that all three of these elements, amongst many other factors, are integrated into BCLC's risk assessment and on-going monitoring of individual customers. Despite this, BCLC's AML regime is not static as we remain keenly committed to a process of continuous improvement. Our current processes are largely manual. To further enhance our client identification, risk assessment and monitoring program we have made a substantial investment in automated processes that will be operationalized in the coming months. The software solution we have selected is the same as that used by most of Canada's major banks thus ensuring BCLC's AML program will continue to be aligned with Financial Entity efforts in regard to client identification, risk assessment and the suggestions you have made.

As I know you fully appreciate, this is a highly technical area of both law and operational policy and thus it is not practical for me to go further here into all the relevant aspects of our AML regime as it relates to client identification. If you, or any of the Ministry staff, would like further particulars or details I would be pleased to arrange for a technical briefing on these aspects of our AML regime at our earliest mutually agreeable time.

The second suggestion you provide is:

Develop and implement additional cash alternatives, focusing on furthering the transition from cash-based to electronic and other forms of transactions, and instruments, and exploring new ways to promote existing and new cash alternatives. These alternatives should form part of a broader strategy for increasing the use of cash alternatives in gaming facilities, including implementing a performance measurement framework and an evaluation plan to determine service provider participation.

Prior to 2009, BCLC was prohibited by an external policy from accepting any form of payment other than cash for gaming services. Since that time the Corporation has been pursuing a range of cash alternatives. A suite of non-cash buy-in options was implemented in the 2011-2012 timeframe which included patron gaming accounts and the use of debit, amongst other things. Most of these options met with substantial success in reducing the amount of cash coming into BC's casinos. Since 2012, BCLC has continued to identify and develop further options that will help to move gaming customers to non-cash buy-in options. In April of this year a further suite of non-cash buy-in options was presented to GPEB by BCLC. In June of this year, BCLC and GPEB in cooperation held a one day consultation session which focussed on the issue of cash buy-ins at casinos. Participants included high ranking officials from police, FinTRAC, and the province's Civil Forfeiture Office as well as subject matter experts from banks, the Canada Revenue Agency, Canada Border Services and casino service providers. A host of cash alternatives were considered and discussed. There was a very strong consensus amongst the group that the initiative that was likely to have largest impact in terms of furthering BCLC's AML program was to offer credit in the form of account overdraft to very high net worth clients. This option is outlined in the Cash Alternatives document which has been provided to GPEB.

It is understood that GPEB takes the position that BCLC is prohibited from implementing any new cash alternative without the prior approval of GPEB. BCLC stands ready to develop and implement the noncash options leid out in its document of April 2015 as soon as GPEB provides its approval for BCLC to do so. Implementation would of course include outcome measures to track and assess the extent to which any particular option is used by BCLC's customers. We look forward to hearing back from you at your earliest convenience on the recommended initiatives.

The third suggestion you make is:

Work with GPEB to develop processes and approaches to clarify roles and responsibilities around AML intelligence, analysis, audit and compliance activities. This includes considering information sharing and access to systems that support the AML strategy's elements.

I support this suggestion. I would ask you to contact Rob Kroeker to set up an initial meeting to identify the scope of the work and develop a work plan.

Your fourth and final suggestion is:

Work with GPEB and other stakeholders such as FINTRAC to develop a BCLC public information and education strategy and action plan for government's review and approval. The plan should include coordinated messaging about anti-money laundering activities in gaming facilities, and outline the requirements, roles and responsibilities for identification, reporting, investigation and enforcement.

I support this suggestion. BCLC has already been working internally and with subject matter experts and organizations like the Gaming Security Professionals of Canada to develop fact based reference and other materials suitable for public education purposes. In addition, you will recall that BCLC initiated, in collaboration with your office and Government Communications and Public Engagement, and submitted for consideration a communications strategy related to AML. As with the recommendation immediately above, please contact Rob Kroeker to set up a meeting to discuss this opportunity further.

There is a further issue I need to raise with you and which we at BCLC believe is quite urgsnt. As GPEB is aware, in the early part of this summer BCLC and its Service Providers began receiving anecdotal reports of high stakes illegal gaming houses operating in Richmond. Some of these reports came directly from players at our casinos. These reports were immediately passed on by BCLC and its Service Providars to GPEB and policing authorities when first received. Since that time, these reports have continued to come in at an increased rate and in many cases contain specific information which lends a real ring of truth to the Information being provided. We are advised that our players are now almost routinely speeking openly of single day sessions at these illegal establishments involving wins and losses in the hundreds of thousands of dollars. BCLC is deeply concerned, assuming this information is accurate, about the risk thase illegal establishments pose to the personal safety of the individuals who are gambling and working there as well as what these astablishments mean for the integrity of gaming in the Province. As the complainant in this case, any information you can provide in regard to what is being done in response to this situation would be much appreciated.

I look forward to the continuation of our collaborative efforts.

Yours truly

/fim Lightbody President & CEO

cc: File

1 x Enclosure (Guideline 6G: Record Keeping & Client Identification for Financial Entities)

Page 3

Guideline 6G: Record Keeping and Client Identification for Financial Entities

5. Ongoing Monitoring of Business Relationship and Related Records

Business relationship

A business relationship is a relationship that you establish with a client to conduct financial transactions or provide services related to those transactions.

For financial institutions, these relationships can be established within or outside of an account.

If you are carrying on activities as a credit card acquiring business, business relationship requirements do not apply to those activities. For more information on credit card acquiring businesses, see subsection 3.1.

Account-based business relationship: You are in a business relationship with a client that holds an account with you. You enter into a business relationship when a client opens an account with you. For a new or existing client that has one or more accounts, the business relationship includes all transactions and activities relating to those accounts.

Non-account-based business relationship: if your client does not have an account, you enter into a business relationship when you conduct two or more transactions in which you have to:

- · ascertain the identity of the individual (see section 4); or
- confirm the existence of a corporation or other entity (see sections 4 and 6).

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In such a case, the business relationship only includes transactions and related activities for which you have to ascertain the identity of your client. See section 4 for more information on these transactions and activities.

If you use the exception to ascertaining the identity of a client where you recognize the individual (as described in 4.2 General exceptions to client identification) in the case of a second transaction that requires you ascertain the identity of a client, you have entered into a business relationship with that client nonetheless. This is because it is the requirement to ascertain identity that triggers the business relationship.

You should determine that a business relationship has been established as soon as reasonably practicable following the second transaction requiring that the client's identity be ascertained. As a best practice, this should be done within 30 calendar days.

If you have a client without an account who conducts two or more suspicious transactions, you have still entered into a business relationship with that client, even if you are unable to ascertain the identity of that client. This is because suspicious transactions require you to take reasonable measures to ascertain the identity of the client (subject to the circumstances described in section 4.4), and so two or more of these transactions will trigger a business relationship. You must treat this business relationship as high-risk, and undertake more frequent ongoing monitoring and updating of client identification information, as well as any other appropriate enhanced measures (see examples under "Ongoing monitoring" below).

A business relationship is established when two transactions that require you to ascertain the identity of your client occur within a maximum of five years from one another. If a period of five years passes from the last transaction that required you to ascertain the identity of your client, the business relationship with that client ceases in the case of non-account-based business relationships. In the case of clients who hold an account, the business relationship ceases five years after the client closes that account.

Once the business relationship is established, you must also:

- conduct ongoing monitoring of your business relationship with your client; and
- keep a record of the measures you take to monitor your business relationship and the information you obtain as a result. See section 5.1 for a description of what information you must keep for this record.

149

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Ongoing monitoring

Ongoing monitoring means that you have to monitor your business relationship with a client on a periodic basis. Use your risk assessment of the client with whom you have a business relationship to determine how frequently you will monitor that business relationship. The risk assessment requires you to consider each one of your clients when assessing their risk for money-laundering and terrorist activities financing. However, an individual written assessment is not required for each client, so long as you can demonstrate that you put your client in the correct risk category, according to your policies and procedures, and risk assessment. You have to perform ongoing monitoring of each business relationship in order to:

- detect suspicious transactions that have to be reported;
- keep client identification, beneficial ownership information, and the purpose and intended nature of the business relationship up to date;
- reassess the level of risk associated with the client's transactions and activities; and
- determine whether the transactions or activities are consistent with the information previously obtained about the client, including the risk assessment of the client.

The above-listed requirements do not need to follow the same timeframe, so long as you monitor your high-risk clients more frequently and with more scrutiny than you do your low-risk clients.

In order to keep client and beneficial ownership information up to date, you may ask clients with account-based business relationships to confirm the information you have on record periodically throughout your regular interactions with them. For clients in non-account-based business relationships, you may update the information you have on record every time the client conducts a transaction that requires you to ascertain their identity.

As an example, you may choose to reassess the level of risk associated with a client's transactions and activities, and to determine whether the transactions or activities are consistent with the information you have on your client, for your low-risk clientele, every two years, while performing the same monitoring of your high-risk clients on a more frequent basis. However, depending on the circumstances of your operations, a different ongoing monitoring period for low-risk clients may be appropriate.

15n

In the context of monitoring on a periodic basis, your monitoring will vary depending on your risk assessment of your client. As part of your ongoing monitoring obligations, you must monitor all of your business relationships, and you must monitor business relationships you consider high-risk more frequently, as well as update client identification information and adopt any other appropriate enhanced measures.

Here is a non-exhaustive list of enhanced measures you could take to mitigate the risk in cases of high-risk business relationships:

- Obtaining additional information on the client (e.g. occupation, volume of assets, information available through public databases, Internet, etc.).
- · Obtaining information on the source of funds or source of wealth of the client.
- Obtaining information on the reasons for intended or conducted transactions.
- Obtaining the approval of senior management to enter into or maintain the business relationship.
- Identifying patterns of transactions that need further examination.
- Requiring the first payment to be carried out through an account in the client's name with a bank subject to similar client due diligence standards.
- Increased monitoring of transactions of higher-risk products, services and channels.
- Establishing more stringent thresholds for ascertaining identification.
- Gathering additional documents, data or information; or taking additional steps to verify the documents obtained.
- Establishing transaction limits.
- Increasing awareness of high-risk activities and transactions.
- Increasing internal controls of high-risk business relationships.
- Obtaining the approval of senior management at the transaction level for products and services that are new for that client.

If as a result of your ongoing monitoring you consider that the risk of a money laundering or a terrorist financing offence in a business relationship is high, your risk assessment in your compliance regime must treat that client as a high risk. In this case, you must conduct more frequent monitoring of your business relationship with that client, update that client's identification information more frequently, and adopt any other appropriate enhanced measures (see examples above)

152



Know your limit, play within it.

August 7, 2015

[345004]

Jim Lightbody CEO and President British Columbia Lottery Corporation 2940 Virtual Way Vancouver BC V5M 0A6

Dear Mr. Lightbody

Re: Enhancements to Anti-Money Laundering Regime in B.C. Gaming Facilities

Pursuant to the Ministerial 2015/16 Mandate Letter to the British Columbia Lottery Corporation (BCLC), and work undertaken to date under the AML Strategy, 1 am requesting that BCLC increase its efforts to develop and promote the use of cash alternatives and implement enhancements to its due diligence and compliance program as part of its anti-money laundering (AML) regime in gaming facilities.

The 2015/16 Mandate Letter established as a specific strategic priority that:

"BCLC will use information provided by law enforcement to create actions and solutions to prevent money laundering in BC gaming facilities. GPEB will develop anti-money laundering standards, to which BCLC will respond. Additionally, BCLC will identify and implement strategies to increase the use of cash alternatives and measure and demonstrates this progress".

The multi-phased AML Strategy, begun in 2012, includes:

Phase 1 - the development and implementation of cash alternatives;

Phase 2 - the promotion of cash alternatives by gaming facility patrons; and

Phase 3 - the consideration of regulatory guidance about potential additional measures for enhancing AML due diligence.

I want to acknowledge BCLC's active involvement in delivering the AML Strategy. This includes leading the development, implementation and promotion of eash alternatives in gaming facilities, and participating in recent discussions about exploring opportunities that will enhance compliance in the area of eash entering gaming facilities, including the recent workshop held on June 4th with AML stakeholders and experts.

Ministry of Finance

Garning Poticy and Enforcement Branch Assistant Deputy Minister's Office Mailing Address: PO BOX 9311 STN PROV GOVT VICTORIA BC V8VY 9N1 DEBROWNINGSMAN Location: Third Floor, 910 Government Street Victoria, BC

Web: www.gaming.gov.bo.ca

To enhance the AML regime, BCLC is asked to pursue the following activities:

- 1. Develop and implement additional Customer Due Diligence (CDD) policies and practices constructed around financial industry standards and robust Know Your Customer (KYC) requirements, with a focus on identifying source of wealth and funds as integral components to client risk assessment. This assessment should be based upon suspicious currency transaction occurrences.
- 2. Develop and implement additional cash alternatives, focusing on furthering the transition from cash-based to electronic and other forms of transactions, and instruments, and exploring new ways to promote existing and new cash alternatives. These alternatives should form part of a broader strategy for increasing the use of cash alternatives in gaming facilities, including implementing a performance measurement framework and an evaluation plan to determine service provider participation.
- 3. Work with GPEB to develop processes and approaches to clarify roles and responsibilities around AML intelligence, analysis, audit and compliance activities. This includes considering information sharing and access to systems that support the AML strategy's elements.
- 4. Work with GPEB and other stakeholders such as FINTRAC to develop a BCLC public information and education strategy and action plan for government's review and approval. The plan should include coordinated messaging about anti-money laundering activities in gaming facilities, and outline the requirements, roles and responsibilities for identification, reporting, investigation and enforcement.

I would be happy to discuss any of the above with you further. I recommend that BCLC staff consult and review with GPEB staff on developing approaches and specific actions to implement the above activities.

Yours sincerely,

John Mazure General Manager Gaming Policy and Enforcement Branch

This is Exhibit "31" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this 22 day of January 2021.

A Commissioner for taking Affidavits for the Province of British Columbia ----

 To:
 Susan Dolinski[PERSONAL INFORMATION]

 Cc:
 Jim D. Lightbody[PERSONAL INFORMATION]; John Karlovcec[PERSONAL INFORMATION]; Rob

 Kroeker[PERSONAL INFORMATION]

 From:
 Brad Desmarais

 Sent:
 Thur 01/02/2018 6:03:11 PM

 Subject:
 HLT - Cash Cap Final

 HLT - Cash Cap Final.docx

Hi Susan. This is the HLT report which, as I understand it, will be sent to the Minister today as part of his request last Tuesday. Abby received it yesterday, but I wanted to draw your attention to Exhibit 4 in the report. This is the stratification of LCTs over the period Sept 2016-Sept 2017 and indicates the vast majority of the cash buy-ins were in the \$10-20K range, in both value and incidents. This is important because it clearly shows the very large cash buy-ins are in fact relatively rare when taken in context. This is probably the first time the Minister will have been exposed to this information other than Jim providing a verbal overview to staff.

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HLT Advisory Inc. 4516 Mountainview Road, Beamsville, ON LOR 183 Tel: 416-924-7737 | Fax: 416-961-7737 | www.hita.ca

PRIVILEGED AND CONFIDENTIAL

Brad Desmarais Vice President, Casino and Community Gaming British Columbia Lottery Corporation 2940 Virtual Way Vancouver, BC V5M 0A6

Date: October 11, 2017

Re: Restriction to Table Games Buy-in Levels

Dear Mr. Desmarais,

INTRODUCTION

HLT Advisory Inc. ("HLT") has been retained by British Columbia Lottery Corporation ("BCLC") to estimate the impact of restricting the acceptance of table game cash "buy-ins" (i.e., acquisition of playing chips) of more than \$10,000 at BC gaming facilities. This restriction will impact High-Limit (or High-End) table game business as the majority of cash buy-ins over \$10,000 occur in this component of casino operations.

SCOPE OF WORK

To complete the impact analysis HLT assessed the following data:

- FY2016, FY2017 and six fiscal periods of FY2018 table drop, net win and hold rate by table game type.
- FY2017 High-Limit table drop, net win and hold rate by casino.
- Large cash transactions ("LCT") for 12 fiscal periods ending September 23, 2017.
- Buy-In from both LCTs and non-LCTs (12 fiscal periods ending September 23, 2017).

HIGH-LIMIT TABLE BUSINESS

The High-Limit table segment in British Columbia casinos is defined as midi and squeeze (or "EZ") baccarat. As shown in Exhibit 1 following, high-limit baccarat has historically accounted for approximately 60 percent of total table drop and between approximately 50 to 60 percent of total table net win. Casinos which offer high limit tables typically experience volatile hold rates in high limit games, as evidenced in BC with a high of 18.6% in FY2016 to a low of 14.1% in FY2018 YTD. The impact of this hold rate change is highlighted in FY2017 where high-limit baccarat drop increased over FY2016 but net win decreased due to a significantly lower hold rate in FY2017.

British Columbia Lottery Corporation Large Cash Transaction Limits October 11, 2017

		Exhibit	1		
	Provincial	able Drop, Ne	t Win & Hold	Rate	
	(Excluding 1	able Poker and	TouchBet Roul	lette)	
	High-Limit	Main Floor			
Fiscal 2016	Baccaral	Baccarat	Blackjack	All Other	Tota
Drop	S1,555,869,275	\$305,085,379	\$347,052,550	\$362,830,225	\$2,570,837,428
% of Total Drop	60.5%	11.9%	13.5%	14.1%	100.0%
Net Win	\$289,998,296	540,714,629	\$80,005,298	\$85,009,658	\$495,728,079
% of Total Net Win	58 5%	8 2%	16.1%	17 1%	100.0%
Hold %	18,6%	13 3%	23.1%	23 4%	19 3%
Fiscal 2017					
Drop	\$1,631,361,862	\$391,647,357	\$351,290,026	\$379,765,043	\$2,754,264,287
% of Total Drop	59.2%	14.2%	12 6%	13 6%	100.0%
Net Win	\$239,358,605	\$52,712,755	\$63,433,340	\$68,579,129	\$464,083,830
% of Total Net Win	51.6%	11.4%	18,0%	19.1%	100.0%
Hold X	14 7%	13 5%	23 8%	23 3%	16.8%
Fiscal 2018 YTD*					
Drop	\$789,283,740	\$206,753,017	\$176,559,847	\$192,559,616	\$1,365,166,220
% of Total Drop	57.8%	15 1%	12 9%	14 1%	100.0%
Net Win	\$110,898,844	\$26,400,225	\$41,261,183	\$44,257,370	\$222,817,622
% of Total Net Win	49.8%	11 8%	18.5%	19.9%	
Hold %	14.1%	12.8%	23.4%	23.0%	18.3%
Square of Lédusony inc	- baset on BCLC data				
Fiscal 2018 7 ID cosali		of or 23, 2217			

As shown in Exhibit 2, the high-limit baccarat business is concentrated in five Lower Mainland casinos. These casinos account for approximately 98% of total high-limit drop and net win. Of these casinos, River Rock accounts for almost half the drop and net win. River Rock's share of total drop and win is likely to decrease once Parg Casino (formerly Edgewater) is stabilized in the market (opened September 29, 2017).

			Exhi				
	H	ligh-Limit Tal	ble Drop & N	et Win by Car	sino (FY2017)		
	River Rock	Edgewater	Grand Villa	Starlight	Hard Rock	All Other	⊺ota
Drop	\$776,380,596	\$363,035,323	\$204,760,300	5144,751 785	\$107,743,475	\$34,710,373	\$1,631,361,86
Net Win	5118,110,079	\$50,703,306	\$29,668,852	\$14,944,497	\$21,408,741	\$4,523,131	\$239,358,60
Hold %	15.2%	14.0%	14. 5%	10.3%	19. 9%	13 0%	14.75
Drop % of Total	47.6%	22,3%	12.6%	6.9%	6.6%	2 1%	109.05
Win % of Total	49 3%	21 2%	12 4%	6.2%	6.9%	1 9%	100.05

It should be recognized that high-limit tables account for over 40% of total table business in each of these casinos. River Rock is most dependant on high-limit business (historically high-limit has accounted for approximately 70% of total table win) followed by Edgewater (over 50%).

CASH BUY-INS (LCTS FILED)

Table game buy-ins are made either through cash or by way of withdrawal from a customer account (PGF). Monies in the latter case originate mainly from bank drafts from a customer's bank account to an account maintained by the casino for that customer. If a cash buy-in exceeds \$10,000 (either via one transaction or a series of transactions which total \$10,000 or more in a 24-hour period), an LCT report is filed with FINTRAC. The majority of PGF buy-ins, and approximately 90% of LCTs are for high-limit table games.

To calculate the range of potential loss we used data for the trailing twelve fiscal periods ending September 23, 2017. As shown in Exhibit 3, LCTs (including discarded LCT transactions) account for 21 percent of total table drop. This percentage increases to approximately 37 percent if only high-limit table drop is considered.

157

British Columbia Lottery Corporation Large Cash Transaction Limits October 11, 2017

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Exhibit 3 Buy-in (Drop) by Source (12 fiscal periods ending Sept 23, 2017)							
Source of Buy-In	Number	Table Otop	% of Total	Average Buy-In			
LCTs	35,417	\$505,770,804	18 2%	\$14,280			
Discarded LCT Transactions *	41,704	\$78,697,817	28%	S1,687			
PGF ** and other Cash Buy-in	NA	52,191,377,971	78 9%	NA			
Total Table Game Drop	NA	\$2,775.846.592	100.0%	NA			
Source HLT Advance for the other PC MAL available	CC d.m.						
Denseden har soger om an player hug maante for Dense player de net total b fled							
* PSP (Proget Control) Function represent resound at the nations from the planet stants that to be the second for the tax.	navnevel in slidet						

Of the 35,417 filed LCTs, approximately 94% were in the \$10,000 to \$20,000 range (see Exhibit 4 following). These LCTs accounted for approximately 76% of the total value of LCTs filed. PGF buy-ins have a similar stratification.

LCT Level	Number	% of Total	Amount of LCTs	% of Total	Average LCT
\$10k-\$20k	33 120	93.5%	\$395,307,948	76 2%	\$11.63
>\$20k to \$30k	926	26%	\$25,888,316	51%	\$27,95
>\$30k to \$40k	320	0.9%	\$12,148,580	2.4%	\$37,95
>\$40k to \$50k	462	1.3%	\$22,730,945	4.5%	\$49,20
>\$50k to \$75k	213	0.6%	\$13,177,851	2.6%	\$61,88
>\$75k to \$100k	250	07%	\$23,206,470	4 6%%	592,82
>\$100k to \$250k	112	0.3%	\$17,501,855	3 5%	\$156,26
>\$200k	14	0.0%	\$5,808,840	1.1%	\$414,91
Total LCTs Filed	35,417	100.0%	\$505,770,804	100.0%	\$14,28
Discarded Transactions *	41,704		\$78,697,817		_
Total			\$584,468,621		

ESTIMATED NET WIN IMPACT

To estimate the potential impact of restricting cash buy-ins to below \$10,000, HLT provided a range of net win loss:

- The upper end of the range assumes that all buy-ins from LCTs will be lost (i.e. all customers who currently play at a level that requires an LCT report to be filed will no longer visit BC casinos).
- The lower end of the range assumes that all players who have cash buy-ins at \$10,000 or more will continue to come to the casino, however, their daily buy-in would be capped at \$9,999.

Exhibit 5 following summarizes the range of estimated loss. An estimated hold rate of 15% was assumed to calculate the loss associated with both the upper and lower end of the range as defined above. In total, HLT estimates that between \$34.6 and \$87.7 million of net win could be lost if cash buy-ins were restricted to amounts less than \$10,000.

British Columbia Lottery Corporation Large Cash Transaction Limits October 11, 2017



Exhibit 5	
Range of Estimate <u>d Lo</u> s	ss in Net Win
Upper End of Loss	Range
Total Value of LCTs (drop)	\$584,468,621
Estimated Hold	15%
Net Win Loss	\$87,670,293
Lower End of Loss	Range
Total Value of LCTs (drop)	\$230,423,266
Estimated Hold	15%
Net Win Loss	\$34,563,490

ESTIMATED GOVERNMENT AND SERVICE PROVIDER IMPACT

This loss of net win will impact both the Province (through BCLC) and SPs. As summarized in Exhibit 6, the income loss to BCLC would equal net win less SP commission paid and GST. In total income loss to BCLC would range from \$18.6 to \$47.2 million.

Exhibit 6 Income Loss to BCLC					
	Minimum Potential Loss	Maximum Potential Loss			
Estimated Table Net Win Loss Loss Savings in:	\$34,563,490	\$87,670.293			
Service Provider Commissions (44%)*	\$15,207,936	\$38,574,929			
GST	\$760,397	\$1,928,746			
Income Loss to BCLC	\$18,595,158	\$47,166.618			

As summarized in Exhibit 7 following, total SP loss would range from \$15.2 to \$38.6 million. On a site basis, River Rock would lose the largest amount (\$6.7 to \$17.0 million) followed by Parq (Edgewater; \$3.4 to \$8.8 million). From a SP total portfolio perspective Great Canadian Gaming Corporation would lose between \$7.8 to \$19.9 million and Gateway would lose \$3.1 to \$8.8 million. The loss to Parq is understated as this facility just opened and was financed based on a business strategy focussed on high-limit table play.



British Columbia Lottery Corporation Large Cash Transaction Limits October 11, 2017

	Ex	hibit 7	
Commission	Revenu	e Loss by Cas	ino & SP *
	Percent	Minimum	Maximum
Casino	of LCTs	Potential Loss	Potential Loss
River Rock	44.1%	\$6,712,430	\$17,026,08
Parq (Edgewater)	22.7%	\$3,455,216	\$8,764,15
Grand Villa	11.6%	\$1,758,913	\$4,461,48
Starlight	8.8%	\$1,334,866	\$3,385,88
Hard Rock	7.5%	\$1,135,256	\$2,879,57
Total All Other	5,3%	\$811,252	\$2,057,74
Total	100.0%	\$15,207,936	\$38,574,92
	_		
	Percent	Minimum	Maximum
		Defection Loop	D-b-sd-llass
Service P <u>rovider</u>	of LCTs	Potential Loss	Potential Loss
	51.6%	\$7,847,687	
Service P <u>rovider</u> GCGC Parq (Edgewater)			\$19,905,65
GCGC	51.6%	\$7,847,687	\$19,90 <mark>5,65</mark> \$8,764,15
GCGC Parq (Edgewater)	51.6% 22.7%	\$7,8 <mark>47,6</mark> 87 \$3,455,218	\$19,905,65 \$8,764,15 \$7,847,37

The casinos most impacted by a loss in high-limit table business resulting from limiting cash buy-ins to amounts less than \$10,000, account for approximately 76% of total SP investment to date in gaming facilities (excluding intangible assets; \$1.4 billion from 2015 SP Compensation review plus \$792 million to account for recent investment in Parq Casino) or approximately \$1.6 billion in investment. These facilities also generate 55% of total gaming win in the province.

* * * * *

Should you have any questions on this letter report, please do not hesitate to contact either Rob Scarpelli at a contact either Rob

Sincerely,

HLT Advisory Inc.

Ref Could

Robert M Scarpelli Managing Director

Drew Chamberlain Managing Director

This is Exhibit "32" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this ______day of January 2021.

A Commissioner for taking Affidavits for the Province of British Columbia To:Michele Duncan[PERSONAL INFORMATIONCc:Brad Desmarais[PERSONAL INFORMATIONFrom:Alasdair DouglasSent:Tue 2015-12-01 10:33:48 PMSubject:RE: US Incremental Revenue Program - VIP Agent

,,,,,

HI Michelle, yes I do recognize that we have an 18th meeting, but we are hoping to file this with GPEB as soon as possible to see if we can grow and impact Q1 2016 revenues so time is of the essence.

I would be more than willing to come before or after the normal business day to accommodate Brad's schedule. The sooner the better. If we can't make it work until our 18th meeting then we will have to just delay the program for a while longer.

Thanks for your follow up.

Best,

AD

From: Michele Duncan PERSONAL INFORMATION

Sent: Tuesday, December 01, 2015 11:39 AM

To: Alasdair Douglas

Cc: Brad Desmarais

Subject: RE: US Incremental Revenue Program - VIP Agent

HI Alasdair,

I just wanted to flag that you and Brad are scheduled to meet on December 18 at 8 am at River Rock. Can this wait until then or would you like me to see if you can connect sooner?

Thank you,

Michele

From: Alasdair Douglas PERSONAL INFORMATION

Sent: Wednesday, November 25, 2015 11:40 AM

To: Brad Desmarais

Cc: Terrance Doyle; Roland Monteiro

Subject: US Incremental Revenue Program - VIP Agent

Hi Brad,

I am sending you this proposal because, given its nature, I assume it will need your approval, and also I wished to move to forward in a timely manner.

In short Great Canadian and more specifically River Rock is feeling the impact of recent events with our VVIP players as well as other extenuating circumstances in the market. Given we cannot at this time go after offshore markets, as VIP players would not have access to gaming funds, we are desiring and in the process of targeting and developing the US market. Given our business model in order to compete in this market we would need BCLC to assist us in some co-funding.

I have spoken to Rob Kroeker about this program/initiative before his move to BCLC and he advised that we could feasibly use 3rd party agents to assist us. H advised we would need to provide a proposal to use 3rd party agents to BCLC and then GPEB, and then any Agent would then need to get GPEB registration.

We are aware of the co-fund marketing program that BCLC has extended to us. RRCR has, or will be submitting, other proposal for our allocation of these funds, but the scope and ongoing nature of this proposed initiative seems to us outside the scope of that program. We believe we have been conservative on the revenue opportunity.

I hope that we can make some time, ideally in the next few weeks, to discuss and resolve. We are trying to have this impact our business in Q1 2016.

As is noted in the attachment, we are requesting that at this time this not be shared with BCLC operations managers. We are OK if Narissa or Karen need to be involved at this stage.

We look forward to your response at your earliest convenience.

Best,

Alasdair

Alasdair Douglas | Vice President, Marketing & Sales River Rock Casino Resort Great Canadian Casinos® PERSONAL INFORMATION

www.GreatCanadianCasinos.com 8811 River Road | Richmond, BC | V6X 3P8

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163

This is Exhibit "33" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this 21 day of January 2021.

A Commissioner for taking Affidavits for the Province of British Columbia To: Brad Desmarais PERSONAL INFORMATION

Cc: Terrance Doyle PERSONAL INFORMATION Roland Monteiro PERSONAL INFORMATION

From: Alasdair Douglas

Sent: Fri 2015-12-04 6:49:05 PM

Subject: US Incremental Revneue VIP Agent program

Hi Brad,

Thanks again for making the time to discuss program with me yesterday.

I was happy to see that you are generally very supportive of moving this forward and appreciate your understanding and desire to do so in a timely manner as possible.

We will look into our discussion regarding the risk of these guests having wins vs loss with us, and understood you will do the same.

We look forward to feedback regarding your discussion with your Directors and Finance team, and please don't hesitate to forward any additional questions that any of your team may have.

I will follow up with you the week of Dec 14th .

Thanks again and have a great weekend.

Best,

Alasdair

Alasdair Douglas | Vice President, Marketing & Sales River Rock Casino Resort Great Canadian Casinos® PERSONAL INFORMATION

www.GreatCanadianCasinos.com 8811 River Road | Richmond, BC | V6X 3P8

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This is Exhibit "34" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this 22 day of January 2021.

A Commissioner for taking Affidavits for the Province of British Columbia

То:	Amanda Hobson ^{(PERSONAL INFORMATION}); Abigail Ma ^{(PERSONAL INFORMATION}]; Cynki
Taylor	SONAL INFORMATION
Cc:	Brad Desmarais PERSONAL INFORMATION]; Ross Alderson PERSONAL INFORMATION]
From:	Rob Kroeker
Sent:	Fri 03/06/2016 3:04:42 PM
Subject:	RE: VVIP Cash buy-in analysis

Good morning all

Just one additional thought from me.

I take Cynki's point on the slot offset. However, my understanding is that view is rearward looking. What we want to make sure everyone understands is that as we in CS&C find ourselves in the position of making inquiries into the source of funds of an increasing number of high limit players, to date only one of those players has been able to demonstrate a satisfactory source of funds. All the others have been put on conditions that preclude play with unsourced funds. Those conditions have then resulted most often in a dramatic drop in play by the individuals affected – both for cash play and non-cash buy-ins. We also expect the trend of having to make inquiries of an ever increasing number of high limit players to continue through the year, and that increase may intensify further once JIGIT is up and running. As a result we did a bit of a forward looking analysis to project what high limit play may look like in those circumstances as we move through the fiscal year. We did not look at whether we can expect slot play to continue to increase throughout the year at a level that would continue to offset any continued and expanding decrease in high limit play.

Since initially raising this issue, we have monitored the play of those most recently put on buy-in conditions. We are seeing some resiliency in that play where it has continued at fairly high buy-in levels in the case of about 30% of these players. So in other words there is a substantial drop off, but it is not 100%.

Finance is best positioned to manage when changes need to be signaled and we leave that to your professional judgment. I do want to point out that CS&C expects the recent trend in high limit table play related to player interventions around source of funds to continue throughout the year.

Rob

From: Amanda Hobson Sent: June-02-16 1:33 PM To: Abigail Ma; Cynki Taylor Cc: Brad Desmarais; Rob Kroeker Subject: Re: VVIP Cash buy-in analysis

Thanks Cynki and Abby.

I cc Brad and Rob here to share your insights. I agree that it looks like we have not yet identified sufficient risk on high limit tables (that is not offset by success of slots) to justify formally signaling decreased revenue on our July 31 submission. I do think we can weave the appropriate messaging into our October submission(s).

Brad/Rob - let us know if you have any questions or concerns.

Thanks Amanda From: Abigail Ma Sent: Thursday, June 2, 2016 12:10 PM To: Cynki Taylor; Amanda Hobson Subject: RE: VVIP Cash buy-in analysis

Okay thanks Cynki!

So any change would be a trade off in high limit tables for an increase in slots, as there may not be appetite to decrease net win overall (and also likely too conservative).

From: Cynki Taylor Sent: Thursday, June 02, 2016 10:13 AM To: Abigail Ma; Amanda Hobson Subject: RE: VVIP Cash buy-in analysis

Thanks Abby!

Just a tad more context -

There is enough risk to signal a decline in high limit tables itself but at this point in time, looks like slots will be able to cover so in aggregate, minimal risk to net win for CCG BU and overall bclc. We should signal some downside for high limits but not sure what the appetite is to call down (I'm thinking either 5% - 10% range). Either way, I think slots upside can cover in that range.

I haven't had a chance to connect with Brad and I might have more info after that meeting and meetings with Karen and Garth (later today) but my opinion is that it's too soon to call down net win (based on the intel I have).

Hope this helps!

Let me know if there are any questions. Thanks.

Cynki

From: Abigail Ma Sent: Thursday, June 02, 2016 9:47 AM To: Amanda Hobson Cc: Cynki Taylor Subject: RE: VVIP Cash buy-in analysis

Hey Amanda

Cynki has worked with Brad R. and based on what we're seeing right now in current performance, there's nothing quite yet that would prompt us to signal a drop past budget (which is already lower than historical actuals).

Have you had any further conversations with Brad and Rob on this? How set are they on signaling a downside risk?

Right now, current thinking is that we have enough cushion in slots to cover about a 10% drop in high limit tables, but tables are performing reasonably against budget at the moment. If we were to signal down to government, we don't have much to support it based on current performance.

Cynki - let me know if I have any of the facts above wrong!

Thanks Abby

From: Amanda Hobson Sent: Thursday, May 12, 2016 2:45 PM To: Abigail Ma Subject: FW: VVIP Cash buy-in analysis

FYI – just had a meeting with Brad and Rob to discuss the attached deck. They want to signal to gov't the downside risk of HL tables in the Q2 TB submission (July). I believe Cynki is already working with Brad R. to quantify the risk (see attached deck), so we can use this to determine how to adjust our revenue projections and support the story. Also thinking we should include in the October report-back under "options to increase revenues" (1) non-cash alternatives, i.e. wire transfers (I think you may already have this in your outline) and (2) introduction of credit to casinos. We will have to frame these as options to limit or slow the rate of loss vs. increase revenue. Other suggestions to incorporate into the submission are crackdown on illegal gaming options (already the focus of JIGT) and de-limiting of convenience cheques (which would not impact net win, but should reduce cash churn).

Rob noted that Bal and Ross can help out in terms of quantifying impacts.

Thanks, Amanda

From: Rob Kroeker Sent: Thursday, May 12, 2016 9:38 AM To: Amanda Hobson; Brad Desmarais Subject: FW: VVIP Cash buy-in analysis

Hi you Two

Bit of background for our discussion at 4:00 p.m. today.

Rob

From: Brad Rudnicki Sent: May-11-16 5:53 PM To: Ross Alderson; Rob Kroeker Cc: Bal Bamra Subject: RE: VVIP Cash buy-in analysis

Please see attached. Let me know if you have any questions.

Brad Rudnicki PERSONAL INFORMATION

From: Ross Alderson

Sent: Wednesday, May 11, 2016 10:54 AM To: Brad Rudnicki; Rob Kroeker Cc: Bal Bamra Subject: RE: VVIP Cash buy-in analysis

Thx Brad

Ross Alderson CAMS

Director, AML & Investigations Corporate Security and Compliance Division, BCLC 2940 Virtual Way, Vancouver, BC, V5M 0A6 PERSONAL INFORMATION

PERSONAL INFORMATION

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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: Brad Rudnicki Sent: Wednesday, May 11, 2016 10:41 AM To: Rob Kroeker; Ross Alderson Cc: Bal Bamra Subject: RE: VVIP Cash buy-in analysis

Good morning,

Tomorrow by noon. Not a problem. I'm waiting for a data extraction. Dan T is helping create the query, he said he'll make it priority and have it to me in a few hours. He's finishing something for legal at the moment.

Once I have PGF buy-in values for the top 100 we can figure out how their PGF buy-ins along with their cash buy-ins contribute to these drop values:

			FY15					FY16		
		Drop	Hold %	Ne	et Win		Drop	Hold %	Ni	et Win
(Top 100 patrons) FinTRAC drop	S	777 3	19.9%	\$	154.7	S	536_0	18.6%	S	99.7
High Limit Table Games Drop Summary produced by CCG Finance		1.555.9		\$	309.6	\$	1_676 4		s	311 8

Values in \$millions.

Assumptions: All FinTRAC drop recorded for the top 100 patrons occurred on high limit tables.

Brad Rudnicki PERSONAL INFORMATION

From: Rob Kroeker Sent: Wednesday, May 11, 2016 9:40 AM 170

To: Ross Alderson; Brad Rudnicki Cc: Bal Bamra Subject: RE: VVIP Cash buy-in analysis

Thanks folks.

From: Ross Alderson Sent: May-11-16 9:39 AM To: Rob Kroeker; Brad Rudnicki Cc: Bal Bamra Subject: RE: VVIP Cash buy-in analysis Importance: High

Hi Rob,

I asked Bal to run the numbers for the 35 (became 34) patrons should they all have cash conditions as the first priority and then also the impact of the top 100 players should we lose their patronage or a % of that top 100.

So far we I have received the data for the 35 and the information is as follows:

FY 2016

- The 35 patrons have a drop of \$99.2M in FINTRAC as drop;
- Hold rate for high limit tables was 18.6% meaning the group contributed \$18.5M to net win;

FY 2015 for this group was:

- \$62.1M FinTRAC drop
- 19.9% high limit hold rate
- \$12.4M net win

(The main assumption is that all FinTRAC drop recorded for these patrons occurred on high limit tables.)

Brad, can you advise how close we are to finalizing similar data for the top 100 as per Rob's request

Please make this a priority for this morning and include Cathy if you need assistance.

Many thanks

Ross Alderson CAMS

Director, AML & Investigations Corporate Security and Compliance Division, BCLC 2940 Virtual Way, Vancouver, BC, V5M 0A6 PERSONAL INFORMATION

PERSONAL INFORMATION

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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: Wednesday, May 11, 2016 9:15 AM To: Brad Rudnicki Cc: Ross Alderson Subject: VVIP Cash buy-in analysis

Good morning Brad

Wondering if you would be able to have results ready for noon tomorrow?

Rob

This is Exhibit "35" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this 22 day of January 2021.

A Commissioner for taking Affidavits for the Province of British Columbia Risk & Mitigation Strategies re: High Limit Table Play

Brad Desmarais, VP Casino Rob Kroeker, VP Security & Compliance





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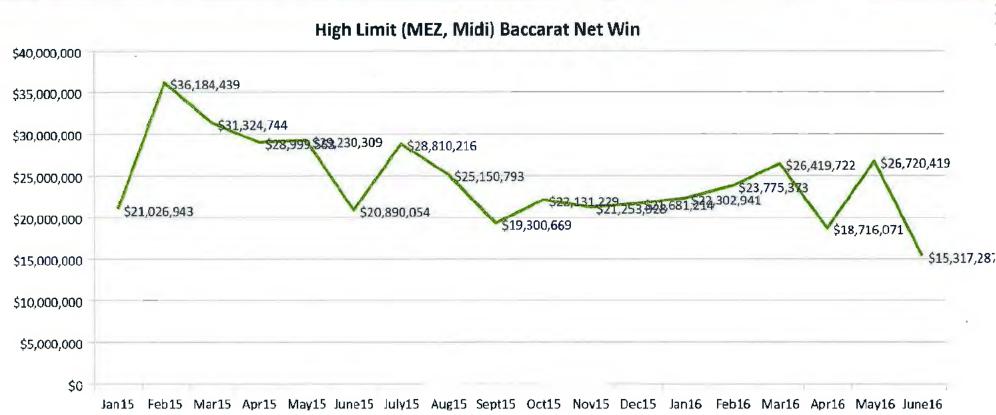
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Overview

- Information on Decline
- Risk to Reputation
- Risk to Strategy
- Security Mitigation Plan
- Casino Mitigation Plan
- Q&A



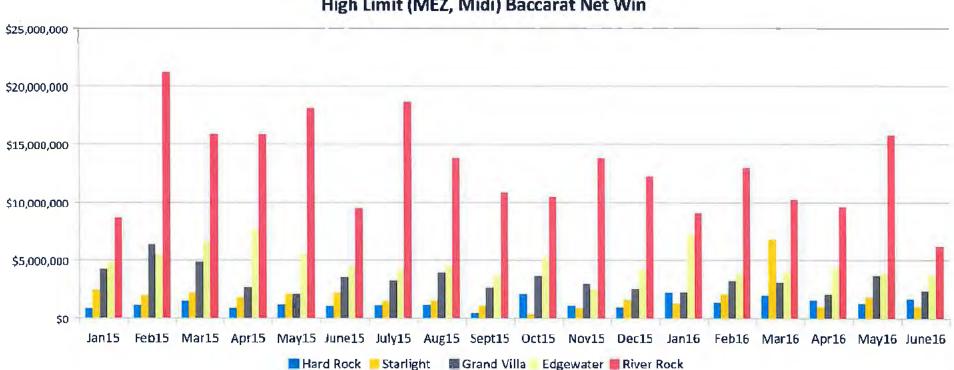
High Limit Tables Decline



- High limit baccarat continues to slide.
- From a data perspective, average drop has only declined 6% while average win has dropped 17%.
- There is some good news by site, but also concerns around our dependency on one...



High Limit Tables Decline



High Limit (MEZ, Midi) Baccarat Net Win

- Only Hard Rock & Starlight have seen net win gains in HLB...however .
- ALL sites, except Grand Villa & River Rock have seen increases in HLB drop. ٠
- River Rock alone represents 50% of HLB drop & win. ٠
 - All other sites would have had to grow 20% to make up for the lost drop at RR. .



~1 \sim

Risk to Reputation

- Drop in public trust levels of BCLC
- Negative perception of gaming
- Negative impact to future growth opportunities





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Risk to Strategy

- Facilitate tools to attract high limit players to sustain current limits of High Level Play
- High limit play, even at current sustained levels is still high risk
- Expand the Player Base



79

6

Security Mitigation Plan

- Involve and Inform Stakeholders when possible
- Strong working relationship with JIGIT
- Evidence based decision making in AML
- Integrity based decisions



CCG Mitigation Plan - Marketing

- Marketing will focus on expanding the player base beyond high limit play by implementing the following strategies:
 - Attracting new players to facilities by advertising and promotions
 - Developing loyalty and visitation of new players through EBS, CRM and tailored product experiences
 - Retaining active players via a robust loyalty offering



CCG Mitigation Plan - Product

- Product will focus on expanding the player base beyond high limit play by implementing the following strategies:
 - Developing loyalty and visitation of new players through expanding popular lease games, developing low limit table distribution
 - Retaining active players through tailored product selection, product optimization



82



Questions?





This is Exhibit "36" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this ______day of January 2021.

A Commissioner for taking Affidavits for the Province of British Columbia _ .

AML Player Analysis

AML Working Group Summary:

813 UNIQUE PATRONS "What actions has BCLC taken against these 813 patrons?				7,903 BUY-INS OF \$50K AND OVER [\$746 MILLIO] "How many transactions are attributed to the patrons that BCLC has actioned?			
Summary by Type Type High Risk Patron Calegory EXCLUSIVELY	# of patrons 276	<u>% of patron.</u> 34%		<u># of buy-ins</u> 208€		<u>% of buy-ins</u> 26%	
Conditions Applied EXCLUSIVELY	29	49		73	1	1%	
Banned EXCLUSIVELY	9	19		37		0%	
HRP/Conditions/Banned COMBINATION	284	35%		5217		66%	
Water Life Manager Walkare	598 / 813	73.6%		7,416 / 7,903		93.8%	
Total Actions Taken	2367613	73.6	%	7,416	7,903	93.8%	
Summary by Year		"How has BCLC	s actions affected the	patrons behaviour?			
Summary by Year	<u>2014</u> 167				2018 569	93.8% <u>Total</u> 569* / 613 (70% of patrons) "28/ 613 patrons autored in 2010+	
	<u>2011</u>	"How has BCLC" <u>2015</u>	s actions affected the <u>2016</u>	patrons behaviour? 2017	<u>2018</u>	<u>Total</u> 569* / 613 (70% of patrons)	

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This is Exhibit "37" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this 20 day of January 2021.

A Commissioner for taking Affidavits for the Province of British Columbia _.

🕂 Apps 🔣 101 Fun Palis *)	H 💿 Brick Admin 🚯 The Hub 👿 Skyvera Global Sup 🕒 Icons Font Aweso 🧐 Project Yeti SharePo 🥵 Document Cent
Annual Report	MONEY LAUNDERING IN CASINOS? NOT REALLY
Bosiness Analysis Centre of Excellence	Carad Desmanais
Business Continuity	May 21, 2013 Executive Corner
CASL Information	Anti Money Laundering Casinos is that money laundering is rampant. It must be, right? Look at all that cash! Where on earth could
Content Innovation Corner	someone get thousands of dollars in currency if it wasn't from some nefarious deed, like drug trafficking? Well, the answer might surprise you. Before we get into talking about large cash and suspicious transactions we should take a step
Corporate Security	back and think about what exactly is money laundering.
Corporate Strabogy	Money laundering is one of the least understood criminal offences. It is also a criminal offence which is rarely prosecuted, at least in Canada; probably due to the technical nature
Cyper Security - Information Security / Vulnerability Management	of the offence and the very high evidentiary bar the police must meet before Grown Counsel will approve charges. In its simplest form, money laundering is usually broken down into three stages:
Devicionally Led Project Management (DLPH)	1. Obtain a benefit or profit directly from the commission of a crime;
Finance	2. Conduct a number of transactions calculated to confuse and distance the money trail from the original crime; and then
Information Classification	Spend or use the funds in a manner that does not bring suspicion because the money appears to be from a "clean" or legitimate source.
Information Management	A critical component in the money laundering process is secrecy; it is not desirable to be identified or draw attention to yourself
IT Change Management	in any way.
Leading and Managing Change at BCLC	So let's look at a casino; a patron walks through the front door with thousands of dollars in currency. S/he is picked up on multiple surveillance cameras. S/he approaches the cash cage and lays out a thick wad of currency. More photos at close range. Surveillance within the casino is often directed towards the individual at this point – more attention. Identification is obtained so
Legal Services	the casino staff knows exactly who they are dealing with and then, out on the floor our patron goes – and loses almost everything s/be came in with. It doesn't seem very plausible that a casino would be regarded by any proficient criminal as a great place to launder money.
Privacy	
Program Management Office (PHD)	But what about all that cash, you ask? Surprisingly, cash transactions which are deemed "suspicious" are relatively rare outside Metro Vancouver. In 2012, BCLC reported 70,550 large cash transactions to the Financial Transactions Reports and Analysis Centre of Canada (FINTRAC) and well over 80 per cent of the total suspicious transactions were from the big five casinos in
Procurement	Metro Vancouver. Even casinos in other areas of the province with higher levels of crime (per capita) report few suspicious
Records Management	transactions. So why is that? We believe the answer is complex and we need to do more analysis before we can clearly answer that question, but it is clear that many factors are at play. Some of the more obvious issues may include:
Risk Management	The Canadian Border Services Agency reports that tens of millions in cash enter the country every year from seemingly
Service Plan	non-criminal sources. There is no law against bringing in large amounts of currency into Canada, you simply have to declare it. Even if the currency is not declared most travelers simply have to pay a fine and be on their way. Fifteen
Yes, and,	million dollars entered Canada in this way last year at YVR alone. Many countries have "flight of capital" rules prohibiting citizens from removing large amounts of assets; sometimes the only way to export wealth is by hand-carrying currency. For example, reliable estimates put the flight of capital from China at well over \$200 billion.
[+] Was this page helpful? Yes (<u>No</u>	 Some cultural groups favour the use of cash as opposed to other forms of funds transfer.
	 Some legitimate businesses are still largely cash based, despite the proliferation of alternative payment forms; owners may choose to utilize that cash for gambling.
	Whatever the case, Corporate Security and Compliance will be significantly increasing our analytical capacity and spending more time getting to know our customers. We need to understand why some customers favour large cash buy-ins; once we do that we may be able to help them seek alternatives where they can avoid carrying large amounts of currency on their person. Conversely, our increased analytical capacity will help us identify individuals who we may decide we just don't want to do

business with or who are not welcome in our casinos.

Rest assured, BELC has stringent anti-money laundering practices in place including reducing cash reliance in casinos through player accounts, gambling cheques, electronic transfers and stronger cash-in/cash-out policies.

<u>``</u> ∞ \sim This is Exhibit "38" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this 29 day of January 2021.

A Commissioner for taking Affidavits for the Province of British Columbia

Executive Corner

189

NEWS

CHANGING THE WAY WE LOOK AT CASH

By Brad Desmarais

September 5, 2013

When BCLC first conducted and managed casino gaming in BC, players were encouraged to play with cold hard cash. On the face of it, it seemed like a good idea.

A single payment option. Cash in, cash out. What could be simpler?

As it turns out, it is very complicated and the significant amounts of cash coming through the doors of casinos come with risks that perhaps were not well understood in the beginning.

Among the top risks that BCLC and the casino service providers face is reputation management. For example, the large amounts of cash at casinos is often erroneously associated with organized crime.

BCLC's Corporate Security and Compliance team is now working to change this by reducing the use of large cash transactions. here many different reasons why it makes sense to move towards a cashless model, but the challenges that come with it all significant.

Regulatory burden

One of the reasons for moving away from the cash based model is the increasing regulatory burden exacerbated by the use of cash. The reporting and recording requirements imposed by the federal government on the casino industry are extensive. The use of cash to fund large buy-ins attract a great deal of scrutiny and places additional onus on the casino operators and BCLC to conduct greater due diligence with respect to the player.

Player preference

We currently have a player culture that is most accustom to using and gambling with cash. While we can respect this choice, the reality is that cash is expensive to secure, process and disburse.

There is also criticism directed towards customers who elect to gamble with large amounts of cash, suggesting that the cash may be less than legitimate. Carrying large amounts of cash also poses an increased security risk to our players once they leave the proximity of the gaming facility. Additionally, players carrying large amounts of cash into or out of casinos may be perceived as a greater target for criminal interference even if such occurrences are relatively rare in reality.

hallenge is to change this mentality and type of behavior by moving these players away from a pure cash experience C will out allenating them or driving them to spend their entertainment dollars elsewhere.

Education is a big factor. To successfully implement change, we will need to educate our players about cash alternatives as a means to reducing the use of currency while increasing convenience and ensuring reasonable levels of player privacy.

New Anti-Money Laundering and Operational Analysis Unit

Corporate Security and Compliance is taking a proactive approach towards managing these challenges and are in the process of creating an Anti-Money Laundering and Operational Analysis Unit. This unit will consolidate a number of functions related to the BCLC Anti Money Laundering (AML) regimen as well bring an analytical lens to examine how we do business from a compliance and player risk analysis perspective.

While we already provide an array of cash alternatives - ATMs, Interac at the cash cage, bank drafts are accepted and the use of Electronic Funds Transfers (EFT) – we must do more.

We have made good progress in removing cash from external sources within the casino; in fact about \$1.1 billion in player funds last year were obtained from sources within the casinos. This group will work closely with the Casino business unit and Gaming Policy Enforcement Branch to implement cash alternatives in gaming facilities.

Looking forward

So why take on these challenges now? BC Casinos and CGCs are already the safest adult entertainment venues, but we can always do more to ensure that enviable title remains true.

Our business is scrutinized by regulatory agencies of the Federal and Provincial governments. That scrutiny is detailed and relentless, as it should be. Good corporate governance includes meeting and exceeding the expectations placed on us by regulators as well our players and the public at large; anticipating and mitigating risk is a big part of that.

The new AML & Operational Analytical Unit will conduct of many of these initiatives, consolidate and oversee AML activities, as well as provide support throughout the enterprise. Additionally, we will begin to use cutting edge analytical tools that will not only nelp to better understand our players' behavior, but help identify the players who should be scrutinized more closely or outright banned.

This is Exhibit "**39**" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this <u>11</u>, day of January 2021.

A Commissioner for taking Affidavits for the Province of British Columbia

NEWS

192

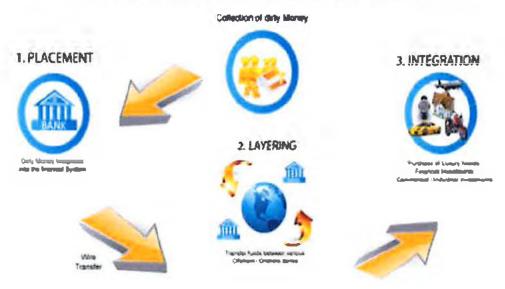
PART I OF 2: SETTING THE RECORD STRAIGHT ON MONEY LAUNDERING IN BC CASINOS

Brad Desmarais November 3, 2014

Executive Corner

BCLC0011743

A TYPICAL MONEY LAUNDERING SCHEME



Criminals try to compromise legitimate financial systems, and we know our gaming facilities are not immune. Security, integrity and safety are top priorities in our facilities. We work closely with our service providers, our regulators and police to ensure gaming remains safe and secure.

There have been recent media reports on suspicious financial transactions and alleged money laundering activities in our gaming facilities. I wanted to set the record straight and ensure you're all in the know, with this two part series on Money Laundering.

What is money laundering?

Money laundering is defined as taking the proceeds of crime (i.e. cash) and making them appear legal or having come from a legitimate Source. BC Casinos have high levels of security and surveillance in addition to policies and procedures – all of which deter money laundering.

For example, if a player comes in with a large amount of cash and plays for a while, then decides to cash out their chips – they will receive cash back. This is not money laundering! Criminals do not want cash back. They want that cash converted into another form such as a cheque or money order so they can hide its true origins. Any cheque we issue is clearly marked as a verified win or as a "return of funds that are not gaming winnings". These types of cheques are of little use to a criminal who is trying to conceal their illegal funds.

There are three stages in the money laundering process:

ament involves placing the proceeds of crime in the financial system.

Layering involves converting the proceeds of crime into another form and creating complex layers of financial transactions to disguise the audit trail and the source and ownership of funds.

Integration involves placing the laundered proceeds back in the economy to create the perception of legitimacy.

What measures has BCLC undertaken to prevent money laundering at BC casinos?

BCLC has rigorous policies and processes in place to report suspicious activities related to potential money laundering. For example, chip passing for commercial or criminal purposes is not allowed and can lead to barring. Cheques are only issued for field wins and, on a limited basis, they are issued for a return of non-gaming funds – but in those cases they are clearly

Players are not allowed to exchange small denomination bills for large denomination bills and, when a player cashes out, they receive the same denomination bills from their original casino chip purchase. In addition, casino chips may only be used at a single property. They cannot be redeemed at any facility other than where they were initially purchased.

When a player makes a transaction of \$10,000 or more (or multiple transactions that reach \$10,000) within a 24-hour period, they must provide current government photo identification. Casinos withhold payouts over \$10,000 until government identification is produced.

For players who use large amounts of cash, we do additional due diligence and determine that these individuals have the source of wealth to gamble in this manner. We also monitor these players more closely. When someone we don't know buys in with a large cash transaction and leaves with little or no play, we impose a 14 day "investigative ban" to give our investigators the opportunity to conduct a higher level of due diligence and interview the player. If a reasonable explanation isn't forthcoming, we impose a ban ranging from several years to life.

In 2011, the Province launched an Anti-Money Laundering strategy focused on reducing the reliance on cash, aimed at minimizing the opportunity for money laundering to take place through gaming facilities. Since then, there has been significant progress in providing traceable cash alternatives. In 2013/14, almost one quarter of funded play in BC gaming facilities was generated through Patron Gaming Funds accounts, debit and ATM transactions, and other non-cash instruments. The use of these alternative options continues to grow. The BCLC Business Leadership program has taken on the issue of reducing cash in casinos and is working on a proposal which will be ready in February.

The media is reporting millions of dollars in suspicious transactions have taken place in BC casinos. What did BCLC do about this?

Casinos are required to file a section 86 report to GPEB immediately whenever there is any conduct, activity, or incident that may be contrary to the Criminal Code, Gaming Control Act or Gaming Regulation.

BCLC then reviews the incident and if substantiated must file a suspicious transaction report to FINTRAC within 30 days. Each of the incidents reported by the media were reviewed by BCLC security who determined whether there were grounds for a suspicious transaction report to be filed to FINTRAC.

Generally, we file a suspicious transaction report if a player buys in with a large amount of small denomination bills or buys in for \$3,000 (CDN) or more and then cashes out after minimal play, or if there is any indication of potential money laundering or other unusual financial activity.

The information gathered and reports we file to FINTRAC contribute to an overall data and intelligence trail from a number of sectors that must file reports. FINTRAC and police use this data to identify patterns and potential criminal activity.

Where does all of this cash come from?

It's been reported that tens of millions of dollars come into Canada through YVR every year, mainly from China. It is not illegal to bring money into Canada if it's reported (although it may not be legal in China to take money out of the country). This is one source.

 τ other source may be the underground economy such as contractors or others who do business in cash. Finally, there are to get who prefer to use cash and, until just a few years ago, there were few options to play with anything other than cash. We have made progress in moving players over to traceable, non-cash alternatives, but this will take time.

We're always looking for new ways to keep our garning facilities safe. In Part II, I'll share with you two key projects we're working on now.

BCLC0011744

This is Exhibit "40" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this 12 day of January 2021.

A Commissioner for taking Affidavits for the Province of British Columbia ____

> YAX - BCLC. Your access to knowledge > News > Part 2 of 2: Setting the record straight on money

NEWS

PART 2 OF 2: SETTING THE RECORD STRAIGHT ON MONEY LAUNDERING IN BC CASINOS

Brad Desmarais November 19, 2014

In <u>Part I</u> of my two part series on Setting the record straight on money laundering in BC casinos, I explained the rigorous policies and processes BCLC has in place to prevent potential money laundering activities at our gaming facilities.

While media reports often point to casinos as vehicles for moneydering, the stringent regulations and procedures in place at our gaming facilities significantly limit opportunities for such activities. Furthermore, the high level of security and surveillance make casinos less desirable locations for criminal operations.

Lawyer and anti-money laundering expert <u>Christine Duhaime</u> has studied money laundering across all sectors and found that casinos are not the major target. "Studies show that deposittaking institutions (e.g. chartered banks, credit unions, caisse

March 27.

2026

Print Version

195

populaires and trust companies) and not casinos, present the greatest money laundering risk and outnumber all other laundering vehicles combined."

BCLC's reports to FINTRAC support this assessment. Between 2010 and 2013 in B.C., casinos were responsible for 1.96 per cent of all large cash transactions reports; financial entities were responsible for 97 per cent. In that same timeframe, casinos were responsible for 5.9 per cent of suspicious transaction reports; financial entities and money services business were responsible fr= 93.5 percent of suspicious transaction reports.

In addition to our rigorous policies and procedures already in place, we're always looking for new ways to keep our gaming facilities safe. Here's an update on two key projects we're working on now.

Anti-Money Laundering (AML) Program Update

BCLC recently purchased new anti-money laundering software from a leading vendor for financial institutions that serves three ... Lanada's five big banks. This market-leading program is currently being customized for BCLC, and will provide automatic alerts on unusual situations based on certain scenarios.

The software will allow for a scalable and extensible case management system that automatically monitors patrons by name, date of birth and business relationships against a variety of global watch lists, and creates and sorts alerts by risk priority. It will support a 360 degree view of a customer's risk profile, setting the benchmark for other jurisdictions in North America.

The first phase of the project should be implemented mid-2015. While this is old hat within the finance industry, it's new to the gaming industry. I really believe this will be a game changer for our anti-money laundering efforts.

RCMP Information Sharing Agreement

BCLC has signed an information-sharing agreement with the RCMP so that we can proactively ban those who have organized crime/gang links, those identified as a threat to public safety, or those who are involved in criminal conduct likely to generate generate sets of crime.

The Agreement has had an immediate, positive impact. To date, we've had over 1,000 names put forward through the Agreement, and determined 130 of them attend our casinos. Forty of these individuals have been banned outright already, and we're working with the police to collect information on the remainder.

Creating safe and secure environments can't be accomplished alone or by a few. BCLC has assembled a dedicated AML team with robust analytical capacity. Every facility-based gaming worker must complete BCLC's anti-money laundering training with a refresher course every two years and additional management training. New investigators are selected using the Justice Institute of B.C. Investigative Aptitude tool and existing staff are certified with industry-recognized gold standard training from the Association of Certified Anti-Money Laundering Specialists.

I am especially proud of BCLC's Anti-Money Laundering team and their dedication to ensuring the integrity of our business in each and every one of our gaming facilities around the province.

Christine Duhaime, Money laundering at casinos - setting the record straight www.duhaimelaw.com (April 20, 2011)

This is Exhibit "41" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this 22 day of January 2021.

A Commissioner for taking Affidavits for the Province of British Columbia To:Brad DesmaraisFrom:Mike HillerSent:Tue 2015-03-24 4:22:30 AMSubject:RE: BCLC Incident 2014-10680

Hi Brad,

I look forward to seeing the results of the proposal to GPEB. I have no particular suggestions about lessening the reliance on cash beyond what I expect will be a proposal for a sort of Vegas-like chit system. However, we could improve on our current situation by returning \$20 bills to players who choose to buy-in with a multitude of \$20 bills. For years our major LMD casinos have been receiving huge amounts of \$20 bills from players for large cash table buy-ins. As long as the player puts the money at risk, the player has pretty much been guaranteed to be repaid with \$100 bills. This gives the appearance that we are more than willing to change \$20 bills for \$100 bills as long as the money was put at risk. The persons supplying such cash are doing well to have \$100 bills returned to them so easily. In my experience, \$20 bills are only returned to a player who buys in with \$20 bills, when there is little or no play, and then they try to cash out. Otherwise, there have been very few situations where \$20 bills have been returned VIP players. This is contrary to your Yak article where you seemed to have the impression that \$20 bills were being returned to players who choose to buy in with \$20 bills.

I wasn't surprised during our meeting in Kamloops to hear that we experienced greater profits last year from high stakes table games. This seems to be directly related to the increase in large cash buy-ins and STRs that I noticed for table games during the same period.

In reference to the above incident, all but one of the Asian persons mentioned in the report have been the targets of a series of major drug investigations since the 1990s. To my knowledge, **PERSONAL INFORMATION** husband

associated to several drug targets. I believe the persons mentioned in this report are responsible for an abundance of cash being supplied to our VIP players. They, and likely many more like them, have connections with our Asian VIP players on both sides of the Pacific. The familiar names we know to be delivering cash to our casinos are merely runners who are easily replaced.

The interest rate charges mentioned are not high. But this likely amounts to loan sharking when the compounding increases. Especially for lower level players who cannot immediately repay their debts. But loan sharking is the lesser concern here. Players choose to borrow money, and it is common knowledge that pursuing such a charge is an extremely rate occurrence.

The volume of cash deliveries is a huge reputational risk. I don't have the answers for the changes needed, but returning \$20s for \$20s would be a start. I hope the new GPEB proposal will afford the resolve needed. BTW....The cash delivery situation is so much not part of my daily work now that I'm on the Island. Thank you for allowing me to express my thoughts.

Mike

From: Brad Desmarais Sent: March 16, 2015 10:09 AM To: Mike Hiller Subject: RE: BCLC Incident 2014-10680

Thanks, Mike. I do recall reading this before. As a point of law, of course, virtually none of "loans" would be considered a usurious interest rate in Canada and therefore would not be considered a "loan shark" contrary to the criminal code. Obviously the drug connection is a huge concern and we are attempting to engage a police response with respect to the main players in your report, and have been for some time. In the meantime we have imposed a "no cash play" ban for some players we can connect with those cash facilitators. I am resistant to branding all cash facilitators as dealing in the proceeds of crime, however. In my last life we encountered many underground bankers who used other sources of cash to facilitate funds transfers without resorting to the proceeds of crime. The purchase of real estate, luxury goods and cars using cash is accelerating in the LMD, not

diminishing. Nevertheless, we are in the final stages of preparing a proposal to GPEB which I am

hopeful will reduce the use of cash in Casinos significantly. I would be very anxious to hear any suggestions you have regarding cash reduction as well!

Brad

Brad Desmarais

Vice President, Corporate Security & Compliance (and) Interim Vice President, Human Resources BCLC, 2940 Virtual Way, Vancouver, B.C. V5M 0A6

PERSONAL INFORMATION

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

From: Mike Hiller

Sent: Monday, March 09, 2015 4:17 PM

To: Brad Desmarais

Subject: BCLC Incident 2014-10680

Hi Brad,

This was the incident that I mentioned during last week's conference and that you asked me to send to you. Kevin and Bruno were provided a copy of it last year.

Mike

Mike HILLER

BCLC Casino Security Investigator

Courtenay, B.C.

PERSONAL INFORMATION

PERSONAL INFORMATION

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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.

- 10

This is Exhibit "42" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this 20 day of January 2021.

A Commissioner for taking Affidavits for the Province of British Columbia

Canadian Gaming Business magazine

Winter 2015/2016 edition

Security Solutions

By: Brad Desmarais

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Gaming in Canada is at an interesting turning point - with the recent changes to FINTRAC regulations, the industry now has new obligations to conduct enhanced and continuous monitoring of business relationships, to meet increased regulatory reporting requirements and to know our customers better than ever before.

We could perceive these new obligations as adding to the existing compliance workload; however, I believe these changes present a new opportunity. From a security perspective, the better we know our customers, the better we can identify risks and understand which customers to engage with further. From a business perspective, the more we know our customers, the better positioned we will be to meet their needs and deliver the gaming experience they're looking for,

Dispelling the Myths

The notion that casinos are overrun with criminals laundering money is a popular misconception, spurred on by inaccurate media reports. Many members of the public do not understand what money laundering is (defined as taking the proceeds of crime and making them appear legal or having come from a legitimate source), nor do they appreciate that although many patrons prefer to play with cash, this does not automatically make them a criminal. In fact, the high levels of security and surveillance present at gaming facilities make casinos less desirable locations for criminal activity. Lawyer Christine Duhaime, a leading expert in anti-money laundering, considered the potential for money laundering in all sectors and has said, "studies show that deposit-taking institutions (e.g. chartered banks, credit unions, caisse populaires and trust companies) and not casinos present the greatest money laundering risk and outnumber all other laundering vehicles combined."

As an industry, we need to help the public, players and policy makers understand the gaming compliance and regulatory programs in place across Canada.

Collaborative Approach

The Gaming Security Professionals of Canada (GSPC) is made up of individuals who are committed to ensuring the safety, security and integrity of the industry. One responsibility for the GSPC is to share best practices and advocate on behalf of all jurisdictions required to comply with anti-money laundering legislation. As Chair of the Anti-Money Laundering Committee; I have been a part of many conversations on this topic in recent months and I am excited to share the national perspective.

Gaming regulators, operators and FINTRAC must work together. We are all part of the solution to prevent and help detect activities that may be linked to money laundering. FINTRAC plays a very

important role in compiling, analyzing and reporting on data collected from reporting institutions, such as banks, businesses and casinos. Using this data, FINTRAC works with law enforcement to provide information for investigations into money-laundering, offences that may generate the proceeds of crime and terrorist financing. FINTRAC is not responsible for prosecuting criminals – rather, it plays a key role in working with the police so they have the information they need. As a former police officer who was focused on organized crime investigations for more than 30 years, I used FINTRAC information aid in the identification, arrest and prosecution of numerous persons engaged in offences related to organized crime. Without complete, accurate and thorough disclosures from reporting entities, many of the successful investigations I was involved in would not have occurred.

Proactivity Needed

The regulators and gaming operators across Canada each have a role to play in changing the conversation about money laundering at gaming facilities. We must be proactive in sharing the realities of the situation – explaining the safeguards already in place, the work done to promote cash-free alternatives and the enhancements and improvements to existing programs that are currently being rolled out.

It is paramount that the gambling jurisdictions take our role seriously. For example, at BCLC, where I am the Vice-President of Corporate Security and Compliance, we have assembled a dedicated Anti-Money Laundering team with robust analytical capacity. We use the Justice Institute of B.C. Investigative Aptitude Selection tool as part of the screening process for new team members and our security team is in the process of being certified with industry-recognized gold standard training from the Association of Certified Anti-Money Laundering Specialists.

The Role of Technology

Technology will also help us combat money laundering. BCLC has signed an agreement with a leading provider of business intelligence software to some of Canada's major banks. This software is currently being customized to meet the needs of the gaming industry. Once rolled out, BCLC will have an automated solution that alerts staff of suspicious situations based upon pre-programmed scenarios. The software will monitor patrons by name and date of birth against global watch lists and will verify and track business relationships. The solution will help BCLC meet FINTRAC requirements, but will also help us better understand our players, with the same analytical capacity as a small financial institution – well positioned to determine those players who pose the greatest risk.

202

In addition, BCLC has signed an information-sharing agreement with law enforcement which allows for the exchange of information relevant to gaming management and law enforcement needs. It will allow BCLC and law enforcement to work together to proactively ban individuals from our facilities if they have engaged in criminal offences which generate the proceeds of crime, are a reasonable threat to the public or belong to an organized crime group. So far, as a result of this information, we have banned 40 individuals from gambling facilities in B.C.

Enhancing Industry Integrity

The GSPC understands that anti-money laundering efforts are as important as any other security and surveillance activities on the casino floor. The Anti-Money Laundering Committee is dedicated to enhancing the integrity of gaming and working with all jurisdictions and FINTRAC to advocate for the strong AML safeguards and rigorous procedures at gaming facilities across Canada.

The AML Committee has been working to identify issues, develop strategies and communicate best practices since it was formed in 2011 and will continue to focus on driving a coordinated, effective and efficient response to money laundering concerns and evolving regulatory requirements. As industry leaders, the GSPC wants to ensure that the reputation of gaming in Canada is understood and the opinions of the public are based on facts. Together, we can move the dial on the reputation of the gambling industry and help create awareness that Canadian gaming facilities are among the safest and most secure and that our AML procedures in place across the country are second to none.

Brad Desmarais is the Vice-President of Corporate Security & Compliance and the Interim Vice-President of Human Resources at BCLC. He is also the current Chair of the AML Committee with the Gaming Security Professionals of Canada (GSPC). Brad has over 33 years combined service with the Vancouver Police Department and the RCMP. Most recently he served as Inspector in Charge of Major Crimes with the VPD. For more information, please visit www.gspc.ca. This is Exhibit "43" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this Aday of January 2021.

A Commissioner for taking Affidavits for the Province of British Columbia

April 15, 2014

SENT VIA EMAIL

Superintendent Nick Romanchuk OIC KELOWNA RCMP DETACHMENT

Dear Supt. Romanchuk:

As you are likely aware, the British Columbia Lottery Corporation ("BCLC") conducts and manages gaming on behalf of the Province of British Columbia. Gaming in BC is conducted through land based facilities such as Casinos, Community Gaming Centres ("CGCs") and Bingo Halls. Non-land based gaming includes eGaming (Internet) and Lottery. We are proud that our Casinos, CGCs and Bingo Halls are the safest entertainment venues for adults in the Province. These gaming facilities also bring revenue into communities through the Province's revenue sharing with host local governments and community gaming grants. We believe the gaming management model BCLC undertakes is amongst the best in the world.

Notwithstanding the foregoing, BCLC understands we must keep moving forward and look for new and innovative ways to continue to keep pur gaming facilities safe and free from criminal conduct such as money laundering and loan sharking. Equally important, we believe members of organized crime groups and gangs should not be permitted to use our facilities as an entertainment venue because of their potential to attract violence and the possibility the funds they use for gambling may be derived, directly or indirectly, from the proceeds of crime. One of the most effective ways to achieve these goals is to ban individuals who are associated to such activities. The *Gaming Control Act* ("GCA") authorizes BCLC to ban "undesirable" persons who fall into these categories

BCLC and the RCMP recently signed an Information Sharing Agreement (attached) which will permit, within the context of the Federal *Privacy Act* and the Provincial *Freedom of Information and Protection of Privacy Act*, the exchange of information relevant to Gaming Management and Law Enforcement needs. You will note at Paragraph 4.1 of the Agreement the RCMP is empowered to "...proactively disclose to BCLC Personal Information of individuals who may be undesirable pursuant to the GCA and are known to frequent gaming facilities." For greater clarity, the Agreement describes in paragraph 4.2 categories of particular concern to BCLC:

- Propensity for violence;
- History, or is suspected of, Possession of the Proceeds of Crime or the commission of related/substantive offences; or
- Known Gang or Organized Crime association.

Accordingly, our request to you is if you or members of CFSEU are aware of individuals who meet the aforementioned criteria and frequent gaming facilities within the Province of BC, we would be most grateful if this information is shared with us at your earliest convenience. Upon receipt of that information we will consider applying a ban which would be enforceable throughout the Province.



74 West Seymour Street Kamloops, BC V2C 1E2

1 250.628.5500 7 250.828.5631

2940 Virtual Way Vancouver, BC V5M 0A6

1 604.215.0649 F 604.225.6424 T.clc.com

On a similar note, from time to time there are regrettable circumstances where patrons do attend gaming facilities where there are reasonable grounds to believe funds in their possession were derived, directly or indirectly, from the proceeds of crime. In the past this has presented a challenge for BCLC and our Service Providers who operate the Casinos and CGCs. Often the police of jurisdiction do not have the resources or expertise to commence an investigation of this nature. Further, the Investigation Division of our Regulator, the Gaming Policy and Enforcement Branch, has advised us they do not have the statutory authority to take conduct of these matters. BCLC is seeking support from the CFSEU Uniform Division to act as first responders in circumstances where a large amount of funds are believed to be criminally derived and in particular, where the individual in possession of those funds is, or is associated to, a person who is included in the PTEP Program. BCLC is aware that CFSEU is overtasked in many respects and the attendance of the Uniform Division members would be subject to other operational priorities.

Again, this is a high level concept and the minutiae required to breathe life into this proposal could be undertaken at a later date and would likely involve an Operational Protocol between CFSEU and BCLC. While BCLC and CFSEU have provincial reach and mandates, we acknowledge that practically speaking, this arrangement would likely only be applicable in the Lower Mainland. If CFSEU is supportive of this initiative, BCLC would be delighted to host a short workshop for CFSEU members with respect to familiarization of gaming facilities, processes, legal obligations and any other topic CFSEU management believes necessary.

The operational point of contact for matters relating to the Information Sharing Agreement, and in particular, information relating to individuals who meet the criteria for banning, is Mr. Daryl Tottenham (office) **PERSONAL INFORMATION** and email address: **PERSONAL INFORMATION**

The Information Sharing Agreement contemplates two-way sharing of information. If there is anything we can assist you with which falls within the authority of this Agreement, please do not hesitate to contact Daryl Tottenham. Notwithstanding, Executive oversight and authority to execute in this matter rests with my office. Additionally, if you have any questions whatsoever on this or any aspect of gaming in BC, please do not hesitate to contact me directly. Thank you for your attention to this manner.

Yours truly,

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Brad Desmarais Vice President, Corporate Security & Compliance

Enclosure

207

April 16, 2014

Superintendent R. Nesset OIC Richmond RCMP Detachment 11411 No. 5 Road Richmond, BC V7Y 4E8

Dear Supt. Nesset:

As you are likely aware, the British Columbia Lottery Corporation ("BCLC") conducts and manages garning on behalf of the Province of British Columbia. Garning in BC is conducted through land based facilities such as Casinos, Community Garning Centres ("CGCs") and Bingo Halls. Non-land based garning includes eGarning (Internet) and Lottery. We are proud that our Casinos, CGCs and Bingo Halls are the safest entertainment venues for adults in the Province. These garning facilities also bring revenue into communities through the Province's revenue sharing with host local governments and community garning grants. We believe the garning management model BCLC undertakes is amongst the best in the world.

Notwithstanding the foregoing, BCLC understands we must keep moving forward and look for new and innovative ways to continue to keep our gaming facilities safe and free from criminal conduct such as money laundering and loan sharking. Equally important, we believe members of organized crime groups and gangs should not be permitted to use our facilities as an entertainment venue because of their potential to attract violence and the possibility the funds they use for gambling may be derived, directly or indirectly, from the proceeds of crime. One of the most effective ways to achieve these goals is to ban individuals who are associated to such activities. The Gaming Control Act ("GCA") authorizes BCLC to ban "undesirable" persons who fall into these categories

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- Propensity for violence;
- History, or is suspected of, Possession of the Proceeds of Crime or the commission of related/substantive offences; or
- Known Gang or Organized Crime association.

Accordingly, our request to you is if you or members of CFSEU are aware of individuals who meet the aforementioned criteria and frequent gaming facilities within the Province of BC, we would be most grateful if this information is shared with us at your earliest convenience. Upon receipt of that information we will consider applying a ban which would be enforceable throughout the Province.



SENT VIA EMAIL

74 West Seymour Street Kamloops, BC V2C 1E2

1 250 828 5500

÷ 250 828.5631

2940 Virtual Way Vancouver, BC V5M 0A6

F 604.215.0649 F 604.225.6424

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Yours truly,

marci

Brad Desmarais Vice President, Corporate Security & Compliance

Enclosure

April 16, 2014

SENT VIA EMAIL

Inspector Dave Fleugel OIC MAPLE RIDGE RCMP DETACHMENT

Dear Inspector Fleugel:

As you are likely aware, the British Columbia Lottery Corporation ("BCLC") conducts and manages gaming on behalf of the Province of British Columbia. Gaming in BC is conducted through land based facilities such as Casinos, Community Gaming Centres ("CGCs") and Bingo Halls. Non-land based gaming includes eGaming (Internet) and Lottery. We are proud that our Casinos, CGCs and Bingo Halls are the safest entertainment venues for adults in the Province. These gaming facilities also bring revenue into communities through the Province's revenue sharing with host local governments and community gaming grants. We believe the gaming management model BCLC undertakes is amongst the best in the world.

Notwithstanding the foregoing, BCLC understands we must keep moving forward and look for new and innovative ways to continue to keep our gaming facilities safe and free from criminal conduct such as money laundering and loan sharking. Equally important, we believe members of organized crime groups and gangs should not be permitted to use our facilities as an entertainment venue because of their potential to attract violence and the possibility the funds they use for gambling may be derived, directly or indirectly, from the proceeds of crime. One of the most effective ways to achieve these goals is to ban individuals who are associated to such activities. The *Gaming Control Act* ("GCA") authorizes BCLC to ban "undesirable" persons who fall into these categories

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- Propensity for violence;
- History, or is suspected of, Possession of the Proceeds of Crime or the commission of related/substantive offences; or
- Known Gang or Organized Crime association.

Accordingly, our request to you is if you or members of CFSEU are aware of individuals who meet the aforementioned criteria and frequent gaming facilities within the Province of BC, we would be most grateful if this information is shared with us at your earliest convenience. Upon receipt of that information we will consider applying a ban which would be enforceable throughout the Province.

We also understand CFSEU is engaged in organized crime and gang investigations throughout the Province and as such, has developed a Provincial Tactica)



74 West Seymour Street Kamloops, BC V2C 1E2

250 828 5500

250.828.5631

2940 Virtual Way Vancouver, BC V5M 0A6

i 604.215 0649 i 604.225 6424 Lota com Enforcement Priority Program ("PTEP") targeting individuals who are of particular concern to law enforcement. Subject to law enforcement priorities, if these individuals are frequenting gaming facilities in the Province, BCLC would like to commence the process of proactively banning those persons. We believe the criteria under which those individuals have been included in the PTEP would likely also qualify them as "undesirable" pursuant to the GCA. The process by which we would access the personal information of persons included in the PTEP Program could be discussed in detail later if you are supportive of this concept.

On a similar note, from time to time there are regrettable circumstances where patrons do attend gaming facilities where there are reasonable grounds to believe funds in their possession were derived, directly or indirectly, from the proceeds of crime. In the past this has presented a challenge for BCLC and our Service Providers who operate the Casinos and CGCs. Often the police of jurisdiction do not have the resources or expertise to commence an investigation of this nature. Further, the Investigation Division of our Regulator, the Gaming Policy and Enforcement Branch, has advised us they do not have the statutory authority to take conduct of these matters. BCLC is seeking support from the CFSEU Uniform Division to act as first responders in circumstances where a large amount of funds are believed to be criminally derived and in particular, where the individual in possession of those funds is, or is associated to, a person who is included in the PTEP Program. BCLC is aware that CFSEU is overtasked in many respects and the attendance of the Uniform Division members would be subject to other operational priorities.

Again, this is a high level concept and the minutiae required to breathe life into this proposal could be undertaken at a later date and would likely involve an Operational Protocol between CFSEU and BCLC. While BCLC and CFSEU have provincial reach and mandates, we acknowledge that practically speaking, this arrangement would likely only be applicable in the Lower Mainland. If CFSEU is supportive of this initiative, BCLC would be delighted to host a short workshop for CFSEU members with respect to familiarization of gaming facilities, processes, legal obligations and any other topic CFSEU management believes necessary.

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Yours truly,

marci

Brad Desmarais Vice President, Corporate Security & Compliance

Enclosure

April 15, 2014

SENT VIA EMAIL

Sgt. Laurel Mathew CASTLEGAR RCMP DETACHMENT

Dear Sgt. Mathew:

As you are likely aware, the British Columbia Lottery Corporation ("BCLC") conducts and manages gaming on behalf of the Province of British Columbia. Gaming in BC is conducted through land based facilities such as Casinos, Community Gaming Centres ("CGCs") and Bingo Halls. Non-land based gaming includes eGaming (Internet) and Lottery. We are proud that our Casinos, CGCs and Bingo Halls are the safest entertainment venues for adults in the Province. These gaming facilities also bring revenue into communities through the Province's revenue sharing with host local governments and community gaming grants. We believe the gaming management model BCLC undertakes is amongst the best in the world.

Notwithstanding the foregoing, BCLC understands we must keep moving forward and look for new and innovative ways to continue to keep our gaming facilities safe and free from criminal conduct such as money laundering and loan sharking. Equally important, we believe members of organized crime groups and gangs should not be permitted to use our facilities as an entertainment venue because of their potential to attract violence and the possibility the funds they use for gambling may be derived, directly or indirectly, from the proceeds of crime. One of the most effective ways to achieve these goals is to ban individuals who are associated to such activities. The *Gaming Control Act* ("GCA") authorizes BCLC to ban "undesirable" persons who fall into these categories

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1 604.215.0649 F 604.225.6424 Isola com

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Yours truly,

marci

Brad Desmarais Vice President, Corporate Security & Compliance

Enclosure

213

April 16, 2014

SENT VIA EMAIL

Superintendent Deanne Burleigh UPPER FRASER VALLEY REGIONAL RCMP DETACHMENT (CHILLIWACK)

Dear Superintendent Burleigh:

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Notwithstanding the foregoing, BCLC understands we must keep moving forward and look for new and innovative ways to continue to keep our gaming facilities safe and free from criminal conduct such as money laundering and loan sharking. Equally important, we believe members of organized crime groups and gangs should not be permitted to use our facilities as an entertainment venue because of their potential to attract violence and the possibility the funds they use for gambling may be derived, directly or indirectly, from the proceeds of crime. One of the most effective ways to achieve these goals is to ban individuals who are associated to such activities. The *Gaming Control Act* ("GCA") authorizes BCLC to ban "undesirable" persons who fall into these categories

BCLC and the RCMP recently signed an information Sharing Agreement (attached) which will permit, within the context of the Federal *Privacy Act* and the Provincial *Freedom of Information and Protection of Privacy Act*, the exchange of information relevant to Gaming Management and Law Enforcement needs. You will note at Paragraph 4.1 of the Agreement the RCMP is empowered to *"...proactively disclose to BCLC Personal Information of Individuals who may be undesirable pursuant to the GCA and are known to frequent gaming facilities."* For greater clarity, the Agreement describes in paragraph 4.2 categories of particular concern to BCLC:

- Propensity for violence;
- History, or is suspected of, Possession of the Proceeds of Crime or the commission of related/substantive offences; or
- Known Gang or Organized Crime association.

Accordingly, our request to you is if you or members of CFSEU are aware of individuals who meet the aforementioned criteria and frequent gaming facilities within the Province of BC, we would be most grateful if this information is shared with us at your earliest convenience. Upon receipt of that information we will consider applying a ban which would be enforceable throughout the Province.



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Again, this is a high level concept and the minutiae required to breathe life into this proposal could be undertaken at a later date and would likely involve an Operational Protocol between CFSEU and BCLC. While BCLC and CFSEU have provincial reach and mandates, we acknowledge that practically speaking, this arrangement would likely only be applicable in the Lower Mainland. If CFSEU is supportive of this initiative, BCLC would be delighted to host a short workshop for CFSEU members with respect to familiarization of gaming facilities, processes, legal obligations and any other topic CFSEU management believes necessary.

The operational point of contact for matters relating to the Information Sharing Agreement, and in particular, information relating to individuals who meet the criteria for banning, is Mr. Daryl Tottenham (office) PERSONAL INFORMATION and email address: PERSONAL INFORMATION.

The Information Sharing Agreement contemplates two-way sharing of information. If there is anything we can assist you with which falls within the authority of this Agreement, please do not hesitate to contact Daryl Tottenham. Notwithstanding, Executive oversight and authority to execute in this matter rests with my office. Additionally, if you have any questions whatsoever on this or any aspect of gaming in BC, please do not hesitate to contact me directly. Thank you for your attention to this manner.

Yours truly,

marci

Brad Desmarais Vice President, Corporate Security & Compliance

Enclosure

April 16, 2014

SENT VIA EMAIL

Superintendent Claude Wilcott COQUITLAM RCMP DETACHMENT

Dear Superintendent Wilcott:

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We also understand CFSEU is engaged in organized crime and gang investigations throughout the Province and as such, has developed a Provincial Tactical



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Yours truly,

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Brad Desmarais Vice President, Corporate Security & Compliance

Enclosure

April 15, 2014

SENT VIA ÉMAIL

Inspector Wayne MAUGHAN OIC Prince Rupert Detachment 100 6th Avenue West Prince Rupert, BC V8J 3Z3

Dear Inspector Maughan:

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Yours truly,

marci

Brad Desmarais Vice President, Corporate Security & Compliance

Enclosure

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April 15, 2014

SENT VIA EMAIL

S/Sgt. Roger Plamondon COMOX VALLEY DETACHMENT 800 Ryan Road Courtenay, BC V9N 7T1

Dear S/Sgt. Plamondon:

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Brad Desmarais Vice President, Corporate Security & Compliance

Enclosure

April 15, 2014

SENT VIA EMAIL

Chief Supt. Dave CRITCHLEY Officer in Charge, Burnaby Detachment 6355 Deer Lake Avenue Burnaby, BC V5G 2J2

Dear Chief Supt. Critchley:

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Brad Desmarais Vice President, Corporate Security & Compliance

Enclosure

April 16, 2014

SENT VIA EMAIL

Superintendent Derek Cooke OIC LANGLEY RCMP DETACHMENT

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Brad Desmarais Vice President, Corporate Security & Compliance

Enclosure

April 15, 2014

SENT VIA EMAIL

Inspector Ray CARFANTAN OIC NORTH COWICHAN/DUNCAN DETACHMENT 6060 Canada Avenue Duncan BC V9L 1V3

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Yours truly,

marci

Brad Desmarais Vice President, Corporate Security & Compliance

Enclosure

SENT VIA EMAIL

Inspector Larry CHOMYN OIC WEST SHORE DETACHMENT 698 Atkins Avenue Victoria BC V9B 3A4

Dear Inspector Chomyn:

As you are likely aware, the British Columbia Lottery Corporation ("BCLC") conducts and manages gaming on behalf of the Province of British Columbia. Gaming in BC is conducted through land based facilities such as Casinos, Community Gaming Centres ("CGCs") and Bingo Halls. Non-land based gaming includes eGaming (Internet) and Lottery. We are proud that our Casinos, CGCs and Bingo Halls are the safest entertainment venues for adults in the Province. These gaming facilities also bring revenue into communities through the Province's revenue sharing with host local governments and community gaming grants. We believe the gaming management model BCLC undertakes is amongst the best in the world.

Notwithstanding the foregoing, BCLC understands we must keep moving forward and look for new and innovative ways to continue to keep our gaming facilities safe and free from criminal conduct such as money laundering and loan sharking. Equally important, we believe members of organized crime groups and gangs should not be permitted to use our facilities as an entertainment venue because of their potential to attract violence and the possibility the funds they use for gambling may be derived, directly or indirectly, from the proceeds of crime. One of the most effective ways to achieve these goals is to ban individuals who are associated to such activities. The *Gaming Control Act* ("GCA") authorizes BCLC to ban "undesirable" persons who fall into these categories

BCLC and the RCMP recently signed an Information Sharing Agreement (attached) which will permit, within the context of the Federal *Privacy Act* and the Provincial *Freedom of Information and Protection of Privacy Act*, the exchange of information relevant to Gaming Management and Law Enforcement needs. You will note at Paragraph 4.1 of the Agreement the RCMP is empowered to "...proactively disclose to BCLC Personal Information of individuals who may be undesirable pursuant to the GCA and are known to frequent gaming facilities." For greater clarity, the Agreement describes in paragraph 4.2 categories of particular concern to BCLC:

- Propensity for violence;
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Brad Desmarais Vice President, Corporate Security & Compliance

Enclosure

Inspector Lyle GELINAS OIC CAMPBELL RIVER DETACHMENT 275 S. Dogwood Avenue Campbell River BC V9W 8C8

Dear Inspector Gelinas:

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SENT VIA EMAIL



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Brad Desmarais Vice President, Corporate Security & Compliance

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Superintendent Reg Burgess OIC VERNON RCMP DETACHMENT

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omarci

Brad Desmarais Vice President, Corporate Security & Compliance

Enclosure

SENT VIA EMAIL

S/Sgf. Brian Curnming 1000 Finch Drive Squamish, BC V8B 0M5

Dear S/Sgt. Cumming:

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Brad Desmarais Vice President, Corporate Security & Compliance

Enclosure

April 16, 2014

SENT VIA EMAIL

Chief Superintendent Bill Fordy OIC SURREY RCMP DETACHMENT

Dear Chief Superintendent Fordy:

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We also understand CFSEU is engaged in organized crime and gang investigations throughout the Province and as such, has developed a Provincial Tactical



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i 604,215,0649 * 604,225,6424 bootcost Enforcement Priority Program ("PTEP") targeting individuals who are of particular concern to law enforcement. Subject to law enforcement priorities, if these individuals are frequenting gaming facilities in the Province, BCLC would like to commence the process of proactively banning those persons. We believe the criteria under which those individuals have been included in the PTEP would likely also qualify them as "undesirable" pursuant to the GCA. The process by which we would access the personal information of persons included in the PTEP Program could be discussed in detail later if you are supportive of this concept.

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Enclosure

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Notwithstanding the foregoing, BCLC understands we must keep moving forward and look for new and innovative ways to continue to keep our garning facilities safe and free from criminal conduct such as money laundering and loan sharking. Equally important, we believe members of organized crime groups and gangs should not be permitted to use our facilities as an entertainment venue because of their potential to attract violence and the possibility the funds they use for gambling may be derived, directly or indirectly, from the proceeds of crime. One of the most effective ways to achieve these goals is to ban individuals who are associated to such activities. The *Garning Control Act* ("GCA") authorizes BCLC to ban "undesirable" persons who fall into these categories

BCLC and the RCMP recently signed an Information Sharing Agreement (atlached) which will permit, within the context of the Federal *Privacy Act* and the Provincial *Freedom of Information and Protection of Privacy Act*, the exchange of information relevant to Garning Management and Law Enforcement needs. You will note at Paragraph 4.1 of the Agreement the RCMP is empowered to "...proactively disclose to BCLC Personal Information of individuals who may be undesirable pursuant to the GCA and are known to frequent garning facilities." For greater clarity, the Agreement describes in paragraph 4.2 categories of particular concern to BCLC:

- Propensity for violence;
- History, or is suspected of, Possession of the Proceeds of Crime or the commission of related/substantive offences; or
- Known Gang or Organized Crime association.

Accordingly, our request to you is if you or members of CFSEU are aware of individuals who meet the aforementioned criteria and frequent gaming facilities within the Province of BC, we would be most grateful if this information is shared with us at your earliest convenience. Upon receipt of that information we will consider applying a ban which would be enforceable throughout the Province.

We also understand CFSEU is engaged in organized crime and gang investigations throughout the Province and as such, has developed a Provincial Tactical



74 West Seymour Street Kamloops, BC V2C 1E2

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2940 Virtual Way Vancouver, BC V5M 0A6

1 604.215.0649 F 604.225.6424 Enforcement Priority Program ("PTEP") targeting individuals who are of particular concern to law enforcement. Subject to law enforcement priorities, if these individuals are frequenting gaming facilities in the Province, BCLC would like to commence the process of proactively banning those persons. We believe the criteria under which those individuals have been included in the PTEP would likely also qualify them as "undesirable" pursuant to the GCA. The process by which we would access the personal information of persons included in the PTEP Program could be discussed in detail later if you are supportive of this concept.

On a similar note, from time to time there are regrettable circumstances where patrons do attend gaming facilities where there are reasonable grounds to believe funds in their possession were derived, directly or indirectly, from the proceeds of crime. In the past this has presented a challenge for BCLC and our Service Providers who operate the Casinos and CGCs. Often the police of jurisdiction do not have the resources or expertise to commence an investigation of this nature. Further, the Investigation Division of our Regulator, the Gaming Policy and Enforcement Branch, has advised us they do not have the statutory authority to take conduct of these matters. BCLC is seeking support from the CFSEU Uniform Division to act as first responders in circumstances where a large amount of funds are believed to be criminally derived and in particular, where the individual in possession of those funds is, or is associated to, a person who is included in the PTEP Program. BCLC is aware that CFSEU is overtasked in many respects and the attendance of the Uniform Division members would be subject to other operational priorities.

Again, this is a high level concept and the minutiae required to breathe life into this proposal could be undertaken at a later date and would likely involve an Operational Protocol between CFSEU and BCLC. While BCLC and CFSEU have provincial reach and mandates, we acknowledge that practically speaking, this arrangement would likely only be applicable in the Lower Mainland. If CFSEU is supportive of this initiative, BCLC would be delighted to host a short workshop for CFSEU members with respect to familiarization of gaming facilities, processes, legal obligations and any other topic CFSEU management believes necessary.

The operational point of contact for matters relating to the Information Sharing Agreement, and in particular, information relating to individuals who meet the criteria for banning, is Mr. Daryl Tottenham (office) PERSONAL INFORMATION and email address: PERSONAL INFORMATION

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Yours truly,

omarc

Brad Desmarais Vice President, Corporate Security & Compliance

Enclosure

SENT VIA EMAIL

Superintendent Kevin Hewco OIC PENTICTON RCMP DETACHMENT

Dear Supt. Hewco:

As you are likely aware, the British Columbia Lottery Corporation ("BCLC") conducts and manages gaming on behalf of the Province of British Columbia. Gaming in BC is conducted through land based facilities such as Casinos, Community Gaming Centres ("CGCs") and Bingo Halls. Non-land based gaming includes eGaming (Internet) and Lottery. We are proud that our Casinos, CGCs and Bingo Halls are the safest entertainment venues for adults in the Province. These gaming facilities also bring revenue into communities through the Province's revenue sharing with host local governments and community gaming grants. We believe the gaming management model BCLC undertakes is amongst the best in the world.

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Yours truly,

marci

Brad Desmarais Vice President, Corporate Security & Compliance

Enclosure

SENT VIA EMAIL

Inspector Mac RICHARDS OIC PORT ALBERNI DETACHMENT 4444 Morton Street Port Alberni BC V9Y 4M8

Dear Inspector Richards:

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Yours truly,

marci

Brad Desmarais Vice President, Corporate Security & Compliance

Enclosure

28 March 2014

Chief Superintendent Dan Malo Chief Officer, Combined Forces Special Enforcement Unit BC

Sir:

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28 March 2014

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Brad Desmarais Vice President Corporate Security & Compliance

c.c.: Insp. Bob Stewart, CFSEU BC



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SENT VIA EMAIL

Superintendent Brad Mueller OIC KAMLOOPS RCMP DETACHMENT

Dear Supt. Mueller:

As you are likely aware, the British Columbia Lottery Corporation ("BCLC") conducts and manages gaming on behalf of the Province of British Columbia. Gaming in BC is conducted through land based facilities such as Casinos, Community Gaming Centres ("CGCs") and Bingo Halls. Non-land based gaming includes eGaming (Internet) and Lottery. We are proud that our Casinos, CGCs and Bingo Halls are the safest entertainment venues for adults in the Province. These gaming facilities also bring revenue into communities through the Province's revenue sharing with host local governments and community gaming grants. We believe the gaming management model BCLC undertakes is amongst the best in the world.

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Yours truly,

marci

Brad Desmarais Vice President, Corporate Security & Compliance

Enclosure

SENT VIA EMAIL

S/Sgt. Milo MacDonald DAWSON CREEK RCMP DETACHMENT

Dear S/Sgt. MacDonald:

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marci

Brad Desmarais Vice President, Corporate Security & Compliance

Enclosure

SENT VIA EMAIL

Inspector Patrick Egan OIC FORT ST. JOHN DETACHMENT

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Yours truly,

marci

Brad Desmarais Vice President, Corporate Security & Compliance

Enclosure

Supt. Mark FISHER OIC Nanaimo Detachment 303 Prideaux Street Nanaimo BC V9R 2N3

Dear Supt. Fisher:

As you are likely aware, the British Columbia Lottery Corporation ("BCLC") conducts and manages gaming on behalf of the Province of British Columbia. Gaming in BC is conducted through land based facilities such as Casinos, Community Gaming Centres ("CGCs") and Bingo Halls. Non-land based gaming includes eGaming (Internet) and Lottery. We are proud that our Casinos, CGCs and Bingo Halls are the safest entertainment venues for adults in the Province. These gaming facilities also bring revenue into communities through the Province's revenue sharing with host local governments and community gaming grants. We believe the gaming management model BCLC undertakes is amongst the best in the world.

Notwithstanding the foregoing, BCLC understands we must keep moving forward and look for new and innovative ways to continue to keep our gaming facilities safe and free from criminal conduct such as money laundering and loan sharking. Equally important, we believe members of organized crime groups and gangs should not be permitted to use our facilities as an entertainment venue because of their potential to attract violence and the possibility the funds they use for gambling may be derived, directly or indirectly, from the proceeds of crime. One of the most effective ways to achieve these goals is to ban individuals who are associated to such activities. The *Gaming Control Act* ("GCA") authorizes BCLC to ban "undesirable" persons who fall into these categories

BCLC and the RCMP recently signed an Information Sharing Agreement (attached) which will permit, within the context of the Federal *Privacy Act* and the Provincial *Freedom of Information and Protection of Privacy Act*, the exchange of information relevant to Garning Management and Law Enforcement needs. You will note at Paragraph 4.1 of the Agreement the RCMP is empowered to "...proactively disclose to BCLC Personal Information of individuals who may be undesirable pursuant to the GCA and are known to frequent garning facilities." For greater clarity, the Agreement describes in paragraph 4.2 categories of particular concern to BCLC:

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SENT VIA EMAIL

74 West Seymour Street Kamloops, BC V2C 1E2

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1 604.215.0649 F 604.225.6424 bold.com

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Yours truly,

marci

Brad Desmarais Vice President, Corporate Security & Compliance

Enclosure

SENT VIA EMAIL

Inspector Warren BROWN OIC WILLIAMS LAKE DETACHMENT

Dear Inspector Brown:

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Yours truly,

marci

Brad Desmarais Vice President, Corporate Security & Compliance

Enclosure

SENT VIA EMAIL

S/Sgt. Lorne Craig CRANBROOK RCMP DETACHMENT

Dear S/Sgt. Craig:

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Yours truly,

marci

Brad Desmarais Vice President, Corporate Security & Compliance

Enclosure

Inspector Dana Hart OIC Terrace Detachment 3205 Eby Street Terrace, BC V8G 2X7

Dear Inspector Hart:

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SENT VIA EMAIL

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Brad Desmarais Vice President, Corporate Security & Compliance

Enclosure

SENT VIA EMAIL

Supt. Eric Stubbs OIC PRINCE GEORGE DETACHMENT

Dear Supt. Stubbs:

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Yours truly,

omarci

Brad Desmarais Vice President, Corporate Security & Compliance

Enclosure

April 16, 2014

SENT VIA EMAIL

S/Sgt. Steve Vrolyk QUESNEL RCMP DETACHMENT

Dear S/Sgt. Vrolyk:

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74 West Seymour Street Kamloops, 8C V2C 1E2

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T 604.215.0649 F 604.225.6424 We also understand CFSEU is engaged in organized crime and gang investigations throughout the Province and as such, has developed a Provincial Tactical Enforcement Priority Program ("PTEP") targeting individuals who are of particular concern to law enforcement. Subject to law enforcement priorities, if these individuals are frequenting gaming facilities in the Province, BCLC would like to commence the process of proactively banning those persons. We believe the criteria under which those individuals have been included in the PTEP would likely also qualify them as "undesirable" pursuant to the GCA. The process by which we would access the personal information of persons included in the PTEP Program could be discussed in detail later if you are supportive of this concept.

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marci

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Enclosure

Page 2

This is Exhibit "44" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this 22 day of January 2021.

A Commissioner for taking Affidavits for the Province of British Columbia

266

From: John Karlovcec Sent: <u>M3: Operational File - Current</u> To: PERSONAL INFORMATION Cc: PERSONAL INFORMATION; Bob Stewart PERSONAL INFORMATION; Brad Desmarais PERSONAL INFORMATION; Bob Stewart PERSONAL INFORMATION PERSONAL INFORMATION 'Mark Jordan PERSONAL INFORMATION 'Kurt Bulow PERSONAL INFORMATION PERSONAL INFORMATION 'Jeff Neuman Neuman PERSONAL INFORMATION PERSONAL INFORMATION 'Eldon Orregaard PERSONAL INFORMATION PERSONAL INFORMATION ; Brad Rudnicki PERSONAL INFORMATION; Daryl Tottenham PERSONAL INFORMATION Subject: Cosing Cash Eaviliptors

Subject: Casino Cash Facilitators Importance: High

Hi Trevor,

Hope all is well. Just to advise you that we have compiled our top 10 Casino cash facilitator targets.

Our BCLC Intelligence analyst has sent the target sheets as well as BCLC investigator contact information by secure file transfer protocol to CFSEU analysts Jill PATTERSON, Jorda METCALFE, Caralee FLORE and Nathalie BROWNE.

Please contact one of your CFSEU analysts to receive/gain access to the information. Again we very much appreciate your support with this initiative.

Please let us know if you have any questions or if we can be of any further assistance.

Best Regards,

John

John Karlovcec

Manager AML & Operational Analytics Unit Corporate Security & Compliance Division, BCLC

2940 Virtual Way, Vancouver, BC V5M 0A6 Personal Information

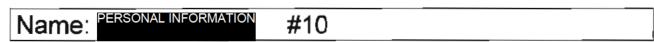
PERSONAL INFORMATION

Connect with us : <u>Twitter @BCLC</u> | <u>Twitter @BCLCGameSense</u> | <u>YouTube</u> | <u>Blog</u> | <u>bclc.com</u>

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

This is Exhibit "45" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this 23. day of January 2021.

A Commissioner for taking Affidavits for the Province of British Columbia



Date of Birth: PERSONAL INFORMATIO



Identification Details; BCDL PERSONAL INFOR

BCLC Subject Profile Identification Number SID#61966

Occupation: Telecommunication

Address: PERSONAL INFORMATION

Vehicle attached to his profile:

2011 BMW X5 2006 (grey) 610PWC

2012 Ford Taurus 2003 (grey) 656LGR

Associates: 0

Name: PERSONAL INFORMATION	#9	
----------------------------	----	--

Date of Birth: Bersonal Information



Identification Details: Permanent Residence Card

BCLC Subject Profile Identification Number SID#83028

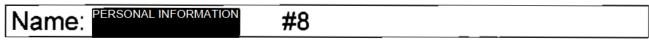
Occupation: Financial Investor

Address: Personal information

Vehicle attached to his profile:

2013 Mercedes SLK55 2012 (black) BCLP 919RNT RO Registered to PERSONALINFORMATION of West Vancouver, BC)

Associate: #1 JIN Paul King



Date of Birth: PERSONAL INFORMATION



Identification Details: BCDL^{PERSONAL INFORM}

BCLC Subject Profile Identification Number SID#85160

Occupation: Owner

Company Name: Jade Artifacts Company

Address: Personal information

Vehicle attached to his profile:

2011 Mercedes ML500 (grey) BCLP 733EHG

2013 BMW X5 (silver) BCLP 838PPX

BMW X5 (grey) BCLP 656NSW

Associates: #1 JIN Paul King & #7 PERSONAL INFORMATION

Name: PERSONAL INFORMATION #7

Date of Birth: PERSONAL INFORMATIO



Identification Details: BCDL PERSONAL INFORM

BCLC Subject Profile Identification Number SID#85444

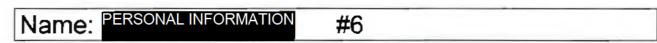
Occupation: Marble Furniture Assembler

Address: PERSONAL INFORMATION

Vehicle attached to his profile:

2013 Acura (silver) BCLP 952PLR

Associates: #1 JIN Paul King, #6PERSONAL INFORMATION & #8



Date of Birth: PERSONAL INFORMATI



Identification Details: BCDL PERSONAL INFOR

BCLC Subject Profile Identification Number SID#66423

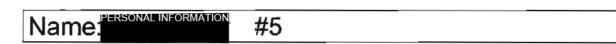
Occupation: Restaurant Waiter

Address: PERSONAL INFORMATION

Vehicles attached to his profile:

2012 BMW X5 (grey) BCLP 238XRC

Associates: #1 JIN Paul King, #5 PERSONAL INFORMAT & #7 PERSONAL INFORMATION



Date of Birth:



Identification Details: BCDL

BCLC Subject Profile Identification Number SID#58102

Occupation: "Real Estate Agent/Spa Owner" Company name: in China

Address: PERSONAL INFORMATION

<u>Vehicles attached to her profile:</u> 2010 BMW X5 2009 (grey) BCLP 731LAF Owner's name: Personal INFORMATION (Address listed to her lease for this vehicle is PERSONAL INFORMATION

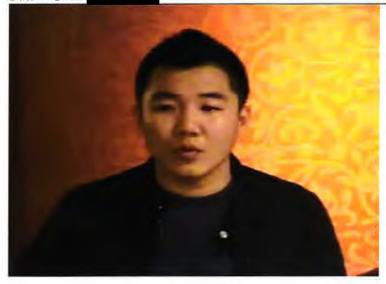
2012 Porsche Cayenne 2011 (black) BCLP 933RTJ

2014 Porsche Cayenne (black) BCLP 575XRE

Associate: #6 PERSONAL INFORMATION

Name: PERSONAL INFORMATION #4

Date of Birth: PERSONAL INFORMATION



Identification Details: BCID PERSONAL INFORMATIC

BCLC Subject Profile Identification Number SID#153740

Occupation: College Student Sprott Shaw College

Address: Personal information

Vehicle attached to his profile:

2014 Porsche Cayenne 2006 (Black) BCLP 731RXT

Associates: #1 JIN Paul King & #3 PERSONAL INFORMATION

Name: PERSONAL INFORMATION #3

Date of Birth: Personal INFORMATIO



Identification Details: BCDL PERSONALINFORM

BCLC Subject Profile Identification Number SID#153983

Occupation: Unknown

Address: Personal information

Vehicle attached to his profile:

2014 Jeep Grand Cherokee (Beige) BCLP 918LXM

Associates: #1 JIN Paul King & #4 PERSONAL INFORMATION

Name: BELLWOOD, Chadwick Sydney Martin #2

Date of Birth: PERSONAL INFORMATION



Identification Details: BCDL FERENAL INFOR

BCLC Subject Profile Identification Number SID#157220

Occupation: Unknown

Address: PERSONAL INFORMATION

Vehicles attached to his profile:

2014

Associated vehicles: (Both Leased by BELLWOOD)

Lexus LS600 sedan (black) BCLP 140MJV (previously 573NSW)

Toyota Sienna (white) BCLP 603MMK

Associates: #2 BELLWOOD Chadwick, #3 Personal information , #4 Personal information , #6 Personal information , #7 Personal information , #7

Name: JIN, Paul King #1

Date of Birth: PERSONAL INFORMATION



Identification Details: BCDL

BCLC Subject Profile Identification Number SID#118418

Occupation: Spa Owner: Water Cube

Business Address: PERSONAL INFORMATION

<u>Vehicles attached to his profile:</u> 2012 Lexus (silver) SUV BCLP 561RRH Old vehicle may no longer be relevant.

2013 Lexus LS600 Year 2008 (black) BCLP 573NSW

2014 Lexus LS600 sedan (black) BCLP 140MJV (previously 573NSW)

Toyota Sienna (white) BCLP 603MMK

Lincoln Navigator (black) BCLP 358XRF

Associates: #2 BELLWOOD Chadwick, #3 Personal Information, #4 Personal Information, #6 Personal Information, #7 Personal Information, #7 Personal Information, #7

This is Exhibit "46" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this day of January 2021.

A Commissioner for taking Affidavits for the Province of British Columbia --- ·

BCLC AML Programs

Extreme Risk Patron Program

Created and implemented- June 2014

Purpose:

To establish a protocol to flag patrons who present an extreme risk to BCLC and issue a 5 year Province-wide barring to ensure the safety of patrons and employees of BCLC sites. The extreme risk process includes an appeal process managed by the BCLC Legal Department to review all aspects of the investigation that resulted in the 5 year barring.

Process:

The criteria for a 5-year barring relies on information received from Law Enforcement, criminal record abstracts, media hits, and open source documents available to Investigators. A 5-year barring order may also be applied to patrons who disregard AML directives and engage in activities that preclude BCLC from continuing a business relationship with that patron.

The specific criteria for extreme risk barring is as follows:

- Subject is associated to or belongs to a known criminal organization (Hell's Angels, UN gang, IS Soldiers, etc.)
- Subject has an extensive record which includes a record for violence and/or weapon offences.
- Subject has a charge or conviction for Proceeds of Crime offences
- Subject has a confirmed "Duty to Warn" notice served on them by police.

The AML unit actively monitors daily media incidents and updated Law Enforcement bulletins to identify potential persons of interest or safety concerns and conduct reviews as necessary.

Summary:

The mere presence of persons identified in this program to attend in or near BCLC sites places all patrons and employees in danger. The high number of targeted gang shootings in the Lower Mainland over the past 5 years has shown that little regard is given to innocent bystanders when a gang member is intent of killing rival gang members. Since the inception of this program we have documented 13 people that have ltrak profiles, most of which have been the subject of an extreme risk barring, and have been subsequently killed in targeted shootings in BC.

The importance of maintaining a robust barring program is critical to ensure a safe gaming environment for our patrons and employees.

This is Exhibit "47" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this 2021.

A Commissioner for taking Affidavits for the Province of British Columbia ÷---

RCMP-CFSEU Provincial Tactical Enforcement Priority (PTEP) Overview

RCMP-CFSEU provides BCLC with their PTEP roster each year. This roster includes high profile prolific offenders from all over the province who are active in the drug trade, organized crime and/or gangs. BCLC identifies and issues 5-year prohibitions to any individuals who appear on the list that have activity in iTrak. Restricting these people from BCLC facilities helps to improve the integrity of the gaming industry and most importantly, it increases public safety.

PROCESS

1

- 1. CFSEU sends PTEP file to the SFTP site https:// Redacted Relevance
- 2. BCLC logs into SFTP and retrieves PTEP file,
- 3. BCLC extracts all patrons from iTrak in a report with First name, Middle name, Last name and DOB. All appearing individually in columns in an Excel spreadsheet.
- 4. A BCLC list of names is compared to the PTEP list of names to determine matches. This is achieved by creating a comparable *matching word string* and using a VLOOKUP function in Excel.
 - a. BCLC matching word string is made by concatenating the First name, Last name and the year of birth. The year of birth is derived from the DOB column and is placed in its own column. In a separate column titled "matching string" the resulting concatenation is formed using the excel function (=CONCATENATE) with no spaces. To ensure there are no spaces in the data, all spaces are removed from the column by using the CTRL+F function to ensure matching function works accurately.
 - b. PTEP matching word string is made by concatenating the First name, Last name and the year of birth. The year of birth is derived from the DOB column and is placed in its own column. In a separate column titled "matching string" the resulting concatenation is formed using the excel function (=CONCATENATE) with no spaces. To ensure there are no spaces in the data, all spaces are removed from the column by using the CTRL+F function to ensure matching function works accurately.
- 5. Both lists are placed into one work book. An additional column is added to the BCLC list titled "PTEP Match". Using the Vertical Lookup function in excel (=VLOOKUP) the Matching Strings can be compared to each other on either list. Results are identified in the column when the result is not "#N/A". Column selection for the "result" message can be configured when the VLOOKUP equation is created; utilizing the *matching word string* is easiest. Once the equation is applied to the entire list. The list can be filtered to identify patrons who will need to be reviewed and served with a 5-year prohibition.
- 6. Repeating this process for exact name matches only is important as BCLC may not have collected a DOB for individuals appearing in iTrak. A manual review is required for all hits identified this way. iTrak pictures are sent to the RCMP through the SFTP site for review.



This is Exhibit "48" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this <u>7</u> day of January 2021.

A Commissioner for taking Affidavits for the Province of British Columbia From: Daryl Tottenham Sent: Wednesday, June 04, 2014 2:12 PM To: AML Subject: CFSEU/High Risk list review- for discussion

I have reviewed all the patrons on the CFSEU/Itrak crossover list currently held and here is my preliminary findings:

- There are a total of 109 people on the list held in the AML Risk folder to be reviewed and assessed.
- There are another 10 people who are in Itrak that have siginificant organized crime history and are either not on the CFSEU list or on the list and not picked up by the scan. That means we have 119 people to deal with overall for STR and/or barring purposes.
- Of those 119 people, 33 are already under long-term BCLC barrings or are currently VSE patrons.
- There are 12 people on the list which, in my humble opinion, we require no further investigation on and they should be BCLC barred for 5 yrs and an STR filed for public safety reasons.
- There are 35 people who are on the CFSEU list and have various histories or reasons that they could be STR/BCLC barring candidates but we should seek CFSEU confirmation on their level of risk overall, including any Duty to warn notices and the extent of their gang activities.
- There are 39 people who are on the CFSEU list but have very little or no history at BCLC and from my perspective pose minimal risk to us and are likely minor players on the CFSEU front.

One of the questions we will have to consider in this endeavor is what we plan on doing with Redacted - RCMP Redacted - RCMP that are on the CFSEU system and also in our system. If we are using a yardstick measured by CFSEU and their Redacted - RCMP how are we going to apply that across the board here.

As an example, we have been talking about	Redacted - RCMP
	along with
recent negative media reports and is Redacted - RCMP	while currently having 121 LCT disbursements at
BCLC and is clearly a high risk patr <u>on f</u> or BCLC.	
We have talked about S yr barring based on the CFSEU lis	
we proceed with that do we also do the same for	Redacted - RCMP
Redacted - F	RCMP
Following that do we also bar the other patrons currently in It	trak and the CFSEU list that are Redacted - RCMP
	nited history with BCLC and our only reason for
*	<u>Bottom line is we need to discuss</u> what line we are
taking with people identified in Redacte	ed - RCMP and apply

whatever rules we decide to invoke across the board.

We should discuss this when John gets back and develop a game plan but bearing in mind we have a deadline to meet, I am going to be starting a template STR and a template BCLC 5 yr barring piece so that when we do decide how we are going to do this, it will be an easy process to get through.

For the CFSEU side of this, what I hoping will work is to speak to one of our contacts there and supply them with a list of names and dob's and an idea of what we are looking for in terms of assessing the names on the list so they can review on CPIC and PRIME and advise us "yes or no" if they would pose a significant risk being in BCLC sites. There is no sense in asking for a full report for each as we likely won't get that much detail from them and would be very time-consuming if we did. Once we get a response from them we can assess the numbers and decide what action we want to take. Maybe kick some of these topics around and we can meet shortly and discuss further when everyone is back. Daryl

This is Exhibit "49" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this 22 day of January 2021.

A Commissioner for taking Affidavits for the Province of British Columbia **....**

From: John Karlovcec Sent: June 6, 2014 12:08 PM To: Daryl Tottenham PERSONAL INFORMATION Cc: Brad Desmarais PERSONAL INFORMATION; Brad Rudnicki PERSONAL INFORMATION; Cathy Cuglietta PERSONAL INFORMATION Subject: RE: CFSEU/High Risk list review- for discussion

Hi Daryl,

We discussed linking any barrings to our risk matrix and whether we have an established "business relationship".

If we identify that we have established a business relationship with these people like in the case of Reduced RCMP and we have the adverse media and any other intelligence such as the fact that he is on the CFSEU list we will proceed with the 5 year barring.

For the likes of RCMP even though Redacted - RCMP 1 would proceed with a 5 year barring as there is sufficient adverse media on this Redact and he poses a significant risk although Redacted - RCMP

For those that we require further clarification on we should reach out to CFSEU for additional info for confirmation on gang affiliations, overall risk/duty to warn. If we received confirmation and they have played in any of our gaming sites we should Reduced FINTRAC

Now if the individual has never stepped foot in any of our gaming facilities I would say that we would be hard pressed to proceed with a barring.

As discussed we will proceed with season Finter barrings where applicable. We can discuss further.

Thanks,

John

This is Exhibit "50" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this 25 day of January 2021.

A Commissioner for taking Affidavits for the Province of British Columbia

From: Brad Desmarais Sent: Monday, June 09, 2014 8:56 AM To: John Karlovcec Cc: Cathy Anastasio; Brad Rudnicki; Daryl Tottenham Subject: Re: info for presentation

thanks, John. as you pull together the information can you please shoot it over to Susan and not wait to send it all at once? She's under a bit of a time crunch, please cc me. Thanks!!!!!!

Sent from my iPad

From: Cathy Anastasio Sent: Monday, June 09, 2014 9:54 AM To: Brad Desmarais; John Karlovcec Cc: Brad Rudnicki; Daryl Tottenham Subject: RE: info for presentation

Total VSE count as of today = 6,871

Total Site barred patron count as of today = 4,602

Total Underage attempted entries for fiscal year 13/14 = 12,858 – do not have figures up to today's date. Audrey was sent these stats by each site on a monthly basis so not sure who or where those stats are being collected now. This is not a number I can pull from iTrak.

I cannot provide the numbers for total prohibs – the query on iTrak is not working for this filter. The barred list on the extranet has not been kept up-to-date with expired barrings being removed. If I have more time I can clean up the list on the Extranet and can provide this number by end of day today....

From: John Karlovcec Sent: Monday, June 09, 2014 10:07 AM To: Susan Dolinski Cc: Brad Rudnicki; Daryl Tottenham; Cathy Anastasio; Brad Desmarais Subject: RE: info for presentation

Hi Susan,

See the VSE & site barred numbers provided by Cathy. FYI the stats for the total underage refers to those that did not/could not/would not produce identification, false identification

We will see what we can compile for you re: prohibited as well as undesireables.

John

From: Cathy Anastasio **Sent:** Monday, June 09, 2014 10:35 AM **To:** John Karlovcec; Susan Dolinski **Cc:** Brad Rudnicki; Daryl Tottenham; Brad Desmarais **Subject:** RE: info for presentation

Approximate total for BCLC prohib patrons is 327.

On Jun 9, 2014, at 3:35 PM, "John Karlovcec" PERSONAL INFORMATION wrote:

Hi Susan,

Further to the info that has already been sent to you re: your request, we have recently identified approximately 30 persons [this number may change]

that fall into the undesirable category that we will be banning from all of our gaming sites.

Thanks,

John

From: Brad Desmarais Sent: Monday, June 9, 2014 12:40 PM To: John Karlovcec Subject: Re: info for presentation

are these the guys we can ban more or less immediately? I recall there were over 100 we were concerned about; were the remaining individuals requiring additional information?

Sent from my iPad

From: John Karlovcec Sent: June 9, 2014 1:03 PM To: Brad Desmarais PERSONAL INFORMATION Subject: Re: info for presentation

Yes pretty much. Daryl is just in the process of creating a template preamble for the barring process. I've spoken to Bruno About getting some assistance for the barring process. The remainder require more info from CFSEU. They are not confirmed gang members but are people of interest to CFSEU. Although they are in Itrak they do not have a business relationship with us ie no LCT or STRS. There are only 7 people that we have a business relationship with. As a result we anticipate Redacted - FINTRAC on a priority basis on these individuals. In speaking to Daryl the Redact should be completed within the week.

John

Sent from my BlackBerry 10 smartphone on the TELUS network.

This is Exhibit "51" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this _____day of January 2021.

A Commissioner for taking Affidavits for the Province of British Columbia ----

From: John Karlovcec Sent: June 10, 2014 9:45 AM To: Brad Desmarais PERSONAL INFORMATION Cc: Daryl Tottenham PERSONAL INFORMATION Subject: FW: CFSEU list- outline of procedures Importance: High

Hi Brad,

Hope you are enjoying the conference.

When you have a moment please review the attached proposal. Daryl put this together to assist Bonnie with creating internal policy for barring of undesirables from our gaming facilities especially as it relates to Police information such as recent CFSEU tactical priority list. Overall the approach makes sense.

Presently and up until now all of these Police information barring requests have gone through the BCLC Manager of Casino Security & Surveillance or designate.

The designate up until now has been the Asst. Manager Casino Security and Surveillance. The designate could be another investigator or even me or Daryl for that matter.

Are you OK with the barring requests remaining with the Manager Casino Security & Surveillance or do you wish the Police barring requests to go through me?

Whichever way we go the appeal process should probably be bumped up to the Director of Investigation & Compliance and internal policy should reflect this.

Since Gord and Jennifer have had some previous dialogue on this which I was not part of, did you wish Jennifer to provide some input prior to us sending off to Bonnie for policy on this?

Comments,

John



Extreme Risk classification.docx

From: Daryl Tottenham Sent: Tuesday, June 10, 2014 6:27 AM To: AML Subject: CFSEU list- outline of procedures

John,

I drafted this up last night in an attempt to fully explain where I think we are going with the CFSEU list, and subsequent barring's and STR reports that will flow from having this information. Have a read and let me know if it is what you have in mind and make changes as needed. I was thinking once we have this completed, we could forward it to Bonnie to assist in preparing the required policy pieces we need to include in the upcoming amendments.

Daryl

This is Exhibit "52" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this <u>Jo</u>day of January 2021.

A Commissioner for taking Affidavits for the Province of British Columbia From: iTrak Reports PERSONAL INFORMATION Sent: Tuesday, June 10, 2014 10:31 AM To: John Karlovcec Subject: iTrak Report

From: John Karlovcec Sent: Tuesday, June 10, 2014 10:51 AM To: Daryl Tottenham Cc: Brad Rudnicki; Cathy Anastasio Subject: FW: iTrak Report

Daryl,

Fyi, The attached	Redac	ted - RCMP	
http://www.vancouver #ixzz34G9d1ZBk	sun.com/news/	Redacted - RCMP	923204/story.html
		Not sure if he was on the tactical le also has two associates in his i	
1.	Redacted - RCMP	- Presently 5 year site ba	arring –
2. – business relati	Redacted - RCMP ionship. Not presently in V		r-ins - \$757,000 disbursements
John			
From: Brad Rudnicki Sent: Tuesday, June 10 To: John Karlovcec; Dar Cc: Cathy Anastasio Subject: RE: iTrak Rep	yl Tottenham		
'll check court records a	Redacted - RCMP adverse media for R	edacted - RCMP and let you know	v what I find.
-Brad R From: John Karlovcec Sent: Tuesday, June 10 To: Brad Desmarais Cc: Daryl Tottenham; Bi Subject: FW: iTrak Rep	rad Rudnicki		
Brad,			
Simply Fyi	Redacted - RC	Redacted - RCMP	

....

http://www.vancouversun.com/news/	Redacted RCMP	9923204/story.html
#ixzz34G9d1ZBk		A DUCKE ALLER D
He is presently in the 'Watch'' category of have/had a business relationship with hi He also has two associates in his iTrak su	im and he is high risk because he has Re	
1. Redacted - RCM	- Presently 5 year site	barring —
2. Redacted - R – business relationship. Not pres	\$255,555 N	uγ-ins - \$757,000 disbursements
As per Brad R Redacted - RCMP dives ie; court records and adverse medi		ad will be doing some deeper
John		
From: Daryl Tottenham Sent: June 10, 2014 11:43 AM To: John Karlovcec PERSONAL INFORMAT Cc: Brad Rudnicki PERSONAL INFORMATION Subject: RE: iTrak Report		
Just to add to this report, ^{Redacte} is also as Redacted - RCMP and has 368 K in bu Villa.	e CFSEU list for review in light of the	ost of that since Remp at the

This is Exhibit "53" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this 22 day of January 2021.

A Commissioner for taking Affidavits for the Province of British Columbia

RSONAL IN

-----Original Message-----From: Brad Desmarais <mark>PERSONAL INFORMATION</mark> Sent: July 25, 2015 10:37 PM To: Ross Alderson <mark>PERSONAL INFORMATION</mark> Subject: Fw: BCLC - Further Info Potentially Connected to Jin

Can you call me on this when you have a moment? No rush. Additional info from GCGC. Sent from my BlackBerry 10 smartphone on the TELUS network.

Original Message From: Cal CHRUSTIE PERSONAL INFORMATION Sent: Saturday, July 25, 2015 22:06 To: PERSONAL INFORMATION Cc: Brad Desmarais; Ross Alderson; PERSONAL INFORMATION Baltej DHILLON; Brent TAYLOR; Gerry PROCTOR; Glenn Atkins

Subject: BCLC - Further Info Potentially Connected to Jin

Mike

Had a brief call from BCLC - Brad, advising they have new info re the off site locations which is likely connected to further illegal activities (perhaps ML) to the Jin network.

I advised you would reach out with your team Monday to GPEB (Len) and Ross (BCLC) and acquire the same and process it for its relevance to your investigation.

If its determined "not" connected, then our intake (Brent / Baltej) can assist the complainant 6CLC / GPEB, transition the complaint to police of jurisdiction if required. However, if Brad is leaning towards it being linked, then I'm presuming there is a reasonable chance it is and it should be assessed. Leave with you / your team.

Calvin.

Calvin Chrustie Federal Serious and Organized Crime Ops Officer - Group 6 Cell - ^{Personal INFORMATION} Pin - **Personal** Pin - **Personal INFORMATION** This is Exhibit "54" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this 2 day of January 2021.

A Commissioner for taking Affidavits for the Province of British Columbia

Economic and Social Consequences of Money Laundering

British Columbia Lottery Corporation

Anti-Money Laundering Unit

Brad DESMARAIS, VP of CS&C Ross ALDERSON, Director of AML Daryl TOTTENHAM, AML Specialist

BCLC Corporate Security & Compliance



Referenced Material (ACAMS Study Guide pg18-24) Association of Certified Anti-Money Laundering Specialists[®]

The following section contains excerpts from "The consequences of money laundering and financial crime," by John McDowell and Gary Novis, which appeared in the U.S. State Department publication "Economic Perspectives" in May 2001, and from the World Bank and International Monetary Fund's "Reference Guide to Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT)." issued in January 2007.



Known Impacts of Money Laundering

- 1, Social Costs
- 2. Increased Crime and Corruption
- 3. Undermining the Legitimate Private Sector
- 4. Weakening Financial Institutions
- 5. Loss of control of, or mistakes in, decisions regarding economic policy
- 6. Economic Distortion and Instability
- 7. Loss of Tax Revenue
- 8. Risks to Privatization Efforts
- 9. Reputation Risk for the Country

Association of Certified Anti-Money Laundering Specialists[®]



3CLC0015981.04

Social Costs

- Significant social costs and risks are associated with money laundering
 - Profitability through money laundering for criminals increases their business opportunities.
 - Increased crime drives up the cost of government expenses and budgets
 - Law enforcement
 - Health care



Increased Crime and Corruption

 If money laundering is prevalent, there is likely to be more corruption. Criminals may try to bribe government officials, lawyers and employees of financial or non-financial institutions so that they can continue to run their criminal businesses.

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ACAMS

Specialists[®]

Undermining the Legitimate Private Sector

Association of Certified Anti-Money Laundering Specialists[®]

ACAMS

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- Money launderers are known to use front companies, or businesses that appear legitimate and engage in legitimate business, but are in fact controlled by criminals who commingle the proceeds of illicit activity with legitimate funds.
- These front companies have access to substantial illicit funds, allowing them to subsidize front company products and services at levels well below market rates.
- Finally, by using front companies and other investments in legitimate companies, money laundering proceeds can be used to control whole industries or sectors of the economy of certain countries. This increases the potential for monetary and economic instability due to the misallocation of resources from artificial distortions in asset and
 ⁶ commodity prices.

Weakening Financial Institutions

- Financial institutions that knowingly or unknowingly rely on proceeds of crime have challenges in managing their assets, liabilities and operations. Each having financial consequences such as:
 - Loss of legitimate profitable business
 - Liquidity problems through withdrawal of funds
 - Termination of correspondent banking facilities
 - Investigation costs and fines
 - Asset seizures
 - Loan losses
 - Reduced stock value of financial institutions



Loss of control of, or mistakes in, decisions regarding economic policy

- Illicit proceeds may dwarf government budgets, resulting in a loss of control of economic policy by governments.
- Money laundering can adversely affect currencies and interest rates as launderers reinvest funds where their schemes are less likely to be detected, rather than where rates of return are higher.
- Threat of monetary instability due to the misallocation of resources from artificial distortions in asset and commodity prices.



Economic Distortion and Instability

- Criminals "invest" their money in activities that are not necessarily economically beneficial to the country where the funds are located.
- Industries, such as construction and hotels, have been financed not because of actual demand, but because of the short-term interests of money launderers. When these industries no longer suit the needs of the money launderers, they abandon them, causing a collapse of these sectors.



Loss of Tax Revenue

- Tax evasion is, perhaps, the one money laundering impact with the most obvious macroeconomic impact.
- Diminished government tax revenue indirectly harms honest tax payers.



Risks to Privatization Efforts

- Criminal organizations can outbid legitimate purchasers for formerly state-owned enterprises.
 Furthermore, while privatization initiatives are often economically beneficial, they can also serve as a vehicle to launder funds.
- In the past, criminals have been able to purchase marinas, resorts, casinos and other businesses to hide their illicit proceeds and to further their criminal activities.



Reputation Risk for the Country

- The negative effects for development and economic growth in a country associated with money laundering can not be underestimated.
- Money laundering diminishes legitimate global opportunities because foreign financial institutions may decide to limit their transactions with institutions located in a country prevalent with money laundering.



 \frown

BCLC's Culture of Compliance

Association of Certified Anti-Money Laundering Specialists*

ACAMS

- Dedicated Specialist AML Department with a mandate to be best in class
- Certified Anti-Money Laundering Specialists (CAMS) certification for all BCLC Investigators.
- AML training for all BCLC employees.
- AML training for <u>all</u> Casino service provider employees based on new FINTRAC regulations.
- Have established strong relationships with various levels of law enforcement agencies across Canada.

This is Exhibit "55" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this JJ day of January 2021.

A Commissioner for taking Affidavits for the Province of British Columbia ····



Gaming Policy and Enforcement Investigations and Regional Operations Division

SECTION 86 G C ACT REPORT

To be submitted without delay.

CONFIDENTIAL

This document is the property of Investigations and Regional Operations Division, Gaming Policy and Enforcement, is confidential and shall not be disclosed or divulged, in whole or in part, without prior consent of the Investigations and Regional Operations Division, Gaming Policy and Enforcement.

Date: July 24, 2015

Service Provider: N/A Date & Time of Occurrence: Feb, 2015 at 02:44hrs.

Details: Suspected Organized Crime links to Cash drops offs

Request received by email from GPEB as below: July 24th 2015. 0749 hrs

Good morning Ross.

I am requesting a Section 86 Report from BCLC which is to be sent directly to me (no distribution beyond that) outlining the following:

1. The date of the initial complaint made by BCLC and the substance of that complaint including any documents provided to the investigative body;

2. The names and other descriptors, vehicles, addresses provided by BCLC to the investigative body;

3. The names and dates of who has been in contact with the investigative body about this matter and the information shared and/or provided to BCLC particularly the events of 22 July 2015 when you contacted me; and

4. The names of all individuals at BCLC who are currently aware of this Project. I would appreciate receiving this as soon as possible.

Regards,

Len Meilleur

BCLC Response:

1. On Feb 12, 2015 at 1400 hrs. BCLC met with RCMP (FSOC) to lodge a complaint cash drop offs at Casinos involving a male by the name of Paul 'King' JIN who was believed to be associated to organized crime. This meeting was conducted at the BCLC Vancouver Office. Redacted - FINTRAC involving JIN were provided to FSOC. The Investigative lead was Steve WETTER. BCLC statt present were John KARLOVCEC, Daryl TOTTENHAM (from AML Unit) and Kris GADE and Bruno GATTO (Investigations unit)

2. All material provided was extracted from iTrak and involved copies of player information and

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Lower Mainland Regional Office, 408-4603 Kingsway Ave, Burnaby BC V5H 4M4 Page 1 copies of STR's which had previously been submitted to FINTRAC and cc'ed GPEB and RCMP. Note: VP CS& C Brad DESMARAIS had reached out to various agencies prior to Feb 12, 2015 to investigate the matter and FSOC were the first agency which agreed to look into it.

3. On June 29, 2015 at 1300 hrs - BCLC Director AML Ross ALDERSON met with FSOC Operational team to discuss the JIN file. ALDERSON to that point had limited knowledge of file. ALDERSON was advised that there were two concurrent investigations that may be linked however that JIN was not the primary focus of their investigation and that the Casino involvement had not been looked at for some time. While suspected there were links to Casinos, there was no confirmed evidence at this time other than 1 suspected drop off to an un-named player in a parking lot. FSOC asked that BCLC continue to provide STR's. ALDERSON aware this was privileged information.

On July 20, 2015 at 1400 hrs – BCLC Director AML Ross ALDERSON met with FSOC Operational team to discuss BCLC's current cash alternative initiatives and discuss any updates on JIN file. ALDERSON was advised in that meeting that FSOC had now established a direct link from an "illegal cash" facility which involved illicit funds being involved in drops offs to Casino patrons at RRCR. No further specifics involving names, addresses or vehicles, was provided however Inspector Cal CHRUSTIE of FSOC then advised ALDERSON that their investigation had uncovered that potentially some of the funds at the cash house were linked to transnational drug trafficking and terrorist financing. No specifics individuals other than JIN were named. Meeting concluded at 1600 hrs. ALDERSON aware this was privileged information.

BCLC VP CS&C briefed later.

On July 22, 2015 at 0800 hrs – BCLC Director AML Ross ALDERSON met with Inspector Cal CHRUSTIE to discuss the new information. ALDERSON was advised that the investigation had uncovered that potentially some of the funds linked to transnational drug trafficking and terrorist financing was directly related to casino activity. Although no specific drop offs were confirmed or named, there was strong suspicion that funds being dropped off could be connected in some way due to the names popping up in their investigation as recently as the previous night. Also that several foreign law enforcement agencies were now involved. It was understood from ALDERSON that any info shared was confidential and extremely sensitive in nature. It was discussed how over a number of years a number of investigations had not progressed. CHRUSTIE advised ALDERSON that BCLC continue its STR reporting and information sharing and that any suspected illegal gaming may also be linked to his investigation(s) and that any action taken by BCLC should be discussed with FSOC so as not to impede any ongoing criminal investigation. ALDERSON aware this was privileged information however the information discussed could have a potentially devastating impact on the Casino industry should it be true or leaked out to media.

On July 22, 2015 at 1123 hrs – BCLC Director AML Ross ALDERSON telephoned Len MEILLEUR to discuss the pending GPEB/BCLC meeting on July 24th around Cash Alternatives, and source of funds, and also to confirm meeting details. During the course of that call ALDERSON advised he had received troubling information from RCMP involving Casinos and advised MEILLEUR should all CHRUSTIE. No further details were shared.

On July 22, 2015 at 1451 hrs BCLC Director AML Ross ALDERSON read an email from Kandace NAGEL, GPEB to call Len MEILLEUR asap. 1455 hours – called MEILLEUR. Advised that MEILLEUR had spoken to CHRUSTIE and as a

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Lower Mainland Regional Office, 408-4603 Kingsway Ave, Burnaby BC V5H 4M4 Page 2 result of that conversation John MAZURE had been briefed and that likely Mike DEJONG would also be briefed. MEILLEUR and ALDERSON discussed in more detail and compared information that they had received from law enforcement.

On July 22, 2015 at approx. 1515 hrs BCLC Director AML Ross ALDERSON briefed CEO Jim LIGHTBODY, Brad DESMARAIS and VP Social Responsibility and Communications Susan DOLINSKI.

Kevin SWEENEY, Daryl TOTTENHAM and Kris GADE were also advised by ALDERSON that there appeared to be direct links from proceeds of crime to BC Casinos specifically RRCR and that further player sanctions were being considered.

4. BCLC staff involved or with current/previous knowledge.

Ross ALDERSON - Primary Law Enforcement Contact with FSOC since April 2015 and fully briefed by FSOC.

Brad DESMARAIS - (ALDERSON's direct superior) briefed by ALDERSON Jim LIGHTBODY - briefed by ALDERSON Susan DOLINSKI - briefed by ALDERSON

Kevin SWEENEY – initial involvement and limited knowledge of file Kris GADE - initial involvement and limited knowledge of file Daryl TOTTENHAM – initial involvement and limited knowledge of file Bruno GATTO – no involvement outside initial report to FSOC

John KARLOVCEC - initial involvement and original FSOC contact (Retired in March 2015)

<u>SUMMARY:</u>

BCLC suspected potential criminal involvement in Feb 2015 involving Paul JIN. It is my understanding that GPEB were notified at that time however I am not privy to those conversations. There was communication between BCLC and GPEB investigations alluding to intelligence around both JIN and possible illegal gaming in the Lower Mainland which confirms information sharing was ongoing.

Since July 22, 2015 there has been regular contact between BCLC and GPEB and mitigation strategies discussed and implemented.

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Lower Mainland Regional Office, 408-4603 Kingsway Ave, Burnaby BC V5H 4M4 Page 3

 Police Called:
 Yes X
 No
 Attended:
 Yes X
 No
 Image: No

 Police Force:
 RCMP – Federal; Serious Organized
 File Number:
 File Number:
 File Number:

 Crime (FSOC)
 Investigating Officer(s) & Badge Number(s):
 (initially)
 Staff Sergeant Steve WETTER

Submitted by: Ross ALDERSON

GPEB Registration #: 208038

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Lower Mainland Regional Office, 408-4603 Kingsway Ave, Burnaby BC V5H 4M4 Page 4 315

This is Exhibit "56" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this 22 day of January 2021.

A Commissioner for taking Affidavits for the Province of British Columbia _ ...

Kevin Simcoe

om: Sent: To: Subject: Ross Alderson October-27-15 3:32 PM Rob Kroeker; Brad Desmarais; Kevin Sweeney FW: TASK 2567 Re: BCLC request in SFTP

FYI

See below response to a RTIC request.

Ironic that the Minister has asked us to cooperate with law enforcement and enhance our AML CDD and KYC program (and happy to put that in writing), while at the same time GPEB have instructed RCMP to stop providing us with any information. This also flies in the face of the June 4th AML summit where all parties agreed that better information sharing was the key to success. I am extremely disappointed in the recent actions of GPEB which appear to be entirely political and self-serving rather than in the best interests of gaming in this province.

Ross Alderson CAMS

Director, AML & Operational Analysis Corporate Security and Compliance Division, BCLC 2940 Virtual Way, Vancouver, BC, V5M 0A6 PERSONAL INFORMATION

PERSONAL INFORMATION

From: Brad Rudnicki Sent: Tuesday, October 27, 2015 3:17 PM o: Ross Alderson Subject: FW: TASK 2567 Re: BCLC request in SFTP

Ross-RTIC request denied. See below.

From: RTICBC PERSONAL INFORMATION

Sent: Tuesday, October 27, 2015 3:14 PM To: Brad Rudnicki Subject: TASK 2567 Re: BCLC request in SFTP

Brad Rudnicki,

RTIC is not processing these requests at this time. RCMP has been communicating with BC Gaming Policy and Enforcement Branch and a new process may be developed.

Regards,

Mike Caruth (Cpl) *Real Time Intelligence Centre BC RCMP E DIV HQ, Green Timbers, Surrey BC* PERSONAL INFORMATION PERSONAL INFORMATION

>>> Brad Rudnicki PERSONAL INFORMATION 2015/10/27 1:37 PM >>>

317

Please see SFTP for request.

https://sftp.bclc.com:4450/

Brad Rudnicki, CAMS Business Intelligence Analyst, AML & Operational Analytics Corporate Security & Compliance Division, BCLC

BCLC, 2940 Virtual Way, Vancouver, BC V5M 0A6



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••

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A Commissioner for taking Affidavits for the Province of British Columbia _.

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320

Kim Fitzpatrick

From: **Rob Kroeker** Sent: Sunday, October 01, 2017 3:58 PM To: Ross Alderson Subject: FW: RCMP-BCLC ISA

Importance:

High



From: Meilleur, Len FIN:EX [PERSONAL INFORMATION] Sent: October-28-15 8:01 AM To: Rob Kroeker Cc: Mazure, John C FIN:EX; Jim D. Lightbody; 'Sandro COLASACCO' Subject: RCMP-BCLC ISA Importance: High

Good morning Rob:

Subsequent to your email last evening | contacted Supt. Sandro Colasacco, RCMP E Division Intelligence Officer, | met with Supt. Colasacco several weeks ago to discuss operational matters of which included:

- 1. GPEB' role and responsibilities under the current Government MOU with the RCMP and "E" Division Policy on gaming;
- 2. The establishment of our new Intelligence Unit and how to best integrate that with the RCMP; and
- 3. If there was interest by the RCMP in the establishment of a new MOU with GPEB.

This is all in keeping with the Ministers increased expectation that GPEB will be more visible and work closely with police. I accept that it is my responsibility to ensure that occurs.

At the time of the meeting and on previous occasions the RCMP/BCLC ISA was discussed. Certain sectors within the RCMP were under the impression that BCLC was the enforcement body with respect to the CGA. In fact the ISA reads, "whereas BCLC has responsibility under the CGA to protect the security and integrity of gaming in British Columbia."

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321

GPEB questioned the RCMP's interpretation of this. We also asked about whether a Federal PIA or a Provincial PIA or consultation had been done on the sharing of information by the RCMP and the collection by BCLC, under the auspices in the agreement that BCLC was responsible for the "integrity" of gaming in B.C. I also asked BCLC about this and was informed there was no requirement for such consultation or assessment occurring. If that is incorrect could you please clarify.

I consulted with MOJ Police Services and they deemed this agreement as something that should be between the enforcement body (GPEB) and the RCMP. The ADM after his recent discussions with the Commanding Officer of the RCMP expressed to the Minister (in a recent meeting) that there was confusion in the RCMP about GPEB's and BCLC's role.

The RCMP decided to review its policies and outstanding agreements with government. I support that as some of the information is outdated. Supt. Colasacco informs me that he identified some concerns, particularly that BCLC is not a Cat II Law Enforcement partner, meaning an agency with a specific law enforcement role. His instruction to staff was that the ISA be suspended with the intent that a new MOU be put in place.

I expressed concern to Supt. Colasacco that the messaging to RCMP staff appears to have been that they are to cease all communication with BCLC and that is of concern to me as no such message was ever delivered on our part. He believes that front-line staff are misinterpreting his direction on this and he will follow up upon his return to Vancouver this week. He will get back to me and I will then request a call with the three of us to discuss how we can best expedite the process.

GPEB is committed to working with BCLC in support of any information it receives which would lead to prohibition of and any possible charges of those individuals. I accept responsibility for not communicating to BCLC the review of these processes in a timely manner. I expressed to Supt. Colasacco that my belief was that BCLC would be informed in writing as to the reasons for the suspension of the ISA and review. The intent here is to protect all entities, RCMP, GPEB and BCLC and to ensure that we are all compliant with privacy legislation.

I have copied Supt. Colasacco to ensure he is informed of the concern and impact that any delay in sharing such information may have on our respective agencies and to request a follow up discussion with you and I. Please give me a call if you have any questions.

Your sincerely,

J.E.L. (Len) Meilleur Executive Director Compliance Division Gaming Policy Enforcement Branch Ministry of Finance Location: 3rd Floor, 910 Government Street, Victoria BC V8W 1X3 Mailing Address: P.O. Box 9309 Stn Prov Govt, Victoria BC V8W 9N1 PERSONAL INFORMATION PERSONAL INFORMATION

Website: www.gaming.gov.bc.ca

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322

Kim Fitzpatrick

From:	Rob Kroeker
Sent:	Sunday, October 01, 2017 3:54 PM
To:	Ross Alderson
Subject:	FW: RCMP-BCLC ISA Suspension - Adverse Impacts to AML and Security Programs

From: Rob Kroeker Sent: October-29-15 11:31 AM To: 'Sandro COLASACCO' PERSONAL INFORMATION Cc: Kyle FRIESEN PERSONAL INFORMATION Subject: RE: RCMP-BCLC ISA Suspension - Adverse Impacts to AML and Security Programs

Sandro

It is regrettable these issues have arisen. BCLC has greatly valued its cooperative relationship with the RCMP and wishes to take the steps necessary to continue the excellent level of appropriate cooperation that has existed. To that end we look forward to a discussion between the RCMP, BCLC and GPEB.

BCLC now understands that the RCMP has decided to suspend the ISA pending a review. BCLC is ready to assist as needed if we can in your review.

There is one interim matter I would appreciated having a brief call with you on. The ISA was the authority for BCLC to provide surveillance and other personal information to the RCMP, it would be helpful if we could discuss this aspect of the ISA as your detachment members make frequent use of the provision. I would like to find a way to maintain this access for your members during your review of the ISA.

I have a fair bit of open time in my calendar tomorrow for a call if you are available.

Regards,

Robert Kroeker BA, LL.B, MPA Vice President | Corporate Security & Compliance British Columbia Lottery Corporation

2940 Virtual Way, Vancouver BC V5M 0A6 PERSONAL INFORMATION

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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.

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Kim Fitzpatrick

From:	Rob Kroeker
Sent:	Sunday, October 01, 2017 3:55 PM
To:	Ross Alderson
Subject:	FW: RCMP-BCLC ISA Suspension - Adverse Impacts to AML and Security Programs

-----Original Message-----From: Sandro COLASACCO PERSONAL INFORMATION] Sent: October-29-15 1:16 PM To: Rob Kroeker PERSONAL INFORMATION Cc: Brian CANTERA PERSONAL INFORMATION ; Kathy FURGASON PERSONAL INFORMATION Subject: Re: RCMP-BCLC ISA Suspension - Adverse Impacts to AML and Security Programs

Good afternoon Rob,

After consultation with RCMP DOJ Counsel and Investigative Services and Organized Crime Criminal Operations, it has been decided that we will continue to share information with BCLC within the parameters of the existing ISA. The RTIC-BC has been advised.

will, nevertheless, give you a call on Monday as planned.

Regards,

Sandro Superintendent Sandro Colasacco Division Intelligence Officer, CIS Designated Officer, Witness Protection RCMP "E" Division, Address: 14200 Green Timbers Way, Mailstop 708 Surrey, BC V3T 6P3 PERSONAL INFORMATION

sent from my Blackberry

Surintendant Sandro Colasacco

Officier au renseignement pour la Division E Gendarmerie royal du Canada (GRC), 14200, chemin Green Timbers, boîte postal #708 Surrey, Colombie-Britannique, V3T 6P3 **PERSONAL INFORMATION**

PERSONAL INFORMATION

-----Original Message-----From: Rob Kroeker<mark>PERSONAL INFORMATION</mark> To: COLASACCO, Sandro PERSONAL INFORMATION 323

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324

... .

Kim Fitzpatrick

From:	Paul Dadwal
Sent:	Monday, May 02, 2016 3:15 PM
То:	Ross Aiderson
Cc:	Hussey, Joel; Ng, Will
Subject:	RE: RCMP/BCLC ISA

Much appreciated.

Thanks Ross.

Paul

From: Ross Alderson PERSONAL INFORMATION Sent: May-02-16 12:35 PM To: Dadwal, Paul Subject: RCMP/BCLC ISA

Hi Paul,

Here is the current ISA which was signed in 2014

As we discussed the key here in my opinion is that RCMP would want to continue to receive Suspicious Transaction reports and associated reports such as customer interviews which is really the source data. That is not really something covered under this ISA however it may be a matter of a letter to the VP BCLC Corporate Security from RCMP requesting all information pertaining to proceeds of crime/money laundering investigations. Maybe your legal guys can take a look at it. Should you require subsequent information related to a specific investigation that is definitely covered Regards

Ross Alderson CAMS.

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

PERSONAL INFORMATION

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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.

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A Commissioner for taking Affidavits for the Province of British Columbia _._

From: Rob Kroeker

Sent: Thur 2015-10-29 8:31:14 PM

Subject: FW: RCMP-BCLC ISA Suspension - Adverse Impacts to AML and Security Programs

Don't be too vocal about this and do not forward this e-mail - but you are back in business for now. Give some time for word to trickle down to RTIC.

----Original Message----From: Sandro COLASACCO [PERSONAL INFORMATION] Sent: October-29-15 1:16 PM To: Rob Kroeker Cc: Brian CANTERA; Kathy FURGASON Subject: Re: RCMP-BCLC ISA Suspension - Adverse Impacts to AML and Security Programs

Good afternoon Rob,

After consultation with RCMP DOJ Counsel and Investigative Services and Organized Crime Criminal Operations, it has been decided that we will continue to share information with BCLC within the parameters of the existing ISA. The RTIC-BC has been advised.

I will, nevertheless, give you a call on Monday as planned.

Regards,

Sandro Superintendent Sandro Colasacco Division Intelligence Officer, CIS Designated Officer, Witness Protection RCMP "E" Division, Address: 14200 Green Timbers Way, Mailstop 708 Surrey, BC V3T 6P3 PERSONAL INFORMATION

sent from my Blackberry

Surintendant Sandro Colasacco Officier au renseignement pour la Division E Gendarmerie royal du Canada (GRC), 14200, chemin Green Timbers, boîte postal #708 Surrey, Colombie-Britannique, V3T 6P3 PERSONAL INFORMATION PERSONAL INFORMATION This is Exhibit "59" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this 22 day of January 2021.

A Commissioner for taking Affidavits for the Province of British Columbia ****

 To:
 Brad Desmarais[PERSONAL INFORMATION]; Bryon Hodgkin [PERSONAL INFORMATION]

 Cc:
 Scott, Douglas S EMNG:EX[PERSONAL INFORMATION]; Fair, Susan P

 EMNG:EX[PERSONAL INFORMATION]
 From:

 McCrea, Bill J EMNG:EX
 Sent:

 Tue 2013-03-12 10:44:41 PM
 Subject:

 Subject:
 AML Measuring Performance Progress Report

 Measurement Report to Ministry FY1213 - March 12 2013.docx

,,,,,,

Hi Brad and Bryon,

Brad, further to your and my conversation today here is GPEB's draft report detailing the AML initiative that the industry has been working on during this current fiscal year. The report includes analysis of progress made and work that needs to be done. The last two pages include discussion of the planned phases for accelerating this work in the new fiscal year. This was a concept that Doug Scott had originally put forward in a meeting attended by himself, Michael Graydon and service provider CEO's. I have had similar discussions with Terry Towns.

Susan Fair will be setting up a video conference meeting with the four of us, to review the report and get your thoughts on the conclusions and the future direction. We are hoping to have this next Monday morning, March 18, 2013. Susan will organize the logistics.

Brad and Bryon, if you have any questions or comments before the meeting please let me know. That way we can make the best use of our time. Thank you for your continuing support.

Bill

BIII McCrea BES MBA FCIP Executive Director Quality Assurance & Risk Phone: 250 356-1109 PERSONAL INFORMATION

Province of British Columbia Gaming Policy and Enforcement Branch Location: 3rd Floor 910 Government Street VSW 1X3 Mailing: PO Box 9311 Stn Prov Govt Victoria BC VSW 9N1



Know your limit, play within it.

Anti-Money Laundering in BC Gaming

Measuring Performance Progress

Anti-Money Laundering in BC Gaming

Measuring Performance Progress

Executive Summary

As a result of concern that money laundering was occurring in British Columbia gaming facilities the Gaming Policy and Enforcement Branch (GPEB) and the British Columbia Lottery Corporation (BCLC) embarked on an initiative to stop this activity. The strategy statement, which has framed the anti-money laundering (AML) activities, is that:

The gaming industry will prevent money laundering in gaming by moving from a cash based industry as quickly as possible and scrutinizing the remaining cash for appropriate action. This shift will respect or enhance our responsible gambling practices and the health of the industry.

Both GPEB and BCLC have initiated working groups to create solutions for this industry challenge. Alternatives to carrying cash into gaming facilities have been developed and implemented, in this current fiscal year. Progress has been made with new enhancements being introduced to the industry that allow patrons to safely obtain gaming funds inside the facilities. These funds are already vetted through financial services industry AML diligence. At this point approximately 70% of all gaming funds are obtained from within the casino and Community Gaming Centre facilities.

Even with the progress that has been made, through alternative cash initiatives, there have been increased levels of suspicious currency transactions during the same time period. These buy-ins, with cash from outside of gaming facilities, challenge the AML goal.

This report provides discussion of the existing success in AML initiatives and the challenges of outside cash that continues to enter gaming facilities. It describes the next planned enhancements for availability of funds inside facilities. And, it sets out a phased approach to accelerate the strategy through the next fiscal year.

BACKGROUND

In 2011, the Province conducted a review "Anti-Money Laundering Efforts at BC Gaming Facilities" to determine what antimoney laundering (AML) policies, practices and strategies were currently in place and to identify opportunities to strengthen the existing anti-money laundering regime. The published review included recommendations to both the British Columbia Lottery Corporation (BCLC) and the Gaming Policy and Enforcement Branch (GPEB) for opportunities to further strengthen anti-money laundering efforts.

Following this report, GPEB and BCLC developed a comprehensive anti-money laundering strategy to implement changes in the cash based business. Prior to establishing the new AML strategy funds for gaming have been available inside the facilities, through limited options. Beyond those options cash has to be brought into gaming venues from outside the facilities. The focus of the AML strategy is a phased approach of prevention, through providing alternatives to bringing in cash from outside gaming facilities, and, working to bring about a decline in suspicious transactions that are typical of money laundering.

An anti-money laundering cross-divisional working group (AML x-dwg) was established in GPEB to develop AML solutions and assess proposals from BCLC and the industry. At the outset GPEB's Assistant Deputy Minister met with Service Provider CEO's and the President & CEO of the BC Lottery Corporation to set an approach for this initiative. BCLC established an industry working group, which included themselves as the operator of gaming, service providers who manage and run the gaming facilities and GPEB as the regulator of gaming. The industry AML working group meets regularly to review progress and develop new strategies.

GPEB's strategy statement was developed, which has framed activities of the AML x-dwg and the industry working group. The gaming industry will prevent money laundering in gaming by moving from a cash based industry as quickly as possible and scrutinizing the remaining cash for appropriate action. This shift will respect or enhance our responsible gambling practices and the health of the industry.

This anti-money laundering strategy provides a framework for stakeholders in the gaming industry to align with each other in achieving mutual objectives to stop money laundering in the British Columbia gaming industry. Through creating innovative solutions and implementing these with rigorous policies and procedures the goal will be achieved.

AML PERFORMANCE MEASURES

The performance measure established for the Ministry of Energy, Mines and Natural Gas 2013/14 - 2015/16 Service Plan is to "Enhance access to funds in gaming facilities." The measure tracks the strategy of providing a suite of options to access funds in casinos and Community Gaming Centers. This has a baseline of two options in 2011/12, to obtain funds inside gaming facilities, and expands on that in future years. The performance measure also commits to producing this AML evaluation report and to adjust the strategy/implementation as appropriate.

The other element for measuring performance of the AML initiative is tracking the change in suspicious currency transactions (SCT) in gaming facilities. Especially those SCT's that can be associated with understood money laundering typologies.

This report provides discussion and measurements of the progress being made to achieve the goals set out in the Service Plan and in examining trends in SCT's. The baseline for the new options began April 1, 2012.

FINANCIAL BACKGROUND

The context for conducting financial analysis is the gross revenue of casinos and community gaming centres, and total gaming industry revenue in the province. The revenue figures for the past two fiscal years are.

	FY 2010/11	FY 2011/12
Casino	\$1,339,272,000	\$1,350,749,000
Community Gaming	\$277,036,000	\$289,286,000
CASINO & COMMUNITY REVENUE	\$1,616,308,000	\$1,640,035,000
TOTAL GAMING REVENUE	\$2,678,700,000	\$2,701,400,000

2011/12 AML Measures Baseline

Before engaging in new initiatives the two options available to obtain funds inside gaming facilities were Automated Teller Machines (ATM's) and the Patron Gaming Fund account.

<u>ATM</u>'s have been utilized in gaming facilities for many years. They are widely used by patrons to obtain funds but are limited in the amount of money that a player can obtain on any given day. Even with this limitation ATM's continue to be utilized by gaming patrons who withdraw hundreds of millions of dollars each year inside BC gaming locations.

The <u>Patron Gaming Fund</u> account (PGF) was introduced to BC gaming players late in December 2009. This option allows patrons to transfer funds electronically from approved deposit-taking institutions into a PGF account, held at a BC casino, for play while at the facility. The PGF account was established to provide an option to players having to carry large amounts of cash into gaming facilities. It also ensured that AML diligence had already been done for these funds. GPEB initially approved this innovative option with relatively strict controls, to conduct a pilot program that would allow us to manage the money laundering risk. With the controls in place, and the PGF account being a pilot program it received limited acceptance through the first two years.

2012/13 AML Enhancements

The new emphasis on AML opened up expanded options for increased use of the PGF by a larger number of players, and for larger volumes of gaming funds. The commitment for Fiscal Year 2012/13 is to introduce three new options to either enhance existing AML strategies or to develop new strategies. Working with BCLC and casino service providers GPEB has approved new options, with resulting increases in funds being available inside gaming facilities. These new options have required new BCLC policies and procedures and the necessary changes in gaming facility operations. Thus adoption has been staggered throughout the year.

The following describes the 2012/13 enhancements and new strategies.

Patron Gaming Fund

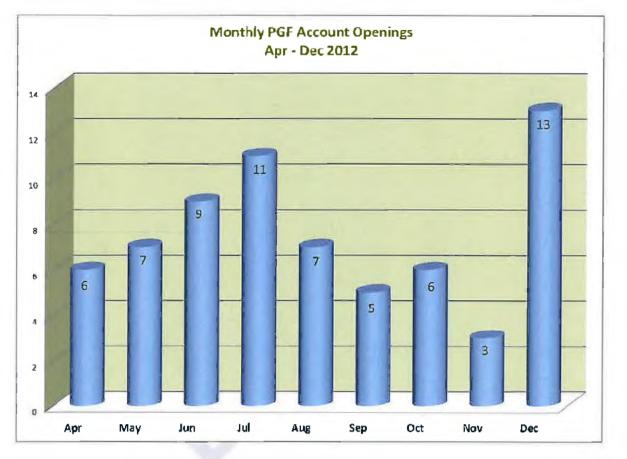
Through this current fiscal year, several enhancements have been made to the PGF accounts program. There has been a very positive increase in funds being deposited into PGF accounts and used for gaming in the casinos. The enhancements are:

- the list of acceptable financial institutions, for transfer of funds into the PGF, has been expanded to include Schedule II Canadian deposit taking institutions.
- for customer convenience, PGF accounts can now be linked to two financial institution accounts. Only individual bank accounts are allowed, with no third party, joint or business accounts to be used in funding PGF funds.

- PGF accounts can now be funded with an expanded list of financial instruments. These are:
 - certified cheques
 - bank drafts
 - verified win cheques
 - o cheques issued by Canadian casinos, to the PGF account holder

Through work done at the industry working group, the PGF account has been more actively promoted in BC gaming facilities. Frequent, and high volume, players are being identified. Service providers are engaging these individuals to sign more players into the program and to encourage increased use of the program.

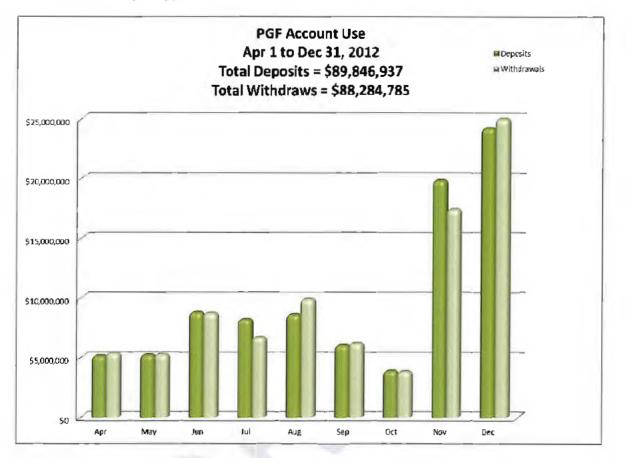
The chart below indicates the number of new PGF accounts that have been opened in the current fiscal year.



The total number of PGF accounts opened since the December 2009 inception of the program is 305. The 67 new PGF accounts, in the first nine months of the current fiscal year, is an increase of 28% over the previous total.

Although the current activity of new accounts is encouraging it should be noted that 152 of the total PGF accounts have been closed, subsequent to being opened. The primary reason for casino service providers to close accounts is due to inactivity for a 12 month period. This leaves 153 PGF accounts open as at December 31, 2012.

The chart below documents the amount of money deposited into PGF accounts and withdrawn for gaming use in the first three quarters of FY2012/13. It is significant to note the increase in usage during the third quarter, over the total usage in the prior two quarters. This measure is encouraging in that it supports the increased momentum of the AML strategy, by service providers and gaming patrons.



Analysis of PGF momentum:

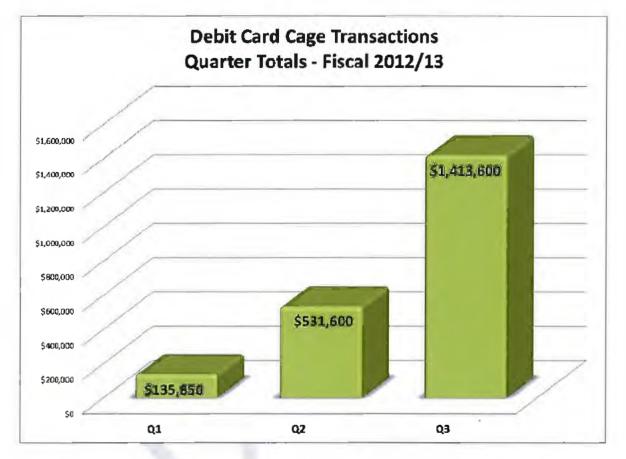
Timeframe	Total Deposits	Total Withdrawals
April 1 – September 30, 2012 (Q 1&2)	\$41,943,982	\$42,098,380
April 1 – December 31, 2012 (Q 1, 2 & 3)	\$89,846,937	\$88,284,785
Increase September 30 - December 31, 2012 (Q3 only)	\$47,902,955	\$46,186,405
% Q3 Increase over Q 1&2 Total	114%	110%

Note, there is ongoing discussion concerning tracking of the total deposits and withdrawals. Some adjustments will have to be made due to fine tuning of the accounting entries at source. The variance may represent a reduction of less than $\frac{1}{2}$ of one percent, leaving the total deposits at approximately \$89.4 million. This will be sorted out for the year-end report.

Debit Card

As of April 1, 2012 gaming patrons were able to withdraw funds from their financial institutions using their debit card, at the cash cage. This new enhancement is intended for transactions in amounts above ATM limits. As the year has progressed new facilities have added this option for their patrons. There are currently nine gaming locations that offer debit withdrawal at the cash cage.

The total withdrawn, as at December 31, 2012, is \$2,080,050. With the addition of new properties the third quarter has shown a dramatic increase in use of this method for people to obtain gaming funds, within the gaming facilities.



- Total of \$2,080,050 for the current fiscal year
- This option is in use at the following properties: Boulevard, Cascades, Fraser Downs, Edgewater, Grand Villa, River Rock, Starlight, Treasure Cove, View Royal

Cheque Hold

The Cheque Hold process involves preapproving patrons to conduct casino gaming while a cheque (the security) that they have provided the casino is held uncashed. Once the patron has finished their gaming this cheque must be reconciled to either pay the amount owing, in the event of net losses, or the casino will pay out the net winnings if that is the case. This mechanism is used for high net worth patrons, who have the proven ability to cover the value of the held cheque.

Casino Property	Cheque Hold Approved	
Edgewater	April 10, 2012	
Starlight	May 13, 2012	
Grand Villa	May 24, 2012	
River Rock	July 20,2012	

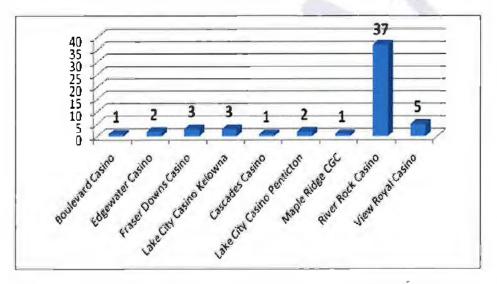
Participating Casinos for the Cheque Hold Option are listed below with approval dates. As of December 31, 2012 this option has yet to be utilized at any British Columbia gaming facilities.

There is an element of risk to the casino in supporting Cheque Hold programs. Currently the only other Canadian gaming facility utilizing Cheque Hold is the casino in Montreal, Quebec. This has been in place there for over three years. As this is a new enhancement in British Columbia we expected a slow start to adopting the program.

Customer Convenience Cheque

Service providers are now permitted to issue cheques to patrons for the return of buy-in funds, up to one \$8,000 cheque per week. These cheques are clearly marked "Return of Funds – Not Gaming Winnings". This option enhances security for patrons who do not wish to exit the gaming facility with large quantities of cash. AML diligence is enhanced as customer information is recorded and all transactions are monitored and reported. This policy does not provide cheques to every patron, as it is limited to one \$8,000 cheque per week. Thus the AML policy dictates that large cash buy-ins are returned to the patron in the form that they were received initially at the cash cage. A large cash buy-in with small bills (\$20's) is returned with the same denomination.

For the nine month period April 1 – December 31 2012, a total of 55 convenience cheques were issued for a total amount of \$216,947. The breakdown, by gaming facility, is provided in the chart below.

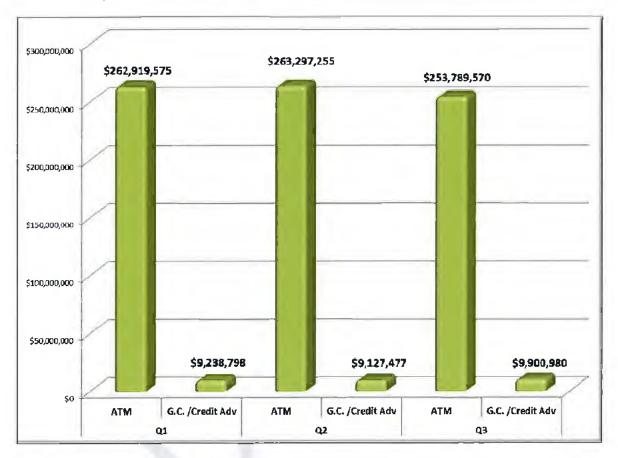


• 4 patrons have received more than one convenience cheque, provided within the policy parameters – each cheque was issued in different weeks.

Existing Methods of Reducing External Cash in Casinos

To fully understand the impact of funds obtained within gaming facilities versus those brought in from outside it is important to review methods that have already been in place. Casino service providers currently provide access to cash through ATM's and the Global Cash funds advance facility. The Global Cash Access company operates kiosks that allow patrons to make debit withdrawals or cash advance purchases for use in gaming. These kiosks are located outside of the gaming floor, usually in entertainment facility lobbies.

The table below provides the accounting for these existing methods for the first three quarters of the current fiscal year.



ATM/Global Cash/Credit Card Advances = \$808,273,655

Cash Transaction Monitoring and Reporting

Federal legislation requires casinos to report large cash transactions and suspicious transactions. In British Columbia BCLC is the legal reporting entity as a result of their role to conduct and manage gaming in the province. This reporting requirement is legally required by the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA). The reporting is provided to the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC). In the case of suspicious currency transaction reports, a Gaming Control Act Section 86 report (S.86) is provided to the Investigations and Regional Operations Division of GPEB.

Large cash transaction reports (LCT's) must be filed when reporting entities receive an amount of \$10,000 or more in cash in the course of a single transaction. An LCT must also be filed, in the case of casinos, when disbursements of \$10,000 or more are made in the course of a single transaction. As described in FINTRAC's Guideline 2: Suspicious Transactions, suspicious transaction reports (STR's) must be provided by reporting entities in the case of completed or attempted transactions if there are reasonable grounds to suspect that the transactions are related to the commission or attempted commission of a money laundering offence or a terrorist activity financing offence. The Guideline goes on to say that, ""Reasonable grounds to suspect" is determined by what is reasonable in your circumstances, including normal business practices and systems within your industry."

A key measure in understanding potential money laundering activity is suspicious transactions. By examining this activity we are able to derive information about the trends in cash entering casinos from outside of the premises. Identifying incidents of suspicious transactions and the filing of STR's has evolved over the past few years. In the summer of 2010 FINTRAC conducted an audit of BC casino filings under the PCMLTFA. Further, a study was conducted by government. The 'Anti-Money Laundering Measures at BC Gaming Facilities' report was released in 2011. As a result of the FINTRAC audit and the government study BCLC identified a need for greater diligence in recognizing and filing of casino buy-ins that required STR's.

Casino service provider training was upgraded early in 2010, and was branded as "Anti Money Laundering Training (AML)". Following the assessment of a FINTRAC administrative monetary penalty in June of 2010 BCLC Investigators were provided with an AML Compliance Manual, which clarified their duties and expectations with respect to AML monitoring and reporting. Through 2010 a new on-line AML course was developed for casino service providers and Community Gaming Centre staff. This was rolled out in March 2011. The AML Training course was updated, again, through 2012 and was made available to gaming workers in December 2012.

The upgraded level of patron buy-in diligence has contributed in increased filing of STR's by BCLC since 2010. This changing environment has to be considered in analyzing the statistics. The change in STR filing results has to be viewed in context of the new training and greater sensitivity to suspicious transaction situations since that time.

In addition to FINTRAC reporting, GPEB is responsible for the overall integrity of gaming in the Province as outlined in Section 23 of the Gaming Control Act (GCA). Section 86 of the GCA and Section 34 of the Gaming Control Regulation legally requires the Service Providers (Registrants) to immediately report to the Investigations and Regional Operations Division (Investigations) of GPEB any conduct or activity that is or may be contrary to the Criminal Code, the GCA or any Regulation under the Act and includes any activity or conduct that affects the integrity of gaming. These 5.86 reports are categorized, and reported, as Suspicious Currency Transactions (SCT) by GPEB Investigations.

SCT (S.86 GCA) Notifications	Year	Number of SCT Notifications
	2009	211
	2010	295
	2011	676
	2012	1175

Statistics for filing S.86 Suspicious Currency Transactions to GPEB Investigations are:

In summary, BCLC provides Large Cash Transaction (LCT) reports and Suspicious Transaction (STR) reports to FINTRAC. Plus they provide Gaming Control Act Section 86 Suspicious Currency Transaction (S.86 SCT) reports to GPEB's Investigations and Regional Operations Division. The S.86 SCT reports are generated from information developed by casino surveillance staff, and these are sent to GPEB as soon as possible after the incident is observed. The STR reports that are provided to

AML Progress Report - March 12, 2013Page 9

FINTRAC are generated from the same incident. GPEB does a reconciliation of the two reports to ensure consistency of providing the two organizations with the information they require. Thus factors affecting the rigor of STR identification and reporting also affect reporting of S.86 SCT reports to GPEB.

GPEB Investigations has provided more detailed analysis of key factors that they put forward to describe the changing conditions of cash being brought into BC casinos for cash cage buy-ins. This is done for two time periods, both covering twelve months. The first is August 31, 2010 – September 1, 2011. The second is the 2012 calendar year. Although the timeframes do not match, this comparison is useful for understanding trends. It should also be pointed out, as above, that the two time periods are across the changing environment of new training and increased diligence in identifying suspicious transactions.

Suspicious Currency Transaction (SCT / 5.86 GCA) Analysis

	Aug 31, 2010 – Sept 1, 2011 (12 months)	Jan 1, 2012 – Dec 31, 2012 (12 months)
Total S.86 SCT Notifications	543	1175
Total \$ Amount	\$39,572,313	\$87,435,297
Patron Buy-Ins over \$100,000 (# of different patrons who have bought in at this level at least once)	80 patrons	88 patrons
Patron Buy-Ins over \$1,000,000 (# of different patrons who have bought in at this level at least once)	4 patrons	17 patrons

Supplemental information for 2012 is provided by GPEB Investigations. Their work in gaming facilities provides an assessment that Suspicious Currency Transaction buy-ins are increasing. Incidents of buy-ins at high levels (\$200,000 up to over \$500,000) with \$20 bills are increasing. This goes beyond being explained by the increased diligence of recognizing and reporting SCT's. Loan sharks were strongly deterred and continue to be deterred from entering and operating at casino premises in the province. However it is our belief that they continue to operate using creative ways of providing gaming patrons with cash, from outside of gaming premises. The funds provided by loan sharks are generally in bundles of \$20 bills, which come in amounts of \$10,000 wrapped with elastic bands.

The Investigations and Regional Operations Division has stated that they are satisfied that Service Provider reporting of S.86 Suspicious Currency Transactions to GPEB is, and has generally been, consistent and acceptable since 2010. This would keep these in alignment with the FINTRAC STR reporting. BCLC oversight diligence has been enhanced over the past two years. The BCLC AML program has been examined through risk assessment diligence and appropriate tracking is in place.

Analysis

2012/13 Enhancements

The enhancements documented in this report came into effect beginning April 1, 2012. In order for service providers to put these into operation they had to develop policies and procedures to comply with BCLC requirements. The debit card option involved ordering and installing new equipment. In some cases this took time and thus the progress toward achieving results is reflected by a gradual startup period with greater momentum being achieved in the last quarter.

The industry working group met three times in 2012. The first meeting of the new year was February 7, 2013. The focus of these BCLC led AML meetings is to review progress with service provider implementation of the enhancements, to share solutions and to develop new solutions for patrons to access funds inside the gaming facilities. The SCT activity has also been discussed in the meetings. This approach between all parties has resulted in positive progress. It has also created a good environment for building momentum for promoting the enhancements in BC gaming facilities.

The results over three quarters of FY 2012/13 are encouraging. Almost \$90 million has been used for gaming out of PGF accounts. Debit withdrawals, at the cage, are over \$2 million. With the policies, procedures and systems becoming entrenched in gaming facilities, the trend for both of these enhanced options is a strong increase in the third quarter. The existing ATM and Global Cash withdrawal options are relatively stable quarter over quarter, with over \$808 million being withdrawn inside of gaming facilities in the first three quarters. Customer convenience cheques have been provided to patrons for almost \$217,000. This has allowed people to leave safely with their money while strong AML diligence is achieved through recording of the customer data.

In total the cash managed through alternative means, versus bringing it in from outside of gaming facilities, has been over \$900 million in the first three quarters of the year. Ten percent of this is from new initiatives. When annualized, the total of funds obtained within gaming facilities represents over 70% of the gross revenue. This is encouraging.

Suspicious Currency Transactions

Analyzing the trends in suspicious transactions, through a changing environment of training, identification and reporting has still allowed GPEB to draw conclusions from the data. A further analysis will be able to be done as 2013 unfolds, given the more consistent environment between this year and 2012.

Suspicious Currency Transactions (SCT) in BC gaming facilities continue to significantly increase across the observed periods. Even taking into consideration the upgrading of training and the push for service providers to identify and report more the evidence is that the amount of SCT's is dramatically larger in 2012. At over \$87 million this is more than double the reported SCT amount in the previous study period. The \$87 million represents 3.2% of the total gaming revenue in BC and 5.3% of the revenue in casinos and community gaming centres.

Conclusions and Recommendations

New Initiatives for 2013/14

Conclusions and Recommendations

The new initiatives of acquiring funds inside gaming facilities have grown well in the first nine months. Based on the performance measure, established for the Ministry Service Plan, the goal has been met for the current fiscal year.

While the progress is encouraging it is challenging to the AML initiative when we observe increases of Suspicious Currency Transaction cash being brought into casinos. The volume of gaming money acquired inside the facilities is considerable, with over 70% of gaming funds being acquired inside the venues. And, the trend is positive. As new initiatives are used more and more we are seeing momentum toward achieving the goal of the program. However, the increase in SCT cash is a trend that must be turned around. While more gaming money is being obtained inside facilities more Suspicious Currency Transactions are being reported and, it is believed that, more suspicious street cash is also being brought into casinos.

New Initiatives for 2013/14

AML Enhancements

The current suite of enhancements is still working into casino operations and will be promoted even more in 2013/14. GPEB has approved that the Patron Gaming Fund account can be opened at lower levels than the original pilot program required, which was \$10,000. We continue to encourage service providers to use this to grow the number of patrons using PGF accounts for gaming. We expect to see increasing results of funds being acquired inside gaming facilities.

Internet Banking Transfers (IBT) have been approved for moving funds into PGF accounts. This option will allow the transfer of money from a patron's bank account directly to the casino PGF account, similar to making a bill payment. The casino service providers are still working out the logistics of this, with banking institutions, and we expect to see this go live in 2013.

GPEB has approved the use of US bank accounts for putting funds into PGF accounts and for use in the Cheque Hold program. BCLC has developed policies and procedures for the US bank program, and we expect to have this in place in the near future.

A request has been made to allow patrons to access funds from foreign branch bank accounts of Canadian deposit taking institutions. This is under review and research is required, to inform if this proposal can be enabled and what constraints may be needed.

A BCLC marketing plan was discussed by the VP Communications and Public Relations at a previous industry working group meeting. This starts with marketing the cash free options with promotion materials and an approach for moving patrons into these options. Part of the plan will be to approach the limited number of high volume customers to review the enhancements and to help them to move into these and use them. The BCLC Casino group continues to work on this marketing plan in conjunction with casino service providers. We believe that this personal approach is integral to the long term success of moving high volume players into on-site access of their gaming funds.

New Initiatives for 2013/14 (continued)

PCMLTFA Regulations

As a result of new diligence required through the PCMLTF Act Regulations, reporting institutions will be applying enhanced Customer Due Diligence (CDD) requirements in the future. The Regulations changed in February 2013 and new procedures must be in place by February 2014. It is anticipated that this will require more engaged interactions with regular high volume customers and customers with large amounts of cash from outside of gaming facilities. The new Regulations describe enhanced monitoring of "high risk" persons and taking enhanced measures to mitigate risk when dealing with these high risk persons.

The industry is currently examining what processes and procedures will be needed to ensure that the new requirements are met. This is being led by BCLC in conjunction with service providers and GPEB. At this point we do not know exactly what effect this increased regulatory diligence will have on the interception and interruption of money laundering attempts. However, the expansion of PCMLTFA Regulations is a positive step toward achieving the desired AML results.

Suspicious Currency Transaction Interception

At the outset, in setting a strategy for stopping money laundering in BC casinos, it was decided that an incremental approach would be established. This was designed to progressively implement tiers of control over the acceptance of funds into gaming facilities. The level of suspicious currency would be tracked and analyzed so that the success of adoption of cash alternatives could be understood. The move from one phase to the next will only need to be invoked if we do not see reductions in the suspicious activities.

The	phased	approach	plan is:
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Phases	Description	Timeframe
Phase 1 – Cash Alternatives	GPEB, BCLC and the industry have worked to provide alternative means to carrying in cash from outside of gaming facilities. The solutions utilize financial mechanisms whereby the funds are already vetted through established AML diligence. By adopting these alternatives patrons are able to access gaming funds directly in the facilities.	April 1, 2012
	The first phase requires promotion of the program by casino service providers, especially to their high volume players. For this phase to achieve the AML goal service providers have to intervene to solicit participation in the cash alternatives. Service providers are working to make this phase a success. Support by BCLC and GPEB is ongoing.	
	Phase 1 anticipated that BCLC becomes actively engaged in the promotional marketing of the cash alternatives. In this phase they also would develop their plans for dealing directly with the known high volume customers, in anticipation of moving into Phase 2.	

The phased approach plan, continued:

Description	Timeframe
The second phase involves BCLC and service providers becoming more actively engaged in the required promotion of the cash alternatives with the high volume customers. This phase includes BCLC and service providers dealing directly with the known high volume customers and those gaming patrons who are buying in with large volumes of cash. This phase involves enhanced Customer Due Diligence (CDD). In addition to applying strict 'know your customer' rigor, Phase 2 anticipates understanding the source of high volume and suspicious cash. Working with patrons the Lottery Corporation and casino service providers will engage them to move these transactions over to the alternative mechanisms. At this point GPEB must engage BCLC to participate in Phase 2. Comprehensive investigation and analysis is required to identify the intention of the large cash buy-ins, especially to identify those that are typical of money laundering.	May 1, 2013
In this phase GPEB undertakes direct regulatory action as part of the administrative process. This is the point where certain requirements have to be imposed on the industry in order to achieve the desired goal of stopping known money laundering typologies in BC gaming facilities. In a process that is still to be researched and developed the regulator deals with the remaining suspicious currency inflows. In this phase the use of Gaming Control Regulation modifications may be necessary in order to fully achieve the goal. The final phase results in the elimination of money laundering, or the perception of money laundering, in BC gaming facilities. It is most desirable that this goal has been achieved in previous phases.	October 1, 2013
	The second phase involves BCLC and service providers becoming more actively engaged in the required promotion of the cash alternatives with the high volume customers. This phase includes BCLC and service providers dealing directly with the known high volume customers and those gaming patrons who are buying in with large volumes of cash. This phase involves enhanced Customer Due Diligence (CDD). In addition to applying strict 'know your customer' rigor, Phase 2 anticipates understanding the source of high volume and suspicious cash. Working with patrons the Lottery Corporation and casino service providers will engage them to move these transactions over to the alternative mechanisms. At this point GPEB must engage BCLC to participate in Phase 2. Comprehensive investigation and analysis is required to identify the intention of the large cash buy-ins, especially to identify those that are typical of money laundering. In this phase GPEB undertakes direct regulatory action as part of the administrative process. This is the point where certain requirements have to be imposed on the industry in order to achieve the desired goal of stopping known money laundering typologies in BC gaming facilities. In a process that is still to be researched and developed the regulator deals with the remaining suspicious currency inflows. In this phase the use of Gaming Control Regulation <i>m</i> odifications may be necessary in order to fully achieve the goal.

The gaming industry is working to stop money laundering, and the perception of money laundering, in British Columbia gaming facilities. Through the coordinated efforts of the Gaming Policy and Enforcement Branch, the British Columbia Lottery Corporation and gaming service providers we are engaged in targeting this activity through ensuring that alternatives to outside cash are available to gaming patrons. A tiered approach of accelerated intervention is in place to phase-in the solutions so that the safety of patrons is ensured and the overall health of the industry is respected.

This is the first report to measure the performance progress of the anti-money laundering initiative. A year-end report will be completed. It is anticipated that further reporting will be done prior to moving into phase 3 and at the end of the 2013/14 Fiscal Year.

This is Exhibit "60" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this _____ day of January 2021.

A Commissioner for taking Affidavits for the Province of British Columbia ____

Brad;

Thanks for the heads up and I completely agree with all your comments. I made a couple myself (see attached), but just to reiterate that we need to hold our Service Providers (SP's) accountable for certain actions that includes dealing with players. If we jump in the middle of that, we will reduce that responsibility they must own. If, however, they meant we need to increase our policy and procedures for SP's, that is more feasible.

Overall, I think this report, if read by an outsider, would lead one to believe that money laundering is rampant in casino's. So, I would suggest a re-positioning of this document around "prevention" and reducing "misperception" of money laundering.

Thanks,

Jim



Know your limit, play within it.

345

Anti-Money Laundering in BC Gaming

Measuring Performance Progress

Anti-Money Laundering in BC Gaming

Measuring Performance Progress

Executive Summary

As a result of concern that money laundering was occurring in British Columbia gaming facilities the Gaming Policy and Enforcement Branch (GPEB) and the British Columbia Lottery Corporation (BCLC) embarked on an initiative to stop this activity. The strategy statement, which has framed the anti-money laundering (AML) activities, is that:

The gaming industry will prevent money laundering in gaming by moving from a cash based industry as quickly as possible and scrutinizing the remaining cash for appropriate action. This shift will respect or enhance our responsible gambling practices and the health of the industry.

Both GPEB and BCLC have initiated working groups to create solutions for this industry challenge. Alternatives to carrying cash into gaming facilities have been developed and implemented, in this current fiscal year. Progress has been made with new enhancements being introduced to the industry that allow patrons to safely obtain gaming funds inside the facilities. These funds are already vetted through financial services industry AML diligence. At this point approximately 70% of all gaming funds are obtained from within the casino and Community Gaming Centre facilities.

Even with the progress that has been made, through alternative cash initiatives, there have been increased levels of suspicious currency transactions during the same time period. These buy-ins, with cash from outside of gaming facilities, challenge the AML goal.

This report provides discussion of the existing success in AML initiatives and the challenges of outside cash that continues to enter gaming facilities. It describes the next planned enhancements for availability of funds inside facilities. And, it sets out a phased approach to accelerate the strategy through the next fiscal year.

BACKGROUND

In 2011, the Province conducted a review "Anti-Money Laundering Efforts at BC Gaming Facilities" to determine what antimoney laundering (AML) policies, practices and strategies were currently in place and to identify opportunities to strengthen the existing anti-money laundering regime. The published review included recommendations to both the British Columbia Lottery Corporation (BCLC) and the Gaming Policy and Enforcement Branch (GPEB) for opportunities to further strengthen anti-money laundering efforts.

Following this report, GPEB and BCLC developed a comprehensive anti-money laundering strategy to implement changes in the cash based business. Prior to establishing the new AML strategy funds for gaming have been available inside the facilities, through limited options. Beyond those options cash has to be brought into gaming venues from outside the facilities. The focus of the AML strategy is a phased approach of prevention, through providing alternatives to bringing in cash from outside gaming facilities, and, working to bring about a decline in suspicious transactions that are typical of money laundering.

An anti-money laundering cross-divisional working group (AML x-dwg) was established in GPEB to develop AML solutions and assess proposals from BCLC and the industry. At the outset GPEB's Assistant Deputy Minister met with Service Provider CEO's and the President & CEO of the BC Lottery Corporation to set an approach for this initiative. BCLC established an industry working group, which included themselves as the operator of gaming, service providers who manage and run the gaming facilities and GPEB as the regulator of gaming. The industry AML working group meets regularly to review progress and develop new strategies.

GPEB's strategy statement was developed, which has framed activities of the AML x-dwg and the industry working group. The gaming industry will prevent money laundering in gaming by moving from a cash based industry as quickly as possible and scrutinizing the remaining cash for appropriate action. This shift will respect or enhance our responsible gambling practices and the health of the industry.

This anti-money laundering strategy provides a framework for stakeholders in the gaming industry to align with each other in achieving mutual objectives to stop money laundering in the British Columbia gaming industry. Through creating innovative solutions and implementing these with rigorous policies and procedures the goal will be achieved.

AML PERFORMANCE MEASURES

The performance measure established for the Ministry of Energy, Mines and Natural Gas 2013/14 - 2015/16 Service Plan is to "Enhance access to funds in gaming facilities." The measure tracks the strategy of providing a suite of options to access funds in casinos and Community Gaming Centers. This has a baseline of two options in 2011/12, to obtain funds inside gaming facilities, and expands on that in future years. The performance measure also commits to producing this AML evaluation report and to adjust the strategy/implementation as appropriate.

The other element for measuring performance of the AML initiative is tracking the change in suspicious currency transactions (SCT) in gaming facilities. Especially those SCT's that can be associated with understood money laundering typologies.

This report provides discussion and measurements of the progress being made to achieve the goals set out in the Service Plan and in examining trends in SCT's. The baseline for the new options began April 1, 2012.

FINANCIAL BACKGROUND

The context for conducting financial analysis is the gross revenue of casinos and community gaming centres, and total gaming industry revenue in the province. The revenue figures for the past two fiscal years are.

	FY 2010/11	FY 2011/12
Casino	\$1,339,272,000	\$1,350,749,000
Community Gaming	\$277,036,000	\$289,286,000
CASINO & COMMUNITY REVENUE	\$1,616,308,000	\$1,640,035,000
TOTAL GAMING REVENUE	\$2,678,700,000	\$2,701,400,000

2011/12 AML Measures Baseline

Before engaging in new initiatives the two options available to obtain funds inside gaming facilities were Automated Teller Machines (ATM's) and the Patron Gaming Fund account.

<u>ATM</u>'s have been utilized in gaming facilities for many years. They are widely used by patrons to obtain funds but are limited in the amount of money that a player can obtain on any given day. Even with this limitation ATM's continue to be utilized by gaming patrons who withdraw hundreds of millions of dollars each year inside BC gaming locations.

The <u>Patron Gaming Fund</u> account (PGF) was introduced to BC gaming players late in December 2009. This option allows patrons to transfer funds electronically from approved deposit-taking institutions into a PGF account, held at a BC casino, for play while at the facility. The PGF account was established to provide an option to players having to carry large amounts of cash into gaming facilities. It also ensured that AML diligence had already been done for these funds. GPEB initially approved this innovative option with relatively strict controls, to conduct a pilot program that would allow us to manage the money laundering risk. With the controls in place, and the PGF account being a pilot program it received limited acceptance through the first two years.

2012/13 AML Enhancements

The new emphasis on AML opened up expanded options for increased use of the PGF by a larger number of players, and for larger volumes of gaming funds. The commitment for Fiscal Year 2012/13 is to introduce three new options to either enhance existing AML strategies or to develop new strategies. Working with BCLC and casino service providers GPEB has approved new options, with resulting increases in funds being available inside gaming facilities. These new options have required new BCLC policies and procedures and the necessary changes in gaming facility operations. Thus adoption has been staggered throughout the year.

The following describes the 2012/13 enhancements and new strategies.

Patron Gaming Fund

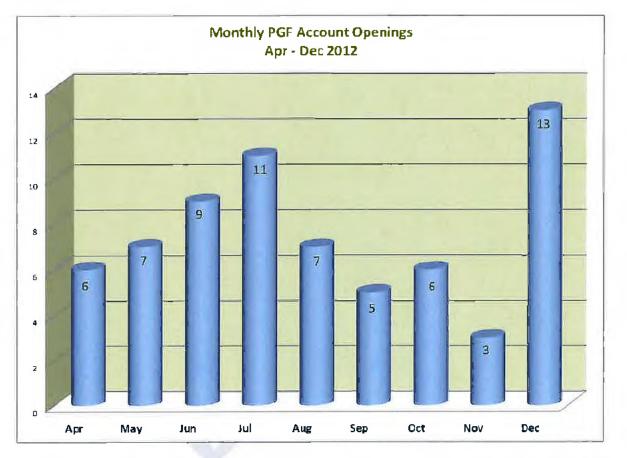
Through this current fiscal year, several enhancements have been made to the PGF accounts program. There has been a very positive increase in funds being deposited into PGF accounts and used for gaming in the casinos. The enhancements are:

- the list of acceptable financial institutions, for transfer of funds into the PGF, has been expanded to include Schedule II Canadian deposit taking institutions.
- for customer convenience, PGF accounts can now be linked to two financial institution accounts. Only individual bank accounts are allowed, with no third party, joint or business accounts to be used in funding PGF funds.

- PGF accounts can now be funded with an expanded list of financial instruments. These are:
 - certified cheques
 - o bank drafts
 - o verified win cheques
 - o cheques issued by Canadian casinos, to the PGF account holder

Through work done at the industry working group, the PGF account has been more actively promoted in BC gaming facilities. Frequent, and high volume, players are being identified. Service providers are engaging these individuals to sign more players into the program and to encourage increased use of the program.

The chart below indicates the number of new PGF accounts that have been opened in the current fiscal year.

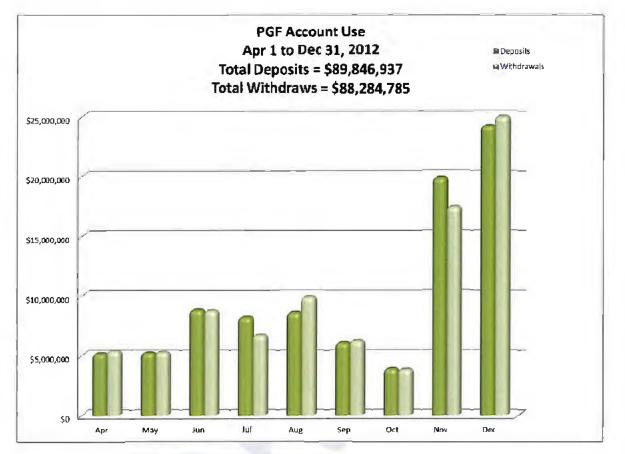


The total number of PGF accounts opened since the December 2009 inception of the program is 305. The 67 new PGF accounts, in the first nine months of the current fiscal year, is an increase of 28% over the previous total.

Although the current activity of new accounts is encouraging it should be noted that 152 of the total PGF accounts have been closed, subsequent to being opened. The primary reason for casino service providers to close accounts is due to inactivity for a 12 month period. This leaves 153 PGF accounts open as at December 31, 2012.

-

The chart below documents the amount of money deposited into PGF accounts and withdrawn for gaming use in the first three quarters of FY2012/13. It is significant to note the increase in usage during the third quarter, over the total usage in the prior two quarters. This measure is encouraging in that it supports the increased momentum of the AML strategy, by service providers and gaming patrons.



Analysis of PGF momentum:

Timeframe	Total Deposits	Total Withdrawals
April 1 – September 30, 2012 (Q 1&2)	\$41,943,982	\$42,098,380
April 1 – December 31, 2012 (Q 1, 2 & 3)	\$89,846,937	\$88,284,785
Increase September 30 - December 31, 2012 (Q3 only)	\$47,902,955	\$46,186,405
% Q3 Increase over Q 1&2 Total	114%	110%

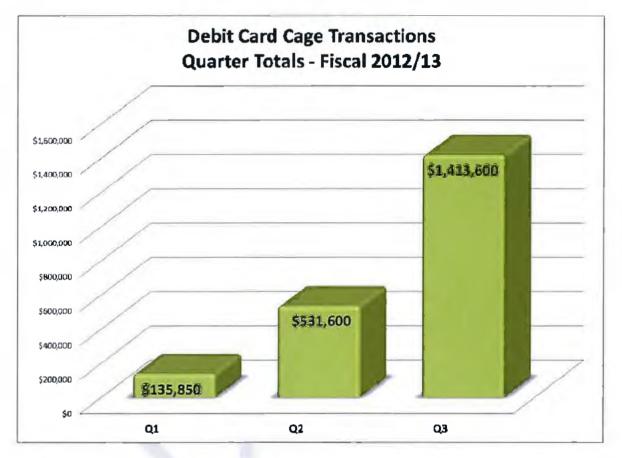
Note, there is ongoing discussion concerning tracking of the total deposits and withdrawals. Some adjustments will have to be made due to fine tuning of the accounting entries at source. The variance may represent a reduction of less than $\frac{1}{2}$ of one percent, leaving the total deposits at approximately \$89.4 million. This will be sorted out for the year-end report.

351

Debit Card

As of April 1, 2012 gaming patrons were able to withdraw funds from their financial institutions using their debit card, at the cash cage. This new enhancement is intended for transactions in amounts above ATM limits. As the year has progressed new facilities have added this option for their patrons. There are currently nine gaming locations that offer debit withdrawal at the cash cage.

The total withdrawn, as at December 31, 2012, is \$2,080,050. With the addition of new properties the third quarter has shown a dramatic increase in use of this method for people to obtain gaming funds, within the gaming facilities.



- Total of \$2,080,050 for the current fiscal year
- This option is in use at the following properties: Boulevard, Cascades, Fraser Downs, Edgewater, Grand Villa, River Rock, Starlight, Treasure Cove, View Royal

Cheque Hold

The Cheque Hold process involves preapproving patrons to conduct casino gaming while a cheque (the security) that they have provided the casino is held uncashed. Once the patron has finished their gaming this cheque must be reconciled to either pay the amount owing, in the event of net losses, or the casino will pay out the net winnings if that is the case. This mechanism is used for high net worth patrons, who have the proven ability to cover the value of the held cheque.

Casino Property	Cheque Hold Approved		
Edgewater	April 10, 2012		
Starlight	May 13, 2012		
Grand Villa	May 24, 2012		
River Rock	July 20,2012		

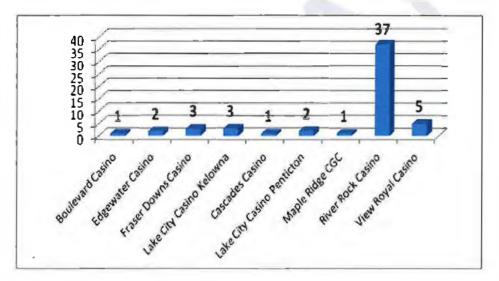
Participating Casinos for the Cheque Hold Option are listed below with approval dates. As of December 31, 2012 this option has yet to be utilized at any British Columbia gaming facilities.

There is an element of risk to the casino in supporting Cheque Hold programs. Currently the only other Canadian gaming facility utilizing Cheque Hold is the casino in Montreal, Quebec. This has been in place there for over three years. As this is a new enhancement in British Columbia we expected a slow start to adopting the program.

Customer Convenience Cheque

Service providers are now permitted to issue cheques to patrons for the return of buy-in funds, up to one \$8,000 cheque per week. These cheques are clearly marked "Return of Funds – Not Gaming Winnings". This option enhances security for patrons who do not wish to exit the gaming facility with large quantities of cash. AML diligence is enhanced as customer information is recorded and all transactions are monitored and reported. This policy does not provide cheques to every patron, as it is limited to one \$8,000 cheque per week. Thus the AML policy dictates that large cash buy-ins are returned to the patron in the form that they were received initially at the cash cage. A large cash buy-in with small bills (\$20's) is returned with the same denomination.

For the nine month period April 1 – December 31 2012, a total of 55 convenience cheques were issued for a total amount of \$216,947. The breakdown, by gaming facility, is provided in the chart below.

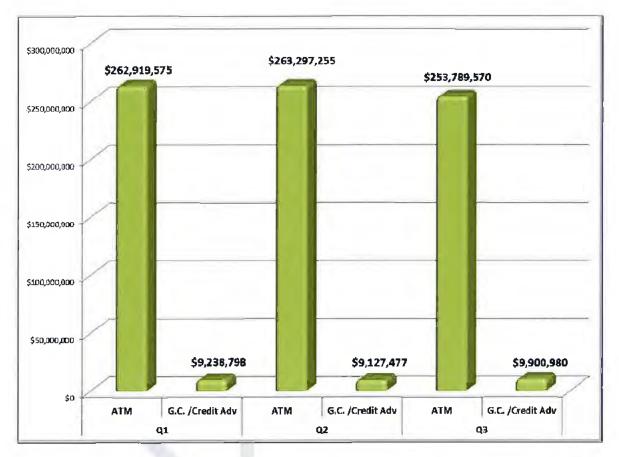


 4 patrons have received more than one convenience cheque, provided within the policy parameters – each cheque was issued in different weeks.

Existing Methods of Reducing External Cash in Casinos

To fully understand the impact of funds obtained within gaming facilities versus those brought in from outside it is important to review methods that have already been in place. Casino service providers currently provide access to cash through ATM's and the Global Cash funds advance facility. The Global Cash Access company operates kiosks that allow patrons to make debit withdrawals or cash advance purchases for use in gaming. These kiosks are located outside of the gaming floor, usually in entertainment facility lobbies.

The table below provides the accounting for these existing methods for the first three quarters of the current fiscal year.



ATM/Global Cash/Credit Card Advances = \$808,273,655

AML Progress Report - March 12, 2013Page 8

Cash Transaction Monitoring and Reporting

Federal legislation requires casinos to report large cash transactions and suspicious transactions. In British Columbia BCLC is the legal reporting entity as a result of their role to conduct and manage gaming in the province. This reporting requirement is legally required by the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA). The reporting is provided to the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC). In the case of suspicious currency transaction reports, a Gaming Control Act Section 86 report (S.86) is provided to the Investigations and Regional Operations Division of GPEB.

Large cash transaction reports (LCT's) must be filed when reporting entities receive an amount of \$10,000 or more in cash in the course of a single transaction. An LCT must also be filed, in the case of casinos, when disbursements of \$10,000 or more are made in the course of a single transaction. As described in FINTRAC's Guideline 2: Suspicious Transactions, suspicious transaction reports (STR's) must be provided by reporting entities in the case of completed or attempted transactions if there are reasonable grounds to suspect that the transactions are related to the commission or attempted commission of a money laundering offence or a terrorist activity financing offence. The Guideline goes on to say that, ""Reasonable grounds to suspect" is determined by what is reasonable in your circumstances, including normal business practices and systems within your industry."

A key measure in understanding potential money laundering activity is suspicious transactions. By examining this activity we are able to derive information about the trends in cash entering casinos from outside of the premises. Identifying incidents of suspicious transactions and the filing of STR's has evolved over the past few years. In the summer of 2010 FINTRAC conducted an audit of BC casino filings under the PCMLTFA. Further, a study was conducted by government. The 'Anti-Money Laundering Measures at BC Gaming Facilities' report was released in 2011. As a result of the FINTRAC audit and the government study BCLC Identified a need for greater diligence in recognizing and filing of casino buy-ins that required STR's.

Casino service provider training was upgraded early in 2010, and was branded as "Anti Money Laundering Training (AML)". Following the assessment of a FINTRAC administrative monetary penalty in June of 2010 BCLC Investigators were provided with an AML Compliance Manual, which clarified their duties and expectations with respect to AML monitoring and reporting. Through 2010 a new on-line AML course was developed for casino service providers and Community Gaming Centre staff. This was rolled out in March 2011. The AML Training course was updated, again, through 2012 and was made available to gaming workers in December 2012.

The upgraded level of patron buy-in diligence has contributed in increased filing of STR's by BCLC since 2010. This changing environment has to be considered in analyzing the statistics. The change in STR filing results has to be viewed in context of the new training and greater sensitivity to suspicious transaction situations since that time.

In addition to FINTRAC reporting, GPEB is responsible for the overall integrity of gaming in the Province as outlined in Section 23 of the Gaming Control Act (GCA). Section 86 of the GCA and Section 34 of the Gaming Control Regulation legally requires the Service Providers (Registrants) to immediately report to the Investigations and Regional Operations Division (Investigations) of GPEB any conduct or activity that is or may be contrary to the Criminal Code, the GCA or any Regulation under the Act and Includes any activity or conduct that affects the integrity of gaming. These S.86 reports are categorized, and reported, as Suspicious Currency Transactions (SCT) by GPEB Investigations.

SCT (5.86 GCA) Notifications	Year	Number of SCT Notifications
	2009	211
	2010	295
	2011	676
	2012	1175

Statistics for filing 5.86 Suspicious Currency Transactions to GPEB Investigations are:

In summary, BCLC provides Large Cash Transaction (LCT) reports and Suspicious Transaction (STR) reports to FINTRAC. Plus they provide Gaming Control Act Section 86 Suspicious Currency Transaction (S.86 SCT) reports to GPEB's Investigations and Regional Operations Division. The S.86 SCT reports are generated from information developed by casino surveillance staff, and these are sent to GPEB as soon as possible after the incident is observed. The STR reports that are provided to

FINTRAC are generated from the same incident. GPEB does a reconciliation of the two reports to ensure consistency of providing the two organizations with the information they require. Thus factors affecting the rigor of STR identification and reporting also affect reporting of S.86 SCT reports to GPEB.

GPEB Investigations has provided more detailed analysis of key factors that they put forward to describe the changing conditions of cash being brought into BC casinos for cash cage buy-ins. This is done for two time periods, both covering twelve months. The first is August 31, 2010 – September 1, 2011. The second is the 2012 calendar year. Although the timeframes do not match, this comparison is useful for understanding trends. It should also be pointed out, as above, that the two time periods are across the changing environment of new training and increased diligence in identifying suspicious transactions.

Suspicious Currency Transaction (SCT / S.86 GCA) Analysis

	Aug 31, 2010 – Sept 1, 2011 (12 months)	Jan 1, 2012 – Dec 31, 2012 (12 months)
Total S.86 SCT Notifications	543	1175
Total \$ Amount	\$39,572,313	\$87,435,297
Patron Buy-ins over \$100,000 (# of different patrons who have bought in at this level at least once)	80 patrons	88 patrons
Patron Buy-Ins over \$1,000,000 (# of different patrons who have bought in at this level at least once)	4 patrons	17 patrons

Supplemental information for 2012 is provided by GPEB Investigations. Their work in gaming facilities provides an assessment that Suspicious Currency Transaction buy-ins are increasing. Incidents of buy-ins at high levels (\$200,000 up to over \$500,000) with \$20 bills are increasing. This goes beyond being explained by the increased diligence of recognizing and reporting SCT's. Loan sharks were strongly deterred and continue to be deterred from entering and operating at casino premises in the province. However it is our belief that they continue to operate using creative ways of providing gaming patrons with cash, from outside of gaming premises. The funds provided by loan sharks are generally in bundles of \$20 bills, which come in amounts of \$10,000 wrapped with elastic bands.

The investigations and Regional Operations Division has stated that they are satisfied that Service Provider reporting of S.86 Suspicious Currency Transactions to GPEB is, and has generally been, consistent and acceptable since 2010. This would keep these in alignment with the FINTRAC STR reporting. BCLC oversight diligence has been enhanced over the past two years. The BCLC AML program has been examined through risk assessment diligence and appropriate tracking is in place.

Analysis

2012/13 Enhancements

The enhancements documented in this report came into effect beginning April 1, 2012. In order for service providers to put these into operation they had to develop policies and procedures to comply with BCLC requirements. The debit card option involved ordering and installing new equipment. In some cases this took time and thus the progress toward achieving results is reflected by a gradual startup period with greater momentum being achieved in the last quarter.

The industry working group met three times in 2012. The first meeting of the new year was February 7, 2013. The focus of these BCLC led AML meetings is to review progress with service provider implementation of the enhancements, to share solutions and to develop new solutions for patrons to access funds inside the gaming facilities. The SCT activity has also been discussed in the meetings. This approach between all parties has resulted in positive progress. It has also created a good environment for building momentum for promoting the enhancements in BC gaming facilities.

The results over three quarters of FY 2012/13 are encouraging. Almost \$90 million has been used for gaming out of PGF accounts. Debit withdrawals, at the cage, are over \$2 million. With the policies, procedures and systems becoming entrenched in gaming facilities, the trend for both of these enhanced options is a strong increase in the third quarter. The existing ATM and Global Cash withdrawal options are relatively stable quarter over quarter, with over \$808 million being withdrawn inside of gaming facilities in the first three quarters. Customer convenience cheques have been provided to patrons for almost \$217,000. This has allowed people to leave safely with their money while strong AML diligence is achieved through recording of the customer data.

In total the cash managed through alternative means, versus bringing it in from outside of gaming facilities, has been over \$900 million in the first three quarters of the year. Ten percent of this is from new initiatives. When annualized, the total of funds obtained within gaming facilities represents over 70% of the gross revenue. This is encouraging.

Suspicious Currency Transactions

Analyzing the trends in suspicious transactions, through a changing environment of training, identification and reporting has still allowed GPEB to draw conclusions from the data. A further analysis will be able to be done as 2013 unfolds, given the more consistent environment between this year and 2012.

Suspicious Currency Transactions (SCT) in BC gaming facilities continue to significantly increase across the observed periods. Even taking into consideration the upgrading of training and the push for service providers to identify and report more the evidence is that the amount of SCT's is dramatically larger in 2012. At over \$87 million this is more than double the reported SCT amount in the previous study period. The \$87 million represents 3.2% of the total gaming revenue in BC and S.3% of the revenue in casinos and community gaming centres.

Conclusions and Recommendations

New Initiatives for 2013/14

Conclusions and Recommendations

The new initiatives of acquiring funds inside gaming facilities have grown well in the first nine months. Based on the performance measure, established for the Ministry Service Plan, the goal has been met for the current fiscal year.

While the progress is encouraging it is challenging to the AML initiative when we observe increases of Suspicious Currency Transaction cash being brought into casinos. The volume of gaming money acquired inside the facilities is considerable, with over 70% of gaming funds being acquired inside the venues. And, the trend is positive. As new initiatives are used more and more we are seeing momentum toward achieving the goal of the program. However, the increase in SCT cash is a trend that must be turned around. While more gaming money is being obtained inside facilities more Suspicious Currency Transactions are being reported and, it is believed that, more suspicious street cash is also being brought into casinos.

New Initiatives for 2013/14

AML Enhancements

The current suite of enhancements is still working into casino operations and will be promoted even more in 2013/14. GPEB has approved that the Patron Gaming Fund account can be opened at lower levels than the original pilot program required, which was \$10,000. We continue to encourage service providers to use this to grow the number of patrons using PGF accounts for gaming. We expect to see increasing results of funds being acquired inside gaming facilities.

Internet Banking Transfers (IBT) have been approved for moving funds into PGF accounts. This option will allow the transfer of money from a patron's bank account directly to the casino PGF account, similar to making a bill payment. The casino service providers are still working out the logistics of this, with banking institutions, and we expect to see this go live in 2013.

GPEB has approved the use of US bank accounts for putting funds into PGF accounts and for use in the Cheque Hold program. BCLC has developed policies and procedures for the US bank program, and we expect to have this in place in the near future.

A request has been made to allow patrons to access funds from foreign branch bank accounts of Canadian deposit taking institutions. This is under review and research is required, to inform if this proposal can be enabled and what constraints may be needed.

A BCLC marketing plan was discussed by the VP Communications and Public Relations at a previous industry working group meeting. This starts with marketing the cash free options with promotion materials and an approach for moving patrons into these options. Part of the plan will be to approach the limited number of high volume customers to review the enhancements and to help them to move into these and use them. The BCLC Casino group continues to work on this marketing plan in conjunction with casino service providers. We believe that this personal approach is integral to the long term success of moving high volume players into on-site access of their gaming funds.

New Initiatives for 2013/14 (continued)

PCMLTFA Regulations

As a result of new diligence required through the PCMLTF Act Regulations, reporting institutions will be applying enhanced Customer Due Diligence (CDD) requirements in the future. The Regulations changed in February 2013 and new procedures must be in place by February 2014. It is anticipated that this will require more engaged interactions with regular high volume customers and customers with large amounts of cash from outside of gaming facilities. The new Regulations describe enhanced monitoring of "high risk" persons and taking enhanced measures to mitigate risk when dealing with these high risk persons.

The industry is currently examining what processes and procedures will be needed to ensure that the new requirements are met. This is being led by BCLC in conjunction with service providers and GPEB. At this point we do not know exactly what effect this increased regulatory diligence will have on the interception and interruption of money laundering attempts. However, the expansion of PCMLTFA Regulations is a positive step toward achieving the desired AML results.

Suspicious Currency Transaction Interception

At the outset, in setting a strategy for stopping money laundering in BC casinos, it was decided that an incremental approach would be established. This was designed to progressively implement tiers of control over the acceptance of funds into gaming facilities. The level of suspicious currency would be tracked and analyzed so that the success of adoption of cash alternatives could be understood. The move from one phase to the next will only need to be invoked if we do not see reductions in the suspicious activities.

Phases	Description	Timeframe
Phase 1 – Cash Alternatives	 GPEB, BCLC and the industry have worked to provide alternative means to carrying in cash from outside of gaming facilities. The solutions utilize financial mechanisms whereby the funds are already vetted through established AML diligence. By adopting these alternatives patrons are able to access gaming funds directly in the facilities. The first phase requires promotion of the program by casino service providers, especially to their high volume players. For this phase to achieve the AML goal service providers have to intervene to solicit participation in the cash alternatives. Service providers are working to make this phase a success. Support by BCLC and GPEB is ongoing. Phase 1 anticipated that BCLC becomes actively engaged in the promotional marketing of the cash alternatives. In this phase they also would develop their plans for dealing directly with the known high volume customers, in anticipation of moving into Phase 2. 	April 1, 2012

The phased approach plan is:

The phased approach plan, continued:

Phases	Description	Timeframe
Phase 2 — Operator Intervention (BCLC)	e 2 – Operator The second phase involves BCLC and service providers becoming more	
Phase 3 – Regulator Intervention (GPEB)	In this phase GPEB undertakes direct regulatory action as part of the administrative process. This is the point where certain requirements have to be imposed on the industry in order to achieve the desired goal of stopping known money laundering typologies in BC gaming facilities. In a process that is still to be researched and developed the regulator deals with the remaining suspicious currency inflows. In this phase the use of Gaming Control Regulation modifications may be necessary in order to fully achieve the goal. The final phase results in the elimination of money laundering, or the perception of money laundering, in BC gaming facilities. It is most desirable that this goal has been achieved in previous phases. However, this tier in the plan ensures that the goal is met.	October 1, 2013

The gaming industry is working to stop money laundering, and the perception of money laundering, in British Columbia gaming facilities. Through the coordinated efforts of the Gaming Policy and Enforcement Branch, the British Columbia Lottery Corporation and gaming service providers we are engaged in targeting this activity through ensuring that alternatives to outside cash are available to gaming patrons. A tiered approach of accelerated intervention is in place to phase-in the solutions so that the safety of patrons is ensured and the overall health of the industry is respected.

This is the first report to measure the performance progress of the anti-money laundering initiative. A year-end report will be completed. It is anticipated that further reporting will be done prior to moving into phase 3 and at the end of the 2013/14 Fiscal Year.

This is Exhibit "61" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this day of January 2021.

A Commissioner for taking Affidavits for the Province of British Columbia

 To:
 Brad Desmarais[PERSONAL INFORMATION]; Bryon Hodgkin[PERSONAL INFORMATION]

 From:
 McCrea, Bill J EMNG:EX

 Sent:
 Thur 2013-03-21 11:37:25 PM

 Subject:
 AML Progress Report

 AML Measurement Report to Ministry FY1213 - March 21 2013.pdf

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Hi Brad and Bryon,

Here is the final version of the AML report. We will be talking about this in Monday's meeting and will continue to work toward making forward progress with the goal. Although the report does not use all of the suggestions that we received from interested parties we appreciated everyone's thoughts. So, not all of your material made it into this document, but we have not lost the sentiments that you expressed. I look forward to the next steps, and to achieving our goal.

Bill

BIII McCrea BES MBA FCIP Executive Director Quality Assurance & Risk Personal Information

Province of British Columbia Gaming Policy and Enforcement Branch Location: 3rd Floor 910 Government Street V8W 1X3 Mailing: PO Box 9311 Stn Prov Govt Victoria BC V8W 9N1





Know your limit, play within it.

Anti-Money Laundering in BC Gaming

Measuring Performance Progress

Gaming Policy and Enforcement Branch

BCLC0012102

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Anti-Money Laundering in BC Gaming Measuring Performance Progress

Executive Summary

As a result of concern that money laundering was occurring in British Columbia gaming facilities the Gaming Policy and Enforcement Branch (GPEB) and the British Columbia Lottery Corporation (BCLC) embarked on an initiative to prevent this activity. The strategy statement, which has framed the anti-money laundering (AML) activities, is that: The gaming industry will prevent money laundering in gaming by moving from a cash based industry as quickly as possible and scrutinizing the remaining cash for appropriate action. This shift

will respect or enhance our responsible gambling practices and the health of the industry.

The approach to achieving the AML goal is for the industry to develop and implement tiers of scrutiny and control over the acceptance of funds into gaming facilities. The plan is designed to progress through three phases, with defined timeframes. The regulator, the operator and industry service providers are working to provide alternatives to outside cash, market the solutions to patrons, conduct analysis of high volume buy-ins and take appropriate action to meet the goal.

Both GPEB and BCLC have initiated working groups to create solutions for this industry challenge. Alternatives to carrying cash into gaming facilities have been developed and implemented, in this current fiscal year. Progress has been made with new enhancements being introduced to the industry that allow patrons to safely obtain gaming funds inside the facilities. These funds are transferred from the financial institutions sector and rely on the required degree of AML diligence maintained there. At this point approximately 70% of all gaming funds are obtained from within the casino and Community Gaming Centre facilities.

Even with the progress that has been made, through alternative cash initiatives, there have been increased levels of suspicious currency transactions during the same time period. Although increased reporting diligence has to be considered in explaining some of this trend suspicious currency is entering at an increased level and the perception of undesirable funds is increasing. The buy-ins, with cash from outside of gaming facilities, challenges the AML goal.

This report provides discussion of the existing success in AML initiatives and the challenges of outside cash that continues to enter gaming facilities. It describes the next planned enhancements for availability of funds inside facilities. And, it sets out a phased approach to accelerate the strategy through the next fiscal year.

BACKGROUND

In 2011, the Province conducted a review "Anti-Money Laundering Efforts at BC Gaming Facilities" to determine what anti-money laundering (AML) policies, practices and strategies were currently in place and to identify opportunities to strengthen the existing anti-money laundering regime. The published review included recommendations to both the British Columbia Lottery Corporation (BCLC) and the Gaming Policy and Enforcement Branch (GPEB) for opportunities to further strengthen anti-money laundering efforts.

Following this report, GPEB and BCLC developed a comprehensive anti-money laundering strategy to implement changes in the cash based business. Prior to establishing the new AML strategy funds for gaming have been available inside the facilities, through limited options. Beyond those options cash had to be brought into gaming venues from outside the facilities. The focus of the AML strategy is a phased approach of prevention, through providing alternatives to bringing in cash from outside gaming facilities, and, working to prevent suspicious currency that is typical of, or could be perceived to be, money laundering or the use of proceeds of crime to gamble.

BCLC and GPEB created a formal information sharing agreement between BCLC and British Columbia police agencies, to enhance the ability to identify and ban persons with known criminal activities from BC gaming facilities. Since the 2011 report was released 7 individuals with known criminal activities have been banned.

An anti-money laundering cross-divisional working group (AML x-dwg) was established in GPEB to develop AML solutions and assess proposals from BCLC and the industry. At the outset GPEB's Assistant Deputy Minister met with Service Provider CEO's and the President & CEO of the BC Lottery Corporation to set an approach for this initiative. BCLC established an industry working group, which included themselves as the operator of gaming, service providers who manage and run the gaming facilities and GPEB as the regulator of gaming. The industry AML working group meets regularly to review progress and develop new strategies.

GPEB's strategy statement was developed, which has framed activities of the AML x-dwg and the industry working group.

The gaming industry will prevent money laundering in gaming by moving from a cash based industry as quickly as possible and scrutinizing the remaining cash for appropriate action. This shift will respect or enhance our responsible gambling practices and the health of the industry.

This anti-money laundering strategy provides a framework for stakeholders in the gaming industry to align with each other in achieving mutual objectives to prevent money laundering, and the perception of money laundering, in the British Columbia gaming industry. Through creating innovative solutions and implementing these with rigorous policies and procedures the goal will be achieved.

AML PERFORMANCE MEASURES

The performance measure established for the Ministry 2013/14 - 2015/16 Service Plan is to "Enhance access to funds in gaming facilities." The measure tracks the strategy of providing a suite of options to access funds within casinos and Community Gaming Centers. This has a baseline of two options in 2011/12, to obtain funds inside gaming facilities, and expands on that in future years. The performance measure also commits to producing this AML effectiveness evaluation report and to adjust the strategy/implementation as appropriate to the success of the initiative.

This report provides discussion and measurements of the progress being made to achieve the goals set out in the Service Plan and in examining trends in SCT's. The baseline for the new options began April 1, 2012.

The context for conducting financial analysis is the gross revenue of casinos and community gaming centres, and total gaming industry revenue in the province. The revenue figures for the past two fiscal years are.

	FY 2010/11	FY 2011/12
Casino	\$1,339,272,000	\$1,350,749,000
Community Gaming	\$277,036,000	\$289,286,000
CASINO & COMMUNITY REVENUE	\$1,616,308,000	\$1,640,035,000
TOTAL GAMING REVENUE	\$2,678,700,000	<u>\$2,701,400,000</u>

2011/12_AML Measures Baseline

Before engaging in new initiatives the two options available to obtain funds inside gaming facilities were Automated Teller Machines (ATM's) and the Patron Gaming Fund account.

<u>ATM</u>'s have been utilized in gaming facilities for many years. They are widely used by patrons to obtain funds but are limited in the amount of money that a player can obtain on any given day. Even with this limitation ATM's continue to be utilized by gaming patrons who withdraw hundreds of millions of dollars each year inside BC gaming locations.

The <u>Patron Gaming Fund</u> account (PGF) was introduced to BC gaming players late in December 2009. This option allows patrons to transfer funds electronically from approved deposit-taking institutions into a PGF account, held at a BC casino, for play while at the facility. The PGF account was established to provide an option to players having to carry large amounts of cash into gaming facilities. It also ensured that AML diligence had already been done for these funds. GPEB initially approved this innovative option with relatively strict controls, to conduct a pilot program that would allow us to manage the money laundering risk. With the controls in place, and the PGF account being a pilot program it received limited acceptance through the first two years.

2012/13 AML Enhancements

The new emphasis on AML opened up expanded options for increased use of the PGF by a larger number of players, and for larger volumes of gaming funds. The commitment for Fiscal Year 2012/13 is to introduce three new options to either enhance existing AML strategies or to develop new strategies. Working with BCLC and casino service providers GPEB has approved new options, with resulting increases in funds being available inside gaming facilities. These new options have required new BCLC policies and procedures and the necessary changes in gaming facility operations. Thus adoption has been staggered throughout the year.

The following describes the 2012/13 enhancements and new strategies.

Patron Gaming Fund

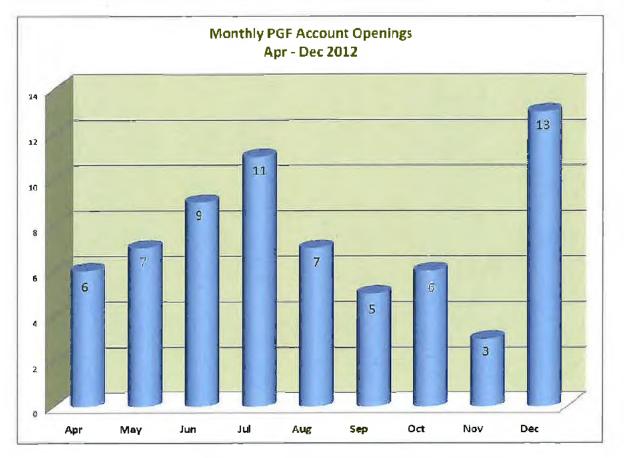
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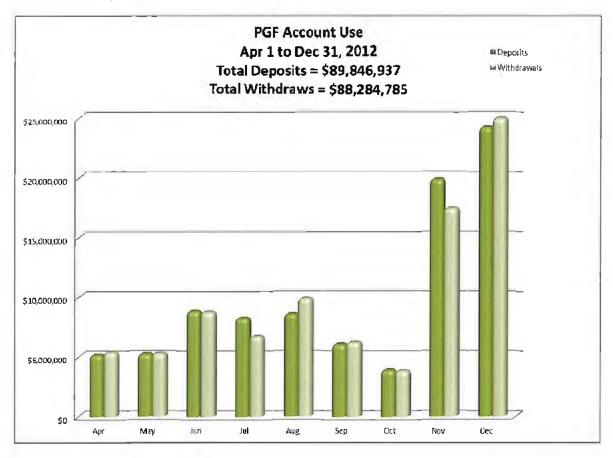
The chart below indicates the number of new PGF accounts that have been opened in the current fiscal year.



The total number of PGF accounts opened since the December 2009 inception of the program is 305. The 67 new PGF accounts, in the first nine months of the current fiscal year, is an increase of 28% over the previous total.

Although the current activity of new accounts is encouraging it should be noted that 152 of the total PGF accounts have been closed, subsequent to being opened. The primary reason for casino service providers to close accounts is due to inactivity for a 12 month period. This leaves 153 PGF accounts open as at December 31, 2012.

The chart below documents the amount of money deposited into PGF accounts and withdrawn for gaming use in the first three quarters of FY2012/13. It is significant to note the increase in usage during the third quarter, over the total usage in the prior two quarters. This measure is encouraging in that it supports the increased momentum of the AML strategy, by service providers and gaming patrons.



Analysis of PGF momentum:

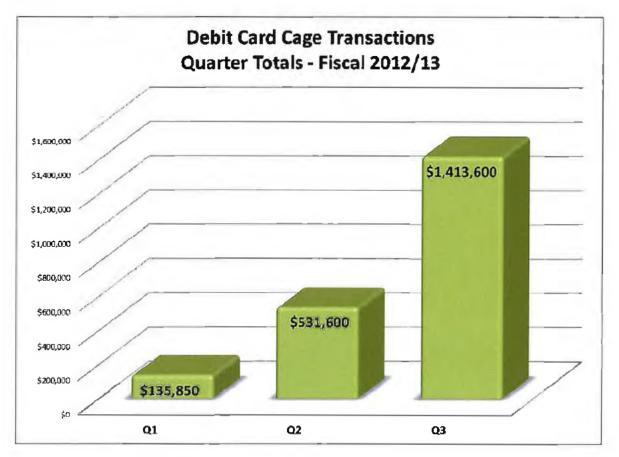
Timeframe	Total Deposits	Total Withdrawals
April 1 – September 30, 2012 (Q 1&2)	\$41,943,982	\$42,098,380
April 1 – December 31, 2012 (Q 1, 2 & 3)	\$89,846,937	\$88,284,785
Increase September 30 - December 31, 2012 (Q3 only)	\$47,902,955	\$46,186,405
% Q3 Increase over Q 1&2 Total	114%	110%

Note, there is clarifying discussion concerning tracking of the total deposits and withdrawals. Some adjustments will have to be made due to fine tuning of the accounting entries at source. The variance may represent a reduction of less than ½ of one percent, leaving the total deposits at approximately \$89.4 million.

Debit Card

As of April 1, 2012 gaming patrons were able to withdraw funds from their financial institutions using their debit card, at the cash cage. This new enhancement is intended for transactions in amounts above ATM limits. As the year has progressed new facilities have added this option for their patrons. There are currently nine gaming locations that offer debit withdrawal at the cash cage.

The total withdrawn, as at December 31, 2012, is \$2,080,050. With the addition of new properties the third quarter has shown a dramatic increase in use of this method for people to obtain gaming funds, within the gaming facilities.



- Total of \$2,080,050 for the current fiscal year
- This option is in use at the following properties: Boulevard, Cascades, Fraser Downs, Edgewater, Grand Villa, River Rock, Starlight, Treasure Cove, View Royal

Cheque Hold

The Cheque Hold process involves preapproving patrons to conduct casino gaming while a cheque (the security) that they have provided the casino is held uncashed. Once the patron has finished their gaming this cheque must be reconciled to either pay the amount owing, in the event of net losses, or the casino will pay out the net winnings if that is the case. This mechanism is used for high net worth patrons, who have the proven ability to cover the value of the held cheque.

Casino Property	Cheque Hold Approved
Edgewater	April 10, 2012
Starlight	May 13, 2012
Grand Villa	May 24, 2012
River Rock	July 20,2012

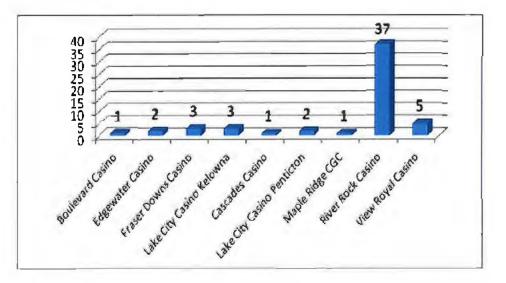
Participating Casinos for the Cheque Hold Option are listed below with approval dates. As of December 31, 2012 this option has yet to be utilized at any British Columbia gaming facilities.

There is an element of risk to the casino in supporting Cheque Hold programs. Currently the only other Canadian gaming facility utilizing Cheque Hold is the casino in Montreal, Quebec. This has been in place there for over three years. As this is a new enhancement in British Columbia we expected a slow start to adopting the program.

Customer Convenience Cheque

Service providers are now permitted to issue cheques to patrons for the return of buy-in funds, up to one \$8,000 cheque per week. These cheques are clearly marked "Return of Funds – Not Gaming Winnings". This option enhances security for patrons who do not wish to exit the gaming facility with large quantities of cash. AML diligence is enhanced as customer information is recorded and all transactions are monitored and reported. This policy does not provide cheques to every patron, as it is limited to one \$8,000 cheque per week.

For the nine month period April 1 – December 31 2012, a total of 55 convenience cheques were issued for a total amount of \$216,947. The breakdown, by gaming facility, is provided in the chart below.

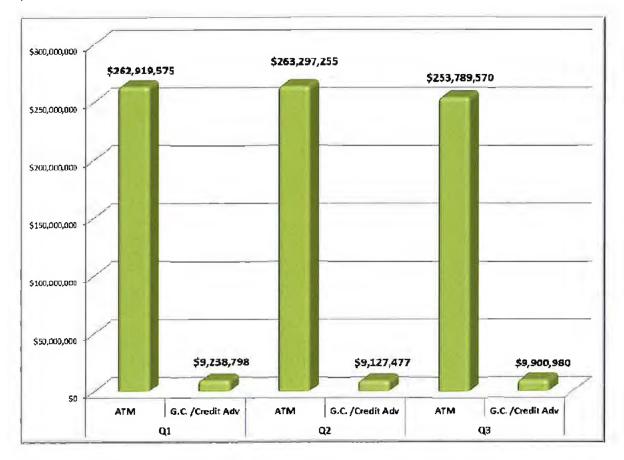


Over the reported period 4 patrons have received more than one convenience cheque, provided within the policy parameters – each cheque was issued in different weeks.

Existing Methods of Reducing External Cash in Casinos

To fully understand the impact of funds obtained within gaming facilities versus those brought in from outside it is important to review methods that have already been in place. Casino service providers currently provide access to cash through ATM's and the Global Cash funds advance facility. The Global Cash Access company operates kiosks that allow patrons to make debit withdrawals or cash advance purchases for use in gaming. These kiosks are located outside of the gaming floor, usually in entertainment facility lobbies.

The table below provides the accounting for these existing methods for the first three quarters of the current fiscal year.



ATM/Global Cash/Credit Card Advances = \$808,273,655

Cash Transaction Monitoring and Reporting

Federal legislation requires casinos to report large cash transactions and suspicious transactions. In British Columbia BCLC is the legal reporting entity as a result of their role to conduct and manage gaming in the province. This reporting requirement is legally required by the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA). The reporting is provided to the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC). In the case of suspicious currency transaction reports, a Gaming Control Act Section 86 report (S.B6) is provided to the Investigations and Regional Operations Division of GPEB.

Large cash transaction reports (LCT's) must be filed when reporting entities receive an amount of \$10,000 or more In cash in the course of a single transaction. An LCT must also be filed, in the case of casinos, when disbursements of \$10,000 or more are made in the course of a single transaction. As described in FINTRAC's Guideline 2: Suspicious Transactions, suspicious transaction reports (STR's) must be provided by reporting entities in the case of completed or attempted transactions if there are reasonable grounds to suspect that the transactions are related to the commission or attempted commission of a money laundering offence or a terrorist activity financing offence. The Guideline goes on to say that, ""Reasonable grounds to suspect" is determined by what is reasonable in your circumstances, including normal business practices and systems within your industry."

A measure used in understanding potential, or perceived, money laundering activity is suspicious transactions. By examining this activity we are able to derive information about the trends in cash entering casinos from outside of the premises. Identifying incidents of suspicious transactions and the filing of STR's has evolved over the past few years. In the summer of 2010 FINTRAC conducted an audit of BC casino filings under the PCMLTFA. Further, a study was conducted by government. The 'Anti-Money Laundering Measures at BC Gaming Facilities' report was released in 2011. As a result of the FINTRAC audit and the government study BCLC identified a need for greater diligence in recognizing and filing of casino buy-ins that required STR's.

Casino service provider training was upgraded early in 2010, and was branded as "Anti Money Laundering Training (AML)". Following the assessment of a FINTRAC administrative monetary penalty in June of 2010 BCLC Investigators were provided with an AML Compliance Manual, which clarified their duties and expectations with respect to AML monitoring and reporting. Through 2010 a new on-line AML course was developed for casino service providers and Community Gaming Centre staff. This was rolled out in March 2011. The AML Training course was updated, again, through 2012 and was made available to gaming workers in December 2012.

The upgraded level of patron buy-in diligence has contributed in increased filing of STR's by BCLC since 2010. This changing environment has to be considered in analyzing the statistics. The change in STR filing results has to be viewed in context of the new training and greater sensitivity to suspicious transaction situations since that time.

In addition to FINTRAC reporting, GPEB is responsible for the overall integrity of gaming in the Province as outlined in Section 23 of the Gaming Control Act (GCA). Section 86 of the GCA and Section 34 of the Gaming Control Regulation legally requires the Service Providers (Registrants) to immediately report to the Investigations and Regional Operations Division (Investigations) of GPEB any conduct or activity that is or may be contrary to the Criminal Code, the GCA or any Regulation under the Act and includes any activity or conduct that affects the integrity of gaming. These 5.86 reports are categorized, and reported, as Suspicious Currency Transactions (SCT) by GPEB Investigations.

SCT (S.86 GCA) Notifications	Year	Number of SCT Notifications
	2009	211
	2010	295
	2011	676
	2012	1175

Statistics for filing S.86 Suspicious Currency Transactions to GPEB Investigations are:

In summary, BCLC provides Large Cash Transaction (LCT) reports and Suspicious Transaction (STR) reports to FINTRAC. The casino service providers create Gaming Control Act Section 86 Suspicious Currency Transaction (S.86 SCT) reports for GPEB's Investigations and Regional Operations Division. The S.86 SCT reports are generated from information developed by casino surveillance staff, and these are sent to GPEB as soon as possible after the incident is observed. The STR reports that are provided to FINTRAC are generated from the same incident. GPEB does a reconciliation of the two reports to track that we have received all required S.86 SCT's. Thus factors affecting the rigor of STR identification and reporting also affect reporting of S.86 SCT reports to GPEB.

GPEB Investigations has provided more detailed analysis of key factors that they put forward to describe the changing conditions of cash being brought into BC casinos for cash cage buy-ins. This is done for two time periods, both covering twelve months. The first is August 31, 2010 – September 1, 2011. The second is the 2012 calendar year. Although the timeframes do not match, this comparison is useful for understanding trends. It should also be pointed out, as above, that the two time periods are across the changing environment of new training and increased diligence in identifying suspicious transactions.

Suspicious Currency Transaction (SCT/S.86 GCA) Analysis

	Aug 31, 2010 – Sept 1, 2011 (12 months)	Jan 1, 2012 – Dec 31, 2012 (12 months)
Total 5.86 SCT Notifications	543	1175
Total \$ Amount	\$39,572,313	\$87,435,297

Patron Buy-Ins over \$100,000 (# of different patrons who	80 patrons	88 patrons
have bought in at this level at least once)		
Patron Buy-Ins over \$1,000,000 (# of different patrons who	4 patrons	17 patrons
have bought in at this level at least once)		-

Supplemental information for 2012 is provided by GPEB Investigations. Their work in gaming facilities provides an assessment that Suspicious Currency Transaction buy-ins are increasing. Incidents of buy-ins at high levels (\$200,000 up to over \$500,000) with \$20 bills are increasing. This goes beyond being explained by the increased diligence of recognizing and reporting SCT's. Loan sharks were strongly deterred and continue to be deterred from entering and operating at casino premises in the province. However it is our belief that they continue to operate using creative ways of providing gaming patrons with cash, from outside of gaming premises.

The Investigations and Regional Operations Division has stated that they are satisfied that Service Provider reporting of 5.86 Suspicious Currency Transactions to GPEB is, and has generally been, consistent and acceptable since 2010. This would keep these in alignment with the FINTRAC STR reporting. BCLC oversight diligence has been enhanced over the past two years. The BCLC AML program has been examined through risk assessment diligence and appropriate tracking is in place.

Analysis

2012/13 Enhancements

The enhancements documented in this report came into effect beginning April 1, 2012. In order for service providers to put these into operation they had to develop policies and procedures to comply with BCLC requirements. The debit card option involved ordering and installing new equipment. In some cases this took time and thus the progress toward achieving results is reflected by a gradual startup period with greater momentum being achieved in the last quarter.

The industry working group met three times in 2012. The first meeting of the new year was February 7, 2013. The focus of these BCLC led AML meetings is to review progress with service provider implementation of the enhancements, to share solutions and to develop new solutions for patrons to access funds inside the gaming facilities. The SCT activity has also been discussed in the meetings. This approach between all parties has resulted in positive progress. It has also created a good environment for building momentum for promoting the enhancements in BC gaming facilities.

The results over three quarters of FY 2012/13 are encouraging. Almost \$90 million has been used for gaming out of PGF accounts. Debit withdrawals, at the cage, are over \$2 million. With the policies, procedures and systems becoming entrenched in gaming facilities, the trend for both of these enhanced options is a strong increase in the third quarter. The existing ATM and Global Cash withdrawal options are relatively stable quarter over quarter, with over \$808 million being withdrawn inside of gaming facilities in the first three quarters. Customer convenience cheques have been provided to patrons for almost \$217,000. This has allowed people to leave safely with their money while strong AML diligence is achieved through recording of the customer data.

In total the cash managed through alternative means, versus bringing it in from outside of gaming facilities, has been over \$900 million in the first three quarters of the year. Ten percent of this is from new initiatives. When annualized, the total of funds obtained within gaming facilities represents over 70% of the gross revenue. This is encouraging.

Suspicious Currency Transactions

Analyzing the trends in suspicious transactions, through a changing environment of training, identification and reporting has still allowed GPEB to draw conclusions from the data. A further analysis will be able to be done as 2013 unfolds, given the more consistent environment between this year and 2012.

Suspicious Currency Transactions (SCT) in BC gaming facilities continue to significantly increase across the observed periods. Even taking into consideration the upgrading of training and the push for service providers to identify and report more the evidence is that the amount of SCT's is dramatically larger in 2012. At over \$87 million this is more than double the reported SCT amount in the previous study period. The \$87 million represents 3.2% of the total gaming revenue in BC and 5.3% of the revenue in casinos and community gaming centres.

Conclusions and Recommendations

New Initiatives for 2013/14

Conclusions and Recommendations

The new initiatives of acquiring funds inside gaming facilities have grown well in the first nine months. Based on the performance measure, established for the Ministry Service Plan, the goal has been met for the current fiscal year.

While the progress is encouraging it is challenging to the AML initiative when we observe increases of Suspicious Currency Transaction cash being brought into casinos. The volume of gaming money acquired inside the facilities is considerable, with over 70% of gaming funds being acquired inside the venues. And, the trend is positive. As new initiatives are used more and more we are seeing momentum toward achieving the goal of the program. However, the increase in SCT cash, and the potential perception of money laundering, is a trend that must be turned around. While more gaming money is being obtained inside facilities more Suspicious Currency Transactions are being reported.

New Initiatives for 2013/14

AML Enhancements

The current suite of enhancements is still working into casino operations and will be promoted even more in 2013/14. GPEB has approved that the Patron Gaming Fund account can be opened at lower levels than the original pilot program required, which was \$10,000. We continue to encourage service providers to use this to grow the number of patrons using PGF accounts for gaming. We expect to see increasing results of funds being acquired inside gaming facilities.

Internet Banking Transfers (IBT) have been approved for moving funds into PGF accounts. This option will allow the transfer of money from a patron's bank account directly to the casino PGF account, similar to making a bill payment. The casino service providers are still working out the logistics of this, with banking institutions, and we expect to see this go live in 2013.

GPEB has approved the use of US bank accounts for putting funds into PGF accounts and for use in the Cheque Hold program. BCLC has developed policies and procedures for the US bank program, and we expect to have this in place in the near future.

A request has been made to allow patrons to access funds from foreign branch bank accounts of Canadian deposit taking institutions. This is under review and research is required, to inform if this proposal can be enabled and what constraints may be needed.

A BCLC marketing plan was discussed by the VP Communications and Public Relations at a previous industry working group meeting. This starts with marketing the cash free options with promotion materials and an approach for moving patrons into these options. Part of the plan will be to approach the limited number of high volume customers to review the enhancements and to help them to move into these and use them. The BCLC Casino group continues to work on this marketing plan in conjunction with casino service providers. We believe that this personal approach is integral to the long term success of moving high volume players into on-site access of their gaming funds.

New Initiatives for 2013/14 (continued)

PCMLTFA Regulations

As a result of new diligence required through the PCMLTF Act Regulations, reporting institutions will be applying enhanced Customer Due Diligence (CDD) requirements in the future. The Regulations changed in February 2013 and new procedures must be in place by February 2014. It is anticipated that this will require more engaged interactions with regular high volume customers and customers with large amounts of cash from outside of gaming facilities. The new Regulations describe enhanced monitoring of "high risk" persons and taking enhanced measures to mitigate risk when dealing with these high risk persons.

The industry is currently examining what processes and procedures will be needed to ensure that the new requirements are met. This is being led by BCLC in conjunction with service providers and GPEB. At this point we do not know exactly what effect this increased regulatory diligence will have on the interception and interruption of money laundering attempts. However, the expansion of PCMLTFA Regulations is a positive step toward achieving the desired AML results.

AML in BC Gaming - the Phased Plan

At the outset, in setting a strategy for preventing money laundering in BC casinos, it was decided that an incremental approach would be established. This was designed to progressively implement tiers of control over the acceptance of funds into gaming facilities. The level of suspicious currency would be tracked and analyzed so that the success of adoption of cash alternatives could be understood. The move from one phase to the next is done as a transition, overlapping from the previous state and adding enhanced diligence in the new phase.

Phases	Description	Timeframe
Phase 1 ~ Cash Alternatives (Service Provider intervention)	GPEB, BCLC and the industry have provided alternative means to carrying in cash from outside of gaming facilities. By adopting these alternatives patrons are able to access gaming funds directly in the facilities, and with appropriate AML diligence.	April 1, 2012
	The first phase includes promotion of the program by casino service providers, especially to their high volume players. Service providers are working to make this phase a success. Support by BCLC and GPEB is ongoing.	
	During Phase 1 BCLC has been working with service providers to help in developing the enhancements and the marketing of these to patrons. GPEB is involved in gathering more information on the nature of cash entering casinos and in developing analysis of these funds. Both of these activities will transition into Phase 2 for further development.	

The phased approach plan is:

The phased approach plan, continued:

Phases	Description	Timeframe
Phase 2 – Operator Intervention (BCLC)	In this phase analysis by the regulator continues, to aid in the identification of issues of concern. This will provide a basis for advancing AML activity in targeted areas. Comprehensive investigation and analysis is required to identify the intention of the large cash buy- ins, especially to identify those that are typical of money laundering or the use of proceeds of crime for gambling. The second phase will involve BCLC and service providers becoming more actively engaged in the promotion of the cash alternatives with the high volume customers. A customer relationship management	May 1, 2013
	approach will be developed and delivered as the phase unfolds. Enhanced Customer Due Diligence (CDD) will be introduced during this phase, and analysis capacity will be improved, to better inform AML activity in the industry.	
Phase 3 – Regulator Intervention (GPEB)	In this final phase GPEB will undertake direct regulatory action as part of the administrative process in preventing money laundering in BC gaming. If required GPEB will respond to the remaining suspicious currency	December 31, 2013
	The final phase will result in achieving the goal of limiting suspicious currency, preventing money laundering and the perception of money laundering in BC gaming facilities.	

The gaming industry is working to prevent money laundering, and the perception of money laundering, in British Columbia gaming facilities. Through the coordinated efforts of the Gaming Policy and Enforcement Branch, the British Columbia Lottery Corporation and gaming service providers we are engaged in managing this activity through ensuring that alternatives to outside cash are available to gaming patrons. A tiered approach of intervention is in place to phase-in the solutions so that the safety of patrons is ensured and the overall health of the industry is respected.

This is the first report to measure the performance progress of the anti-money laundering initiative.

This is Exhibit "62" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this 22 day of January 2021.

A Commissioner for taking Affidavits for the Province of British Columbia

 To:
 Scott, Douglas S EMNG:EX[PERSONAL INFORMATION]; Michael Graydon[PERSONAL INFORMATION];

 Susan Dolinski[PERSONAL INFORMATION]; Brad Desmarais[PERSONAL INFORMATION]; Vander Graaf, Larry P

 EMNG:EX[PERSONAL INFORMATION]; Brad Desmarais[PERSONAL INFORMATION]; Vander Graaf, Larry P

 EMNG:EX[PERSONAL INFORMATION]; Brad Desmarais[PERSONAL INFORMATION]; Vander Graaf, Larry P

 EMNG:EX[PERSONAL INFORMATION]; Bell, Suzanne N EMNG:EX[PERSONAL INFORMATION];

 Meilleur, Len EMNG:EX[PERSONAL INFORMATION]; Bell, Suzanne N EMNG:EX[PERSONAL INFORMATION];

 Cc:
 Fair, Susan P EMNG:EX[PERSONAL INFORMATION];

 From:
 McCrea, Bill J EMNG:EX

 Sent:
 Fri 2013-05-10 12:03:25 AM

 Subject:
 GPEB Anti-Money Laundering Performance Progress Report

 BCLC Discussion and GPEB Response.docx

Measurement Report to Ministry FY1213 - May 9 2013.docx

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Good Afternoon,

Following the release of the GPEB AML Progress Report (March 21, 2013) we were asked, by BCLC, to consider making certain changes in tone and content of the report. We have reviewed this request and have developed a new version (May 9, 2013). In addition to the new AML Report, I have attached a document that highlights the discussion by BCLC and provides GPEB's response. Some changes have been incorporated. Some questions are clarified through our response. And, as this is intended to be a balanced regulatory assessment certain portions of the report have remained the same. This version of GPEB's "Anti-Money Laundering in BC Gaming – Measuring Performance Progress" is the final version that will be released.

The incremental plan for the AML strategy is now in Phase 2. We appreciate the progress that has been made by the industry and anticipate continued progress toward achievement of the AML goal. I welcome your thoughts and comments, and thank you for your attention.

Bill

Bill McCrea BES MBA FCIP Executive Director Quality Assurance & Risk PERSONAL INFORMATION



Province of British Columbia Gaming Policy and Enforcement Branch Location: 3rd Floor 910 Government Street V8W 1X3 Mailing: PO Box 9311 Stn Prov Govt Victoria BC V8W 9N1

AML Performance Progress Report Response to Feedback

BCLC Discussion	GPEB Response
Executive Summary	
1. First sentence – could it be edited to:	The first sentence has been modified to reflect the
"As a result of concern that British Columbia gaming facilities could be targeted by organized crime for the purposes of money	
laundering"	
The way it is currently worded indicates with certainty that money	
laundering <u>was</u> occurring which, to my knowledge, has not been substantiated by law enforcement or GPEB.	4
2. Fourth paragraph , second sentence – could it be edited to:	This sentence has been adjusted, and is now parage enhanced training and rigor that BCLC and service applying to identification and reporting of cash tra
"Although increased reporting diligence has to be considered in explaining most of this trend, it appears that suspicious currency is entering at an increased level."	increased reporting. At the same time, the increase currency transactions is actually being observed. It
The income in twining and we esting requirements logically must	We cannot say that the increase in reporting is mo enhanced training and reporting requirements. No
The increase in training and reporting requirements logically must explain most of the increase, not just some, as there is no other	it can be explained as being mostly (or all) from up
evidence in the report that suggests other reasons for the trend. The	cash. We really don't have the ability to make eith
current wording also suggests that GPEB is basing its conclusions on its	statements without using conjecture. Phase 2 is w
own perceptions vs. facts.	facts behind the increase of the suspicious currence respond accordingly.
3. The Executive Summary misses a key opportunity to point to the	Good idea. This has been included in the Executive
advances made by the industry, GPEB and BCLC in the reduction of	new paragraph four in the Executive Summary.
cash. However, Page 11, Paragraphs 3 & 4 do a nice job of	
summarizing the results. It would be great to bring this upfront as part	
of the executive summary or at least better summarize it in the	
executive summary.	
Page 10	
4. Why have the two timeframes been chosen? The document	These are the timeframes that we have available. the report. Going forward we will be have these st
states that the comparison is useful to compare trends but it is only	calendar years.
useful if the full context is known/understood. Including the timeframe of Sept. 1/11-Jan1/12 would provide a more complete and balanced	
picture.	
5. Third Paragraph, 5 th Sentence – consider deleting. This is	We will leave this sentence in the report, changing
speculation and if GPEB is concerned that the majority this issue is	is not speculation. BCLC knows "loan sharks" have
really about managing perceptions vs. reality as indicated during our	within or around gaming facilities. BCLC has prohil
meeting yesterday, speculation can further intensify negative	from casinos. There are patron statements about :
perceptions if not based on fact. If it is GPEB's belief that loan sharks	support this.
Иау 8, 2013	l

Taking action against criminal activities is in the m jurisdiction. GPEB enforcement is restricted to dea integrity of gaming through the Gaming Control A
This section of the report does not speak to ML or The balanced approach is that the increase is mad enhanced training/reporting <u>and</u> an increase in su this point we cannot know the impact of either.
A new paragraph is being added, to put the regula into context. We need to continue to take action e being carried out.
GPEB has not defined this yet. As Phase 2 unfolds better understanding of the situation through the analysis and actions. If the desired results are achi not even be necessary. The plan of Phase 3 interve closer to the end of this year and into 2014, if requ

the initiative and GPEB has a regulatory responsibility to respond to the situation. A 3-phase plan is in place to manage the A

.



Know your limit, play within it.

Anti-Money Laundering in BC Gaming Measuring Performance Progress

Gaming Policy and Enforcement Branch

Anti-Money Laundering in BC Gaming

Measuring Performance Progress

Executive Summary

As a result of concern that British Columbia gaming facilities could be targeted for the purposes of money laundering the Gaming Policy and Enforcement Branch (GPEB) and the British Columbia Lottery Corporation (BCLC) embarked on an initiative to prevent this activity. The strategy statement, which has framed the anti-money laundering (AML) activities, is that:

The gaming industry will prevent money laundering in gaming by moving from a cash based industry as quickly as possible and scrutinizing the remaining cash for appropriate action. This shift will respect or enhance our responsible gambling practices and the health of the industry.

The approach to achieving the AML goal is for the industry to develop and implement tiers of scrutiny and control over the acceptance of funds into gaming facilities. The plan is designed to progress through three phases, with defined timeframes. The regulator, the operator and industry service providers are working to provide alternatives to outside cash, market the solutions to patrons, conduct analysis of high volume buy-ins and take appropriate action to meet the goal.

Both GPEB and BCLC have initiated working groups to create solutions for this industry challenge. Alternatives to carrying cash into gaming facilities have been developed and implemented, in Fiscal Year 2012/13. Progress has been made with new enhancements being introduced to the industry that allow patrons to safely obtain gaming funds inside the facilities. These funds are transferred from the financial institutions sector and rely on the required degree of AML diligence maintained there.

The results over the first three quarters of Fiscal Year 2012/13 are encouraging. Good progress has been made with customers using funds from the Patron Gaming Fund account, making debit withdrawals at the cage, and utilizing ATM's and other electronic withdrawals within the gaming facilities. The trend for use of the new enhancements shows a strong increase in the latest quarter. At this point approximately 70% of all gaming funds are obtained from within the casino and Community Gaming Centre facilities.

Even with the progress that has been made, through alternative cash initiatives, there have been increased levels of suspicious currency transactions during the same time period. Although increased reporting diligence has to be considered in the explanation of this trend, suspicious currency is entering at an increased level and the perception of undesirable funds is increasing.

This report provides discussion of the existing success in AML initiatives and the challenges of outside cash that continues to enter gaming facilities. It describes the next planned enhancements for availability of funds inside facilities. And, it sets out a phased approach to accelerate the strategy through the next fiscal year.

BACKGROUND

In 2011, the Province conducted a review "Anti-Money Laundering Efforts at BC Gaming Facilities" to determine what antimoney laundering (AML) policies, practices and strategies were currently in place and to identify opportunities to strengthen the existing anti-money laundering regime. The published review included recommendations to both the British Columbia Lottery Corporation (BCLC) and the Gaming Policy and Enforcement Branch (GPEB) for opportunities to further strengthen anti-money laundering efforts.

Following this report, GPEB and BCLC developed a comprehensive anti-money laundering strategy to implement changes in the cash based business. Prior to establishing the new AML strategy funds for gaming have been available inside the facilities, through limited options. Beyond those options cash had to be brought into gaming venues from outside the facilities. The focus of the AML strategy is a phased approach of prevention, through providing alternatives to bringing in cash from outside gaming facilities, and, working to prevent suspicious currency that is typical of, or could be perceived to be, money laundering or the use of proceeds of crime to gamble.

BCLC and GPEB created a formal information sharing agreement between BCLC and British Columbia police agencies, to enhance the ability to identify and ban persons with known criminal activities from BC gaming facilities. Since the 2011 report was released 7 individuals with known criminal activities have been banned.

An anti-money laundering cross-divisional working group (AML x-dwg) was established in GPEB to develop AML solutions and assess proposals from BCLC and the industry. At the outset GPEB's Assistant Deputy Minister met with Service Provider CEO's and the President & CEO of the BC Lottery Corporation to set an approach for this initiative. BCLC established an industry working group, which included themselves as the operator of gaming, service providers who manage and run the gaming facilities and GPEB as the regulator of gaming. The industry AML working group meets regularly to review progress and develop new strategies.

GPEB's strategy statement was developed, which has framed activities of the AML x-dwg and the industry working group. The gaming industry will prevent money laundering in gaming by moving from a cash based industry as quickly as possible and scrutinizing the remaining cash for appropriate action. This shift will respect or enhance our responsible gambling practices and the health of the industry.

This anti-money laundering strategy provides a framework for stakeholders in the gaming industry to align with each other in achieving mutual objectives to prevent money laundering, and the perception of money laundering, in the British Columbia gaming industry. Through creating innovative solutions and implementing these with rigorous policies and procedures the goal will be achieved.

AML PERFORMANCE MEASURES

The performance measure established for the Ministry 2013/14 - 2015/16 Service Plan is to "Enhance access to funds in gaming facilities." The measure tracks the strategy of providing a suite of options to access funds within casinos and Community Gaming Centers. This has a baseline of two options in 2011/12, to obtain funds inside gaming facilities, and expands on that in future years. The performance measure also commits to producing this AML effectiveness evaluation report and to adjust the strategy/implementation as appropriate to the success of the initiative.

This report provides discussion and measurements of the progress being made to achieve the goals set out in the Service Plan and in examining trends in suspicious currency transactions (SCT's). The baseline for the new options began April 1, 2012.

FINANCIAL BACKGROUND

The context for conducting financial analysis is the gross revenue of casinos and community gaming centres, and total gaming industry revenue in the province. The revenue figures for the past two fiscal years are.

	FY 2010/11	FY 2011/12
Casino	\$1,339,272,000	\$1,350,749,000
Community Gaming	\$277,036,000	\$289,286,000
CASINO & COMMUNITY REVENUE	\$1,616,308,000	\$1,640,035,000
TOTAL GAMING REVENUE	\$2,678,700,000	\$2,701,400,000

2011/12 AML Measures Baseline

Before engaging in new initiatives the two options available to obtain funds inside gaming facilities were Automated Teller Machines (ATM's) and the Patron Gaming Fund account.

<u>ATM</u>'s have been utilized in gaming facilities for many years. They are widely used by patrons to obtain funds but are limited in the amount of money that a player can obtain on any given day. Even with this limitation ATM's continue to be utilized by gaming patrons who withdraw hundreds of millions of dollars each year inside BC gaming locations.

The <u>Patron Gaming Fund</u> account (PGF) was introduced to BC gaming players late in December 2009. This option allows patrons to transfer funds electronically from approved deposit-taking institutions into a PGF account, held at a BC casino, for play while at the facility. The PGF account was established to provide an option to players having to carry large amounts of cash into gaming facilities. It also ensured that AML diligence had already been done for these funds. GPEB initially approved this innovative option with relatively strict controls, to conduct a pilot program that would allow us to manage the money laundering risk. With the controls in place, and the PGF account being a pilot program it received limited acceptance through the first two years.

2012/13 AML Enhancements

The new emphasis on AML opened up expanded options for increased use of the PGF by a larger number of players, and for larger volumes of garning funds. The commitment for Fiscal Year 2012/13 is to introduce three new options to either enhance existing AML strategies or to develop new strategies. Working with BCLC and casino service providers GPEB has approved new options, with resulting increases in funds being available inside gaming facilities. These new options have required new BCLC policies and procedures and the necessary changes in gaming facility operations. Thus adoption has been staggered throughout the year.

The following describes the 2012/13 enhancements and new strategies.

Patron Gaming Fund

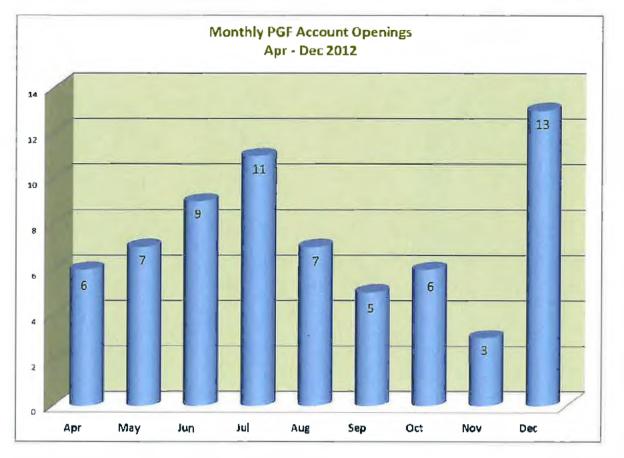
Through this current fiscal year, several enhancements have been made to the PGF accounts program. There has been a positive increase in funds being deposited into PGF accounts and used for gaming in the casinos. The enhancements are:

- the list of acceptable financial institutions, for transfer of funds into the PGF, has been expanded to include Schedule II Canadian deposit taking institutions.
- for customer convenience, PGF accounts can now be linked to two financial institution accounts. Only individual bank accounts are allowed, with no third party, joint or business accounts to be used in funding PGF funds.

- PGF accounts can now be funded with an expanded list of financial instruments. These are:
 - certified cheques
 - bank drafts
 - verified win cheques
 - o cheques issued by Canadian casinos, to the PGF account holder

Through work done at the industry working group, the PGF account has been more actively promoted in BC gaming facilities. Frequent, and high volume, players are being identified. Service providers are engaging these individuals to sign more players into the program and to encourage increased use of the program.

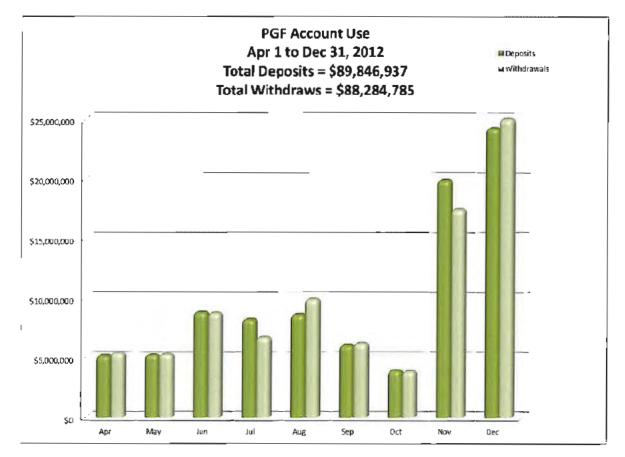
The chart below indicates the number of new PGF accounts that have been opened in the current fiscal year.



The total number of PGF accounts opened since the December 2009 inception of the program is 305. The 67 new PGF accounts, in the first nine months of the current fiscal year, is an increase of 28% over the previous total.

Although the current activity of new accounts is encouraging it should be noted that 152 of the total PGF accounts have been closed, subsequent to being opened. The primary reason for casino service providers to close accounts is due to inactivity for a 12 month period. This leaves 153 PGF accounts open as at December 31, 2012.

The chart below documents the amount of money deposited into PGF accounts and withdrawn for gaming use in the first three quarters of FY2012/13. It is significant to note the increase in usage during the third quarter, over the total usage in the prior two quarters. This measure is encouraging in that it supports the increased momentum of the AML strategy, by service providers and gaming patrons.



Analysis of PGF momentum:

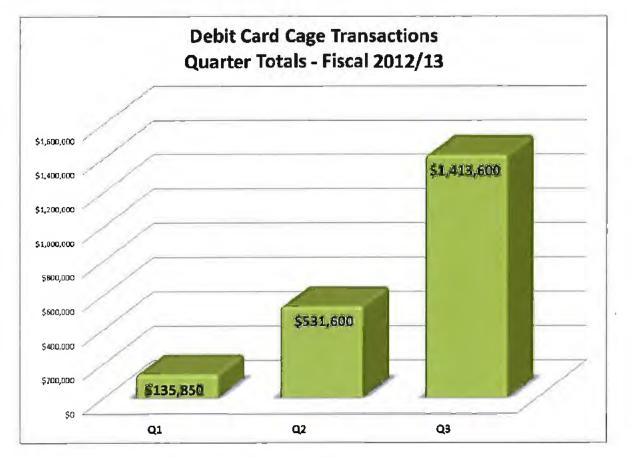
Timeframe	Total Deposits	Total Withdrawals
April 1 – September 30, 2012 (Q 1&2)	\$41,943,982	\$42,098,380
April 1 – December 31, 2012 (Q 1, 2 & 3)	\$89,846,937	\$88,284,785
Increase September 30 – December 31, 2012 (Q3 only)	\$47,902,955	\$46,186,405
% Q3 Increase over Q 1&2 Total	114%	110%

Note, there is clarifying discussion concerning tracking of the total deposits and withdrawals. Some adjustments will have to be made due to fine tuning of the accounting entries at source. The variance may represent a reduction of less than % of one percent, leaving the total deposits at approximately \$89.4 million.

Debit Card

As of April 1, 2012 gaming patrons were able to withdraw funds from their financial institutions using their debit card, at the cash cage. This new enhancement is intended for transactions in amounts above ATM limits. As the year has progressed new facilities have added this option for their patrons. There are currently nine gaming locations that offer debit withdrawal at the cash cage.

The total withdrawn, as at December 31, 2012, is \$2,080,050. With the addition of new properties the third quarter has shown a dramatic increase in use of this method for people to obtain gaming funds, within the gaming facilities.



- Total of \$2,080,050 for the current fiscal year
- This option is in use at the following properties: Boulevard, Cascades, Fraser Downs, Edgewater, Grand Villa, River Rock, Starlight, Treasure Cove, View Royal

Cheque Hold

The Cheque Hold process involves preapproving patrons to conduct casino gaming while a cheque (the security) that they have provided the casino is held uncashed. Once the patron has finished their gaming this cheque must be reconciled to either pay the amount owing, in the event of net losses, or the casino will pay out the net winnings if that is the case. This mechanism is used for high net worth patrons, who have the proven ability to cover the value of the held cheque.

Casino Property	Cheque Hold Approved	
Edgewater	April 10, 2012	
Starlight	May 13, 2012	
Grand Villa	May 24, 2012	
River Rock	July 20,2012	

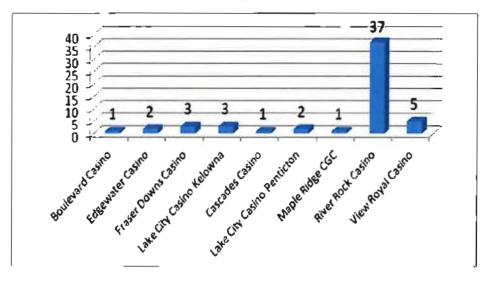
Participating Casinos for the Cheque Hold Option are listed below with approval dates. As of December 31, 2012 this option has yet to be utilized at any British Columbia gaming facilities.

There is an element of risk to the casino in supporting Cheque Hold programs. Currently the only other Canadian gaming facility utilizing Cheque Hold is the casino in Montreal, Quebec. This has been in place there for over three years. As this is a new enhancement in British Columbia we expected a slow start to adopting the program.

Customer Convenience Cheque

Service providers are now permitted to issue cheques to patrons for the return of buy-in funds, up to one \$8,000 cheque per week. These cheques are clearly marked "Return of Funds – Not Gaming Winnings". This option enhances security for patrons who do not wish to exit the gaming facility with large quantities of cash. AML diligence is enhanced as customer information is recorded and all transactions are monitored and reported. This policy does not provide cheques to every patron, as it is limited to one \$8,000 cheque per week.

For the nine month period April 1 – December 31 2012, a total of 55 convenience cheques were issued for a total amount of \$216,947. The breakdown, by gaming facility, is provided in the chart below.

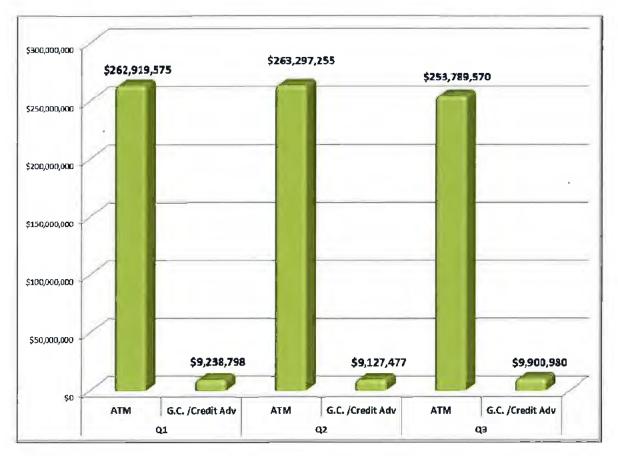


• Over the reported period 4 patrons have received more than one convenience cheque, provided within the policy parameters – each cheque was issued in different weeks.

Existing Methods of Reducing External Cash in Casinos

To fully understand the impact of funds obtained within gaming facilities versus those brought in from outside it is important to review methods that have already been in place. Casino service providers currently provide access to cash through ATM's and the Global Cash funds advance facility. The Global Cash Access company operates kiosks that allow patrons to make debit withdrawals or cash advance purchases for use in gaming. These kiosks are located outside of the gaming floor, usually in entertainment facility lobbies.

The table below provides the accounting for these existing methods for the first three quarters of the current fiscal year.



ATM/Global Cash/Credit Card Advances = \$808,273,655

- . .

Cash Transaction Monitoring and Reporting

Federal legislation requires casinos to report large cash transactions and suspicious transactions. In British Columbia BCLC is the legal reporting entity as a result of their role to conduct and manage gaming in the province. This reporting requirement is legally required by the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA). The reporting is provided to the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC). In the case of suspicious currency transaction reports, a Gaming Control Act Section 86 report (S.86) is provided to the Investigations and Regional Operations Division of GPEB.

Large cash transaction reports (LCT's) must be filed when reporting entities receive an amount of \$10,000 or more in cash in the course of a single transaction. An LCT must also be filed, in the case of casinos, when disbursements of \$10,000 or more are made in the course of a single transaction. As described in FINTRAC's Guideline 2: Suspicious Transactions, suspicious transaction reports (STR's) must be provided by reporting entities in the case of completed or attempted transactions if there are reasonable grounds to suspect that the transactions are related to the commission or attempted commission of a money laundering offence or a terrorist activity financing offence. The Guideline goes on to say that, ""Reasonable grounds to suspect" is determined by what is reasonable in your circumstances, including normal business practices and systems within your industry."

A measure used in understanding potential, or perceived, money laundering activity is suspicious transactions. By examining this activity we are able to derive information about the trends in cash entering casinos from outside of the premises, identifying incidents of suspicious transactions and the filing of STR's has evolved over the past few years. In the summer of 2010 FINTRAC conducted an audit of BC casino filings under the PCMLTFA. Further, a study was conducted by government. The 'Anti-Money Laundering Measures at BC Gaming facilities' report was released in 2011. As a result of the FINTRAC audit and the government study BCLC identified a need for greater diligence in recognizing and filing of casino buy-ins that required STR's.

Casino service provider training was upgraded early in 2010, and was branded as "Anti Money Laundering Training (AML)". Following the assessment of a FINTRAC administrative monetary penalty in June of 2010 BCLC Investigators were provided with an AML Compliance Manual, which clarified their duties and expectations with respect to AML monitoring and reporting. Through 2010 a new on-line AML course was developed for casino service providers and Community Gaming Centre staff. This was rolled out in March 2011. The AML Training course was updated, again, through 2012 and was made available to gaming workers in December 2012.

The upgraded level of patron buy-in diligence has contributed in increased filing of STR's by BCLC since 2010. This changing environment has to be considered in analyzing the statistics. The change in STR filing results has to be viewed in context of the new training and greater sensitivity to suspicious transaction situations since that time.

In addition to FINTRAC reporting, GPEB is responsible for the overall integrity of gaming in the Province as outlined in Section 23 of the Gaming Control Act (GCA). Section 86 of the GCA and Section 34 of the Gaming Control Regulation legally requires the Service Providers (Registrants) to immediately report to the Investigations and Regional Operations Division (Investigations) of GPEB any conduct or activity that is or may be contrary to the Criminal Code, the GCA or any Regulation under the Act and includes any activity or conduct that affects the integrity of gaming. These 5.86 reports are categorized, and reported, as Suspicious Currency Transactions (SCT) by GPEB Investigations.

SCT (S.86 GCA) Notifications	Year	Number of SCT Notifications
	2009	211
	2010	295
	2011	676
	2012	1175

Statistics for filing S.86 Suspicious Currency Transactions to GPEB Investigations are:

In summary, BCLC provides Large Cash Transaction (LCT) reports and Suspicious Transaction (STR) reports to FINTRAC. The casino service providers create Gaming Control Act Section 86 Suspicious Currency Transaction (S.86 SCT) reports for GPEB's Investigations and Regional Operations Division. The S.86 SCT reports are generated from information developed by casino surveillance staff, and these are sent to GPEB as soon as possible after the incident is observed. The STR reports

GPEB AML Progress Report - May 9, 2013Page 9

that are provided to FINTRAC are generated from the same incident. GPEB does a reconciliation of the two reports to track that we have received all required S.86 SCT's. Thus factors affecting the rigor of STR identification and reporting also affect reporting of S.86 SCT reports to GPEB.

GPEB Investigations has provided more detailed analysis of key factors that they put forward to describe the changing conditions of cash being brought into BC casinos for cash cage buy-ins. This is done for two time periods, both covering twelve months. The first is August 31, 2010 – September 1, 2011. The second is the 2012 calendar year. Although the timeframes do not match, this comparison is useful for understanding trends. It should also be pointed out, as above, that the two time periods are across the changing environment of new training and increased diligence in identifying suspicious transactions.

Suspicious Currency Transaction (SCT/S.86 GCA) Analysis

	Aug 31, 2010 – Sept 1, 2011 (12 months)	Jan 1, 2012 – Dec 31, 2012 (12 months)
Total S.86 SCT Notifications	543	1175
Total \$ Amount	\$39,572,313	\$87,435,297
Patron Buy-Ins over \$100,000 (# of different patrons who have bought in at this level at least once)	80 patrons	88 patrons
Patron Buy-ins over \$1,000,000 (# of different patrons who have bought in at this level at least once)	4 patrons	17 patrons

Supplemental information for 2012 is provided by GPEB Investigations. Their work in gaming facilities provides an assessment that Suspicious Currency Transaction buy-ins are increasing. Incidents of buy-ins at high levels (\$200,000 up to over \$500,000) with \$20 bills are increasing. This goes beyond being explained by the increased diligence of recognizing and reporting SCT's. Loan sharks were strongly deterred and continue to be deterred from entering and operating at casino premises in the province. However there is evidence that they continue to operate using creative ways of providing gaming patrons with cash, from outside of gaming premises.

The Investigations and Regional Operations Division has stated that they are satisfied that Service Provider reporting of S.86 Suspicious Currency Transactions to GPEB is, and has generally been, consistent and acceptable since 2010. This would keep these in alignment with the FINTRAC STR reporting. BCLC oversight diligence has been enhanced over the past two years. The BCLC AML program has been examined through risk assessment diligence and appropriate tracking is in place.

Analysis

2012/13 Enhancements

The enhancements documented in this report came into effect beginning April 1, 2012. In order for service providers to put these into operation they had to develop policies and procedures to comply with BCLC requirements. The debit card option involved ordering and installing new equipment. In some cases this took time and thus the progress toward achieving results is reflected by a gradual startup period with greater momentum being achieved in the last quarter.

The industry working group met three times in 2012. The first meeting of the new year was February 7, 2013. The focus of these BCLC led AML meetings is to review progress with service provider implementation of the enhancements, to share solutions and to develop new solutions for patrons to access funds inside the gaming facilities. The SCT activity has also been discussed in the meetings. This approach between all parties has resulted in positive progress. It has also created a good environment for building momentum for promoting the enhancements in BC gaming facilities.

The results over three quarters of FY 2012/13 are encouraging. Almost \$90 million has been used for gaming out of PGF accounts. Debit withdrawals, at the cage, are over \$2 million. With the policies, procedures and systems becoming entrenched in gaming facilities, the trend for both of these enhanced options is a strong increase in the third quarter. The existing ATM and Global Cash withdrawal options are relatively stable quarter over quarter, with over \$808 million being withdrawn inside of gaming facilities in the first three quarters. Customer convenience cheques have been provided to patrons for almost \$217,000. This has allowed people to leave safely with their money while strong AML diligence is achieved through recording of the customer data.

In total the cash managed through alternative means, versus bringing it in from outside of gaming facilities, has been over \$900 million in the first three quarters of the year. Ten percent of this is from new initiatives. When annualized, the total of funds obtained within gaming facilities represents over 70% of the gross revenue. This is encouraging.

Suspicious Currency Transactions

In analyzing the trends of suspicious transactions, despite a changing environment of training, identification and reporting, GPEB has still been able to draw conclusions from the data. More detailed analysis will continue by both BCLC and GPEB to gain greater understanding of the underlying causes driving suspicious transaction reporting. Further analysis will be done as 2013 unfolds, given the more consistent environment between this year and 2012.

Suspicious Currency Transactions (SCT) in BC gaming facilities continue to significantly increase across the observed periods. Even taking into consideration the upgrading of training and the push for service providers to identify and report more, the evidence is that the amount of SCT's is dramatically larger in 2012. At over \$87 million this is more than double the reported SCT amount in the previous study period. While analysis in Phase 2 will provide a better understanding of the nature of suspicious transaction reporting, the benefits of reducing large cash activities in casinos are evident. Therefore actions to reduce large and suspicious cash from outside of gaming facilities will continue.

GPEB is responsible to respond when the integrity of gaming is impacted or threatened. The second phase of the AML plan will develop the analysis and investigation that will determine the necessary customer and source of funds information to understand the situation with respect to legitimate cash, potential money laundering and the potential use of proceeds of crime in BC gaming facilities. While this is being done we will continue to respond with prevention efforts to deal with this risk.

Conclusions and Recommendations

New Initiatives for 2013/14

Conclusions and Recommendations

The new initiatives of acquiring funds inside gaming facilities have grown well in the first nine months. Based on the performance measure, established for the Ministry Service Plan, the goal has been met for the current fiscal year.

While the progress is encouraging it is challenging to the AML initiative when we observe increases of Suspicious Currency Transaction cash being brought into casinos. The volume of gaming money acquired inside the facilities is considerable, with over 70% of gaming funds being acquired inside the venues. And, the trend is positive. As new initiatives are used more and more we are seeing momentum toward achieving the goal of the program. However, the increase in SCT cash, and the potential perception of money laundering, is a trend that must be turned around. While more gaming money is being obtained inside facilities more Suspicious Currency Transactions are being reported.

New Initiatives for 2013/14

AML Enhancements

The current suite of enhancements is still working into casino operations and will be promoted even more in 2013/14. GPEB has approved that the Patron Gaming Fund account can be opened at lower levels than the original pilot program required, which was \$10,000. We continue to encourage service providers to use this to grow the number of patrons using PGF accounts for gaming. We expect to see increasing results of funds being acquired inside gaming facilities.

Internet Banking Transfers (IBT) have been approved for moving funds into PGF accounts. This option will allow the transfer of money from a patron's bank account directly to the casino PGF account, similar to making a bill payment. The casino service providers are still working out the logistics of this, with banking institutions, and we expect to see this go live in 2013.

GPEB has approved the use of US bank accounts for putting funds into PGF accounts and for use in the Cheque Hold program. BCLC has developed policies and procedures for the US bank program, and we expect to have this in place in the near future.

A request has been made to allow patrons to access funds from foreign branch bank accounts of Canadian deposit taking institutions. This is under review and research is required, to inform if this proposal can be enabled and what constraints may be needed.

A BCLC marketing plan was discussed by the VP Communications and Public Relations at a previous industry working group meeting. This starts with marketing the cash free options with promotion materials and an approach for moving patrons into these options. Part of the plan will be to approach the limited number of high volume customers to review the enhancements and to help them to move into these and use them. The BCLC Casino group continues to work on this marketing plan in conjunction with casino service providers. We believe that this personal approach is integral to the long term success of moving high volume players into on-site access of their gaming funds.

New Initiatives for 2013/14 (continued)

PCMLTFA Regulations

As a result of new diligence required through the PCMLTF Act Regulations, reporting institutions will be applying enhanced Customer Due Diligence (CDD) requirements in the future. The Regulations changed in February 2013 and new procedures must be in place by February 2014. It is anticipated that this will require more engaged interactions with regular high volume customers and customers with large amounts of cash from outside of gaming facilities. The new Regulations describe enhanced monitoring of "high risk" persons and taking enhanced measures to mitigate risk when dealing with these high risk persons.

The industry is currently examining what processes and procedures will be needed to ensure that the new requirements are met. This is being led by BCLC in conjunction with service providers and GPEB. At this point we do not know exactly what effect this increased regulatory diligence will have on the interception and interruption of money laundering attempts. However, the expansion of PCMLTFA Regulations is a positive step toward achieving the desired AML results.

AML in BC Gaming - the Phased Plan

At the outset, in setting a strategy for preventing money laundering in BC casinos, it was decided that an incremental approach would be established. This was designed to progressively implement tiers of control over the acceptance of funds into gaming facilities. The level of suspicious currency would be tracked and analyzed so that the success of adoption of cash alternatives could be understood. The move from one phase to the next is done as a transition, overlapping from the previous state and adding enhanced diligence in the new phase.

Phases	Description	Timetrame
Phase 1 – Cash Alternatives (Service Provider Intervention)	GPEB, BCLC and the industry have provided alternative means to carrying in cash from outside of gaming facilities. By adopting these alternatives patrons are able to access gaming funds directly in the facilities, and with appropriate AML diligence.	April 1, 2012
	The first phase includes promotion of the program by casino service providers, especially to their high volume players. Service providers are working to make this phase a success. Support by BCLC and GPEB is ongoing.	
	During Phase 1 BCLC has been working with service providers to help in developing the enhancements and the marketing of these to patrons. GPEB is involved in gathering more information on the nature of cash entering casinos and in developing analysis of these funds. Both of these activities will transition into Phase 2 for further development.	

The phased approach plan is:

Phases	Description	Timeframe
Phase 2 – Operator Intervention (BCLC)	In this phase analysis by the regulator continues, to aid in the identification of issues of concern. This will provide a basis for advancing AML activity in targeted areas. Comprehensive investigation and analysis is required to identify the intention of the large cash buy- ins, especially to identify those that are typical of money laundering or the use of proceeds of crime for gambling. The second phase will involve BCLC and service providers becoming more actively engaged in the promotion of the cash alternatives with	May 1, 2013
	the high volume customers. A customer relationship management approach will be developed and delivered as the phase unfolds. Enhanced Customer Due Diligence (CDD) will be introduced during this phase, and analysis capacity will be improved, to better inform AML activity in the industry.	
Phase 3 – Regulator Intervention (GPEB)	In this final phase GPEB will undertake direct regulatory action as part of the administrative process in preventing money laundering in BC gaming. If required GPEB will respond to the remaining suspicious currency inflows.	December 31, 2013
	The final phase will result in achieving the goal of limiting suspicious currency, preventing money laundering and the perception of money laundering in BC gaming facilities.	

The gaming industry is working to prevent money laundering, and the perception of money laundering, in British Columbia gaming facilities. Through the coordinated efforts of the Gaming Policy and Enforcement Branch, the British Columbia Lottery Corporation and gaming service providers we are engaged in managing this activity through ensuring that alternatives to outside cash are available to gaming patrons. A tiered approach of intervention is in place to phase-in the solutions so that the safety of patrons is ensured and the overall health of the industry is respected.

This is the first report to measure the performance progress of the anti-money laundering initiative.

This is Exhibit "63" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this _____ day of January 2021.

A Commissioner for taking Affidavits for the Province of British Columbia ----

To: Brad Desmarais PERSONAL INFORMATION]; Lisa Green PERSONAL INFORMATION

Cc: Kevin Sweeney[PERSONAL INFORMATION]

From: Cathy Anastasio

Sent: Wed 2013-07-17 10:34:57 PM

Subject: RE: AML Enhancement Statistics and AML Progress

Reducing Reliance on Cash Q1 2013-14.docx

Lisa, here is the Q1 report updated. I was not able to report on ATM amounts as in the previous report – Brad is aware of this issue. I hope this provides all the information you require, let me know if you need anything further, thanks.

From: Brad Desmarais Sent: Wednesday, July 17, 2013 9:13 AM To: Cathy Anastasio Cc: Kevin Sweeney Subject: FW: AML Enhancement Statistics and AML Progress

Subject: FW; AML Enhancement Statistics and AME

Hi there,

Brad received the following email from Bill McCrea – are you able to have any info for when Brad gets back tomorrow? Thanks... Lisa

From: McCrea, Bill J EMNG:EX [PERSONAL INFORMATION]

Sent: July 16, 2013 4:28 PM

To: Brad Desmarais

Subject: AML Enhancement Statistics and AML Progress

Hi Brad,

It's been a while since we communicated. I hope your recent trip was a good one and that your summer is going well.

Brad, can you tell me when Cathy Anastasio will have a six-month report tallying the progress of the various 'non-cash' alternatives? These reports have been useful to me in understanding the progress that we are making in the efforts to have patrons access their gaming funds from inside the casinos. Do you know if we have any cheque hold patrons yet? And, have we had any funds come in from U.S. banks? These are the two latest enhancements and had not been used in the last report we had.

How are your other AML initiatives progressing? I know we will see each other in just under a month, but I would like to be able to let Doug Scott know what is happening. Thanks for your help.

Bill

Bill McCrea BES MBA FCIP Executive Director Quality Assurance & Risk PERSONAL INFORMATION

Province of British Columbia Gaming Policy and Enforcement Branch Location: 3rd Floor 910 Government Street V8W 1X3 Mailing: PO Box 9311 Stn Prov Govt Victoria BC V8W 9N1

Reducing Reliance on Cash New Payment Initiatives



BCLC0012148

table of contents

1

Use of Debit at Cash Cage1	1
Patron Gaming Fund (PGF) Accounts	ł
Internet Banking Transfers	į
Cheque Hold/Marker	5
Convenience Cheques	
Quarterly Comparisons	\$



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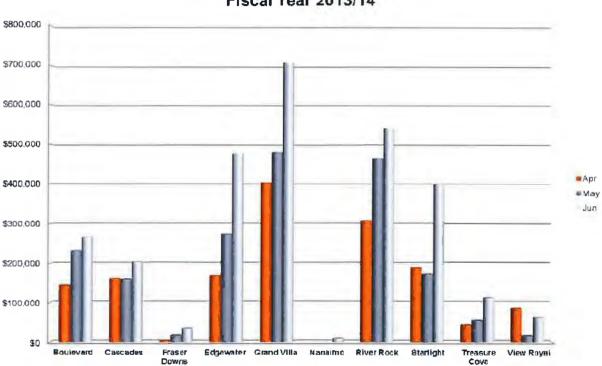
Fiscal Year 2013-14

First Quarter Report

As of April 1, 2012, BCLC introduced several new initiatives to reduce the volume of cash being utilized within casinos and to provide better customer service options for its patrons. This report will display the data collected for the first quarter of fiscal year 2013-14 and analyze the success of these initiatives.

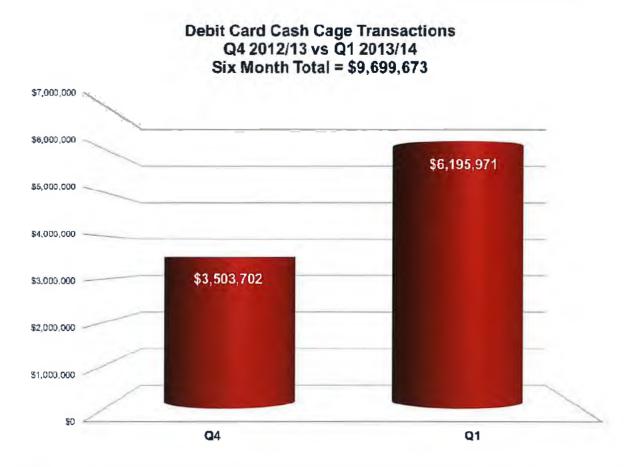
Use of Debit at Cash Cage

Debit card use at the cash cage is intended for transactions in amounts above ATM limits. Some of the gaming facilities provide this debit option to patrons for any amount while some sites have established minimum monetary limits for withdraw.



Debit Card Use at Cash Cage Monthly Totals by Property Fiscal Year 2013/14





- The use of debit transactions at the cash cage has grown each quarter since this option has been introduced.
- This option is simple for the service providers to establish and there are no additional security risks.
- In order to make this option even more successful, it would be suggested that:
 - o it is offered at more gaming facilities (Nanaimo recently started to offer this service)
 - o the minimum withdraw amounts should be removed
 - advertise the service to patrons



Patron Gaming Fund (PGF) Accounts

Data on PGF Accounts from April 1, 2013 to June 30, 2013

- \$4,061,500 used as initial deposits to open accounts
- 588 account deposit transactions reported to FINTRAC
- As of February 2013, PGF Accounts in use for the first time at the Boulevard Casino

PGF Account Use Fiscal Year 2013/14





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25 20 15 10 10 10 10

Monthly PGF Account Openings Fiscal 2013/14

- First Quarter (Apr to Jun) 47 new accounts
- First Quarter (Apr to Jun previous fiscal year) 22 new accounts
- PGF accounts continue to be an excellent option for VIP players at the larger lower mainland casinos. There has been an increase in account openings as well as a large increase in funds which filter in and out of these accounts.



Internet Banking Transfers

BCLC, in conjunction with its service providers, is exploring the option of using Internet Banking Transfers (IBTs) as another method available to assist and encourage patrons to use their PGF accounts on site. Once this process has been established, data will be collected to determine its success at removing cash from the casino environment.

Gateway Casinos was successful in establishing IBTs from these banks:

- Bank of Montreal (BMO) across Canada
- All BC Credit Unions (achieved through Central 1 Credit Union which handles this option for all BC Credit Unions.

Gateway has also been in contact with HSBC bank and CIBC as well to set up the internet banking option.

Currently the IBT option has yet to be utilized by any of Gateway's patrons. Feedback provided states that currently the players are not interested in utilizing this option. Gateway contacted their VIP players and offered the option of performing IBTs from US banks and again there was little interest.

Moving forward, a newly created role at Gateway (Assistant Director, Asian VIP Business Development) will be responsible for marketing to VIP players and offering all the additional banking options for patrons to utilize with their PGF accounts. It is hoped that future reports will show an uptake in these options.

Cheque Hold/Marker

The participating casinos that are going to include the Hold Cheque Option are listed below with approval dates. As of June 30, 2013 this option has yet to be utilized by any of the gaming facilities. In order for this service to have any uptake by casino patrons, it must be made available and marketed to the VIP players. Service provider staff must make efforts to contact individual VIP patrons and explain all cashless options which are offered at the different gaming facilities.

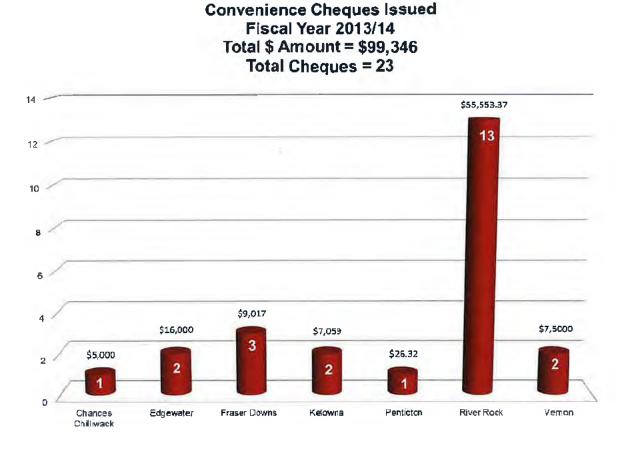
Casino Property	Cheque Hold Approved
Edgewater	April 10, 2012
Starlight	May 13, 2012
Grand Villa	May 24, 2012
River Rock	July 20,2012

Convenience Cheques

Service providers are permitted to issue cheques to patrons for the return of buy-in funds up to \$8,000. At the launch of this initiative the initial threshold amount was \$5,000 but was later increased

July 17, 2

to \$8,000 in January 2013. These cheques are clearly marked "Return of Funds – Not Gaming Winnings". Patrons are only able to receive one cheque per week. This option also enhances the security for patrons who do not wish to exit the gaming facility with large quantities of cash.



- Three patrons have received more than one convenience cheque however all cheque issuances were within the policy parameters each cheque issued in different weeks
- System alerts to BCLC are in place each time a convenience cheque is issued
- Compliance with cheque issuance policy is monitored

Quarterly Comparisons

Cashless Methods	1 st Quarter Current Fiscal	1 st Quarter Previous Fiscal	% Increase
	Page 6		July 17, 2

2013/14		1 st Quarter Previous Fiscal	% Increase
		2012/13	
Debit Cage	\$9,699,415	\$135,850	700%
Convenience Cheque	\$99,346	\$54,173	83%
Total PGF Deposits	\$67,539,415	\$19,154,400	252%
Total Cash Removed	\$77,338,176	\$19,344,423	299%



This is Exhibit "64" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this day of January 2021.

A Commissioner for taking Affidavits for the Province of British Columbia ----

 To:
 'McCrea, Bill J EMNG PERSONAL INFORMATION

 Cc:
 Brad Desmarais[PERSONAL INFORMATION]; John Karlovced

 From:
 Cathy Anastasio

 Sent:
 Mon 2013-12-02 7:45:45 PM

 Subject:
 RE: Reducing Reliance on Cash - New Payment Initiatives reports

 Reducing Reliance on Cash Fiscal Year end Report 2012.docx

 Reducing Reliance on Cash Q2 2013-14.docx

11221112

As requested. Please let me know if you have any questions or require anything further. Thanks.

From: McCrea, Bill J EMNG:EX [PERSONAL INFORMATION] Sent: Monday, December 02, 2013 11:38 AM To: Cathy Anastasio Cc: Brad Desmarais; John Karlovcec Subject: Reducing Reliance on Cash - New Payment Initiatives reports Importance: High

Hi Cathy,

Brad Desmarais left me a message that you are aware that I am looking for copies of two reports. I have been trading phone calls with Brad and John, as I'm looking to get soft copies of the two most recent reports on the performance of the new payment alternatives. The reports I'm wanting to get are the <u>Fiscal Year 2012-13</u> and the <u>Second Quarter Report for Fiscal Year 2013-14</u>. I do have hard copies of these but would like the soft versions so I can send them to our GPEB AML Working Group, in support of the efforts that continue at BC gaming facilities.

Cathy, are you able to send these to me? Thanks.

Bill

Bill McCrea BES MBA FCIP Executive Director Quality Assurance & Risk PERSONAL INFORMATION



Province of British Columbia Gaming Policy and Enforcement Branch Location: 3rd Floor 910 Government Street V8W 1X3 Mailing: PO Box 9311 Stn Prov Govt Victoria BC V8W 9N1

Reducing Reliance on Cash New Payment Initiatives



411

BCLC0012164

table of contents

Use of Debit at Cash Cage1	
Patron Gaming Fund (PGF) Accounts	1
Internet Banking Transfers	í
Cheque Hold/Marker	i
Convenience Cheques	1
Quarterly Comparisons	1
Existing Methods of Reducing Cash in Casinos	1
Summary for fiscal year 2012-13	j



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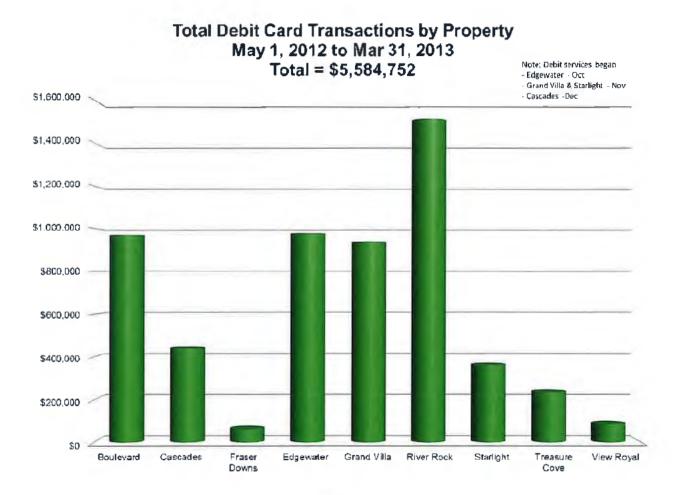


Fiscal Year 2012-13 Report

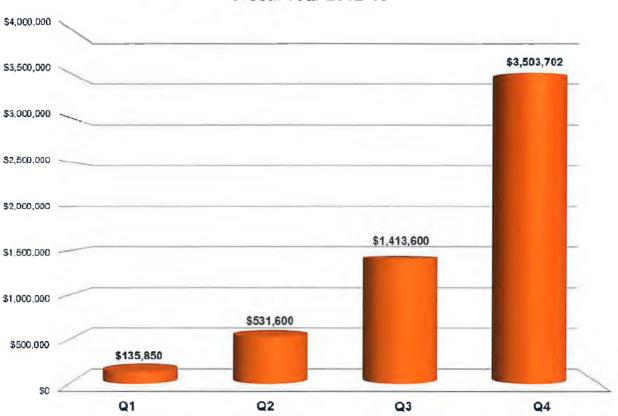
As of April 1, 2012, BCLC introduced several new initiatives to reduce the volume of cash being utilized within casinos and to provide better customer service options for its patrons. This report will display the data collected for fiscal year 2012-13 and analyze the success of these initiatives.

Use of Debit at Cash Cage

Debit card use at the cash cage is intended for transactions in amounts above ATM limits. Some of the gaming facilities provide this debit option to patrons for any amount while some sites have established minimum monetary limits for withdraw.



April 23, 2013

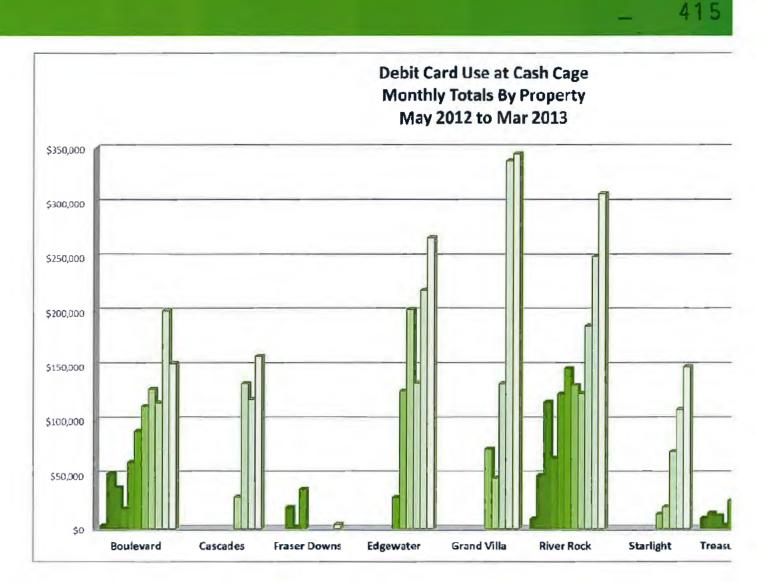


Debit Card Cash Cage Transactions Fiscal Year 2012-13

- The use of debit transactions at the cash cage has grown each quarter since this option has been introduced.
- This option is simple for the service providers to establish and there are no additional security risks.
- In order to make this option even more successful, it would be suggested that:

Page 2

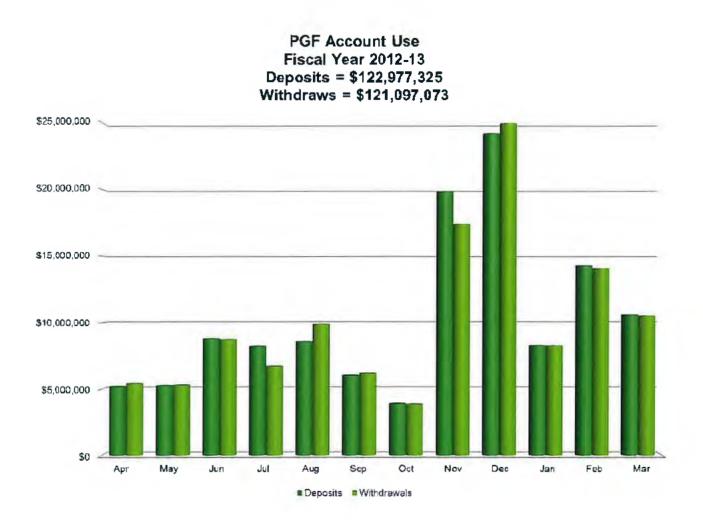
- it is offered at more gaming facilities
- b the minimum withdraw amounts should be removed
- advertise the service to patrons

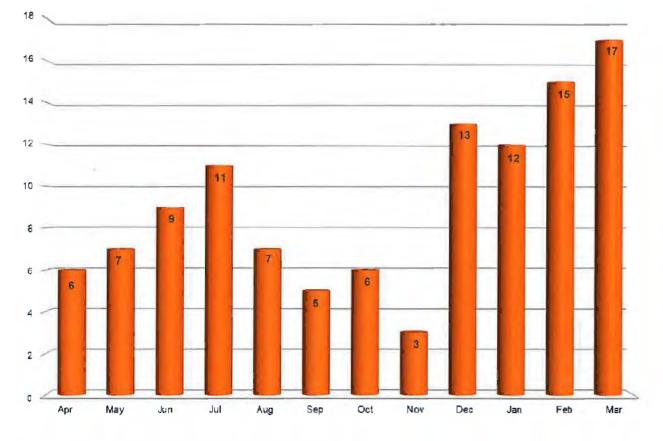


Patron Gaming Fund (PGF) Accounts

Data on PGF Accounts from April 1, 2012 to March 31, 2013

- \$9,302,163 used as initial deposits to open accounts
- 1,431 account deposit transactions reported to FINTRAC
- As of February 2013, PGF Accounts in use for the first time at the Boulevard Casino





Monthly PGF Account Openings Fiscal Year 2012-13

- First Quarter (Apr to Jun) 22 new accounts
- Second Quarter (Jul to Sep) 23 new accounts
- Third Quarter (Oct to Dec) 22 new accounts
- Fourth Quarter (Jan to Mar) 44 new accounts double the average quarterly amount
- PGF accounts continue to be an excellent option for VIP players at the larger lower mainland casinos. There has been an increase in account openings as well as a large increase in funds which filter in and out of these accounts.

Internet Banking Transfers

BCLC, in conjunction with its service providers, is exploring the option of using Internet Banking Transfers (IBTs) as another method available to assist and encourage patrons to use their PGF accounts on site. Once this process has been established, data will be collected to determine its success at removing cash from the casino environment.

Gateway Casinos was successful in establishing IBTs from these banks:

- Bank of Montreal (BMO) across Canada
- All BC Credit Unions (achieved through Central 1 Credit Union which handles this option for all BC Credit Unions.

Gateway has also been in contact with HSBC bank and CIBC as well to set up the internet banking option.

Currently the IBT option has yet to be utilized by any of Gateway's patrons. Feedback provided states that currently the players are not interested in utilizing this option. Gateway contacted their VIP players and offered the option of performing IBTs from US banks and again there was little interest.

Moving forward, a newly created role at Gateway (Assistant Director, Asian VIP Business Development) will be responsible for marketing to VIP players and offering all the additional banking options for patrons to utilize with their PGF accounts. It is hoped that future reports will show an uptake in these options.

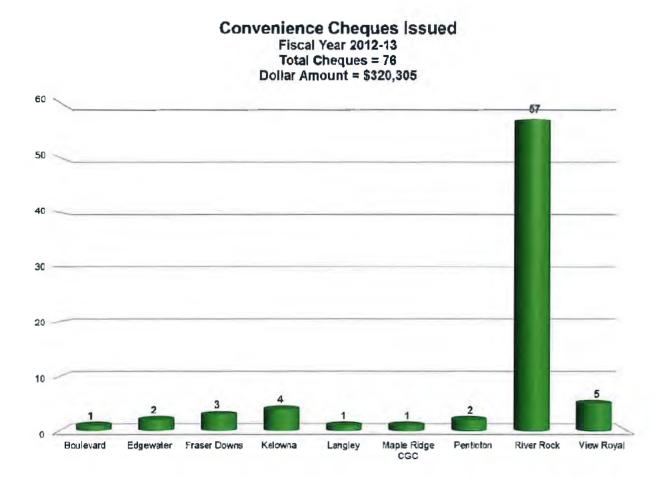
Cheque Hold/Marker

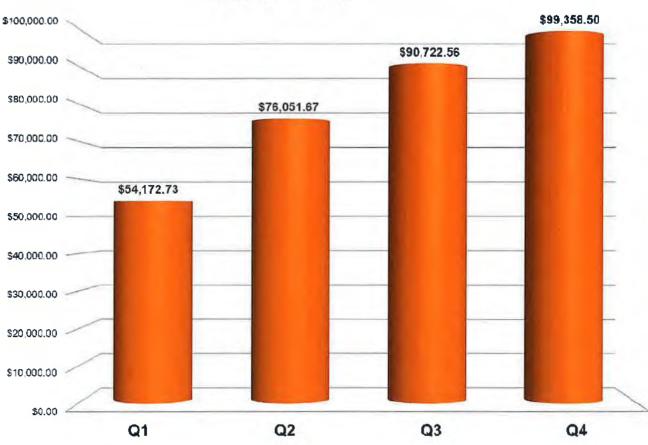
The participating casinos that are going to include the Hold Cheque Option are listed below with approval dates. As of March 31, 2013 this option has yet to be utilized by any of the gaming facilities. In order for this service to have any uptake by casino patrons, it must be made available and marketed to the VIP players. Service provider staff must make efforts to contact individual VIP patrons and explain all cashless options which are offered at the different gaming facilities.

Casino Property	Cheque Hold Approved	
Edgewater	April 10, 2012 May 13, 2012 May 24, 2012 July 20,2012	
Starlight		
Grand Villa		
River Rock		

Convenience Cheques

Service providers are permitted to issue cheques to patrons for the return of buy-in funds up to \$8,000. At the launch of this initiative the initial threshold amount was \$5,000 but was later increased to \$8,000 in January 2013. These cheques are clearly marked "Return of Funds – Not Gaming Winnings". Patrons are only able to receive one cheque per week. This option also enhances the security for patrons who do not wish to exit the gaming facility with large quantities of cash.





Convenience Cheques Fiscal Year 2012-13 Totals

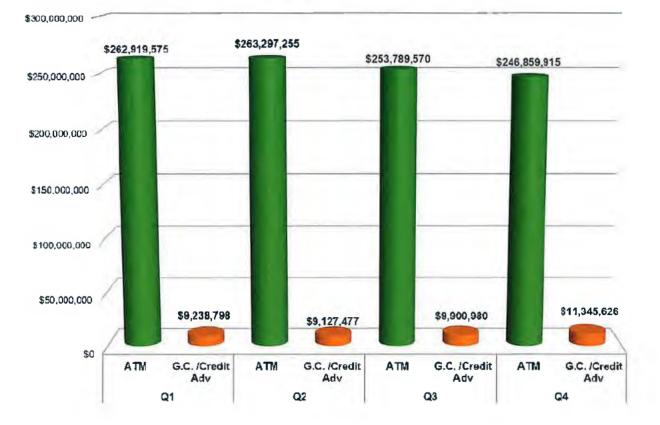
- Five patrons have received more than one convenience cheque and one patron has received a total of six cheques however all cheque issuances were within the policy parameters – each cheque issued in different weeks
- System alerts to BCLC are in place each time a convenience cheque is issued.
- Compliance with cheque issuance policy is monitored

Quarterly Comparisons

Cashless Methods	1 st Quarter	2 nd Quarter	3 rd Quarter
Debit Cage	\$135,850	\$531,600	\$1,413,600
Convenience Cheque	\$54,173	\$76,051	\$90,722
Total PGF Deposits	\$19,154,400	\$22,789,582	\$47,902,955
Total Cash Removed	\$19,344,423	\$23,397,233	\$49,407,277

Existing Methods of Reducing Cash in Casinos

In addition to tracking the new methods of reducing the reliance on cash in casinos, this report will cover the current methods that are in place to assist with this initiative. The casino service providers currently make use of the following methods to provide access to cash at their gaming facilities for their patrons: ATM machines, Global Cash and Credit Card Advances. Data has been obtained for fiscal year 2012-13 and displayed in the chart below. These methods provide other options for patrons who not wish to carry street cash into gaming facilities.



ATM, Global Cash, Credit Card Advance Totals Fiscal Year 2012-13

ATM/Global Cash/Credit Card Advances = \$1,066,479,196

Summary for fiscal year 2012-13

Total Cash Removed from Casinos since April 1, 2012 Debit at Cage = \$5,548,752 Convenience Cheques = \$320,305 PGF Accounts = \$122,977,325

TOTAL CASH REMOVED USING NEW INITIATIVES = \$128,846,382

TOTAL CASH REMOVED INCLUDING ALL METHODS = \$1,195,325,578



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Reducing Reliance on Cash New Payment Initiatives



423

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table of contents

Use of Debit at Cash Cage	l
Patron Gaming Fund (PGF) Accounts	3
Internet Banking Transfers	5
Cheque Hold/Marker	5
Convenience Cheques	3
Existing Methods of Reducing Cash in Casinos	7
Quarterly Comparisons)
Summary for fiscal year 2013/14	9



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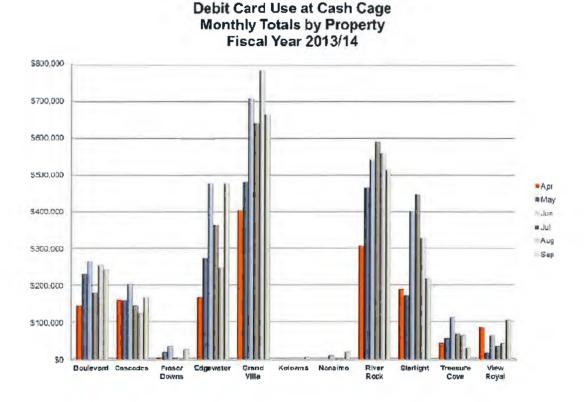
Fiscal Year 2013-14

Second Quarter Report

As of April 1, 2012, BCLC introduced several new initiatives to reduce the volume of cash being utilized within casinos and to provide better customer service options for its patrons. This report will display the data collected for the first two quarters of fiscal year 2013-14 and analyze the success of these initiatives.

Use of Debit at Cash Cage

Debit card use at the cash cage is intended for transactions in amounts above ATM limits. Some of the gaming facilities provide this debit option to patrons for any amount while some sites have established minimum monetary limits for withdraw.





\$7,400,000 \$7,200,000 \$6,600,000 \$6,600,000 \$6,400,000 \$6,000,0000 \$6,000,000,000 \$6,000,000,000 \$6,000,00

Debit Use at the Cash Cage Fiscal Year 2013/14



- The use of debit transactions at the cash cage has grown each quarter since this option has been introduced.
- Q4 total for fiscal year 2012/13 was \$3,503,702
- Grand Villa Casino is the property where this option is most successful reaching close to \$800,000 for the month of August 2013
- This option is simple for the service providers to establish and there are no additional security risks.
- In order to make this option even more successful, it would be suggested that:
 - o it is offered at more gaming facilities (Kelowna recently started to offer this service)
 - o the minimum withdraw amounts should be removed
 - advertise the service to patrons

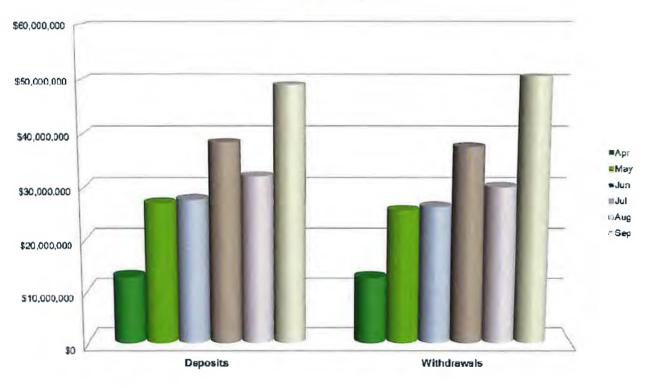


Patron Gaming Fund (PGF) Accounts

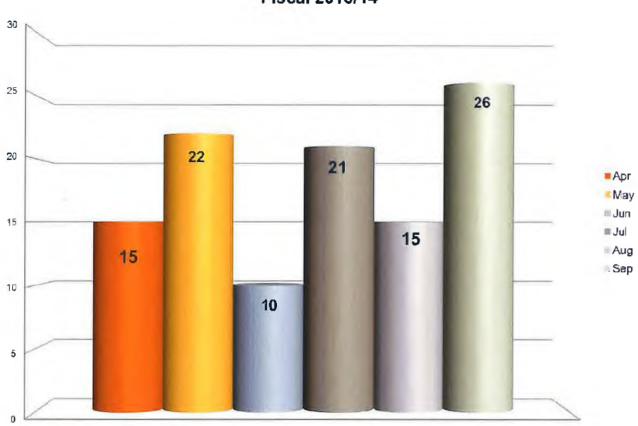
Data on PGF Accounts from April 1, 2013 to September 30, 2013

- \$11,185,050 used as initial deposits to open accounts
- 1,265 account deposit transactions reported to FINTRAC
- As of February 2013, PGF Accounts in use for the first time at the Boulevard Casino
- Steady growth in account usage has occurred since the beginning of this current fiscal year

PGF Account Use Fiscal Year 2013/14 Deposits = \$186,975,474 Withdraws = \$182,519,619







Monthly PGF Account Openings Fiscal 2013/14

- First Quarter 47 new accounts
- Second Quarter 62 new accounts a 24% increase
- Second Quarter previous fiscal year 23 new accounts, a 62% increase over same quarter last fiscal
- PGF accounts continue to be an excellent option for VIP players at the larger lower mainland casinos. There has been an increase in account openings as well as a large increase in funds which filter in and out of these accounts.
- Substantial increases in PGF account usage has been noted within the last six months with September setting a record for dollar volume and new accounts being opened



Internet Banking Transfers

BCLC, in conjunction with its service providers, is exploring the option of using Internet Banking Transfers (IBTs) as another method available to assist and encourage patrons to use their PGF accounts on site. Once this process has been established, data will be collected to determine its success at removing cash from the casino environment.

Gateway Casinos was successful in establishing IBTs from these banks:

- Bank of Montreal (BMO) across Canada
- All BC Credit Unions (achieved through Central 1 Credit Union which handles this option for all BC Credit Unions.

Gateway has also been in contact with HSBC bank and CIBC as well to set up the internet banking option.

Currently the IBT option has yet to be utilized by any of Gateway's patrons. Feedback provided states that currently the players are not interested in utilizing this option. Gateway contacted their VIP players and offered the option of performing IBTs from US banks and again there was little interest.

Moving forward, a newly created role at Gateway (Assistant Director, Asian VIP Business Development) will be responsible for marketing to VIP players and offering all the additional banking options for patrons to utilize with their PGF accounts. It is hoped that future reports will show an uptake in these options.

Cheque Hold/Marker

The participating casinos that are going to include the Hold Cheque Option are listed below with approval dates. As of September 30, 2013 this option has yet to be utilized by any of the gaming facilities. In order for this service to have any uptake by casino patrons, it must be made available and marketed to the VIP players. Service provider staff must make efforts to contact individual VIP patrons and explain all cashless options which are offered at the different gaming facilities.

Casino Property	Cheque Hold Approved	
Edgewater	April 10, 2012	
Starlight	May 13, 2012 May 24, 2012 July 20,2012	
Grand Villa		
River Rock		

Convenience Cheques

Service providers are permitted to issue cheques to patrons for the return of buy-in funds up to \$8,000. At the launch of this initiative the initial threshold amount was \$5,000 but was later increased

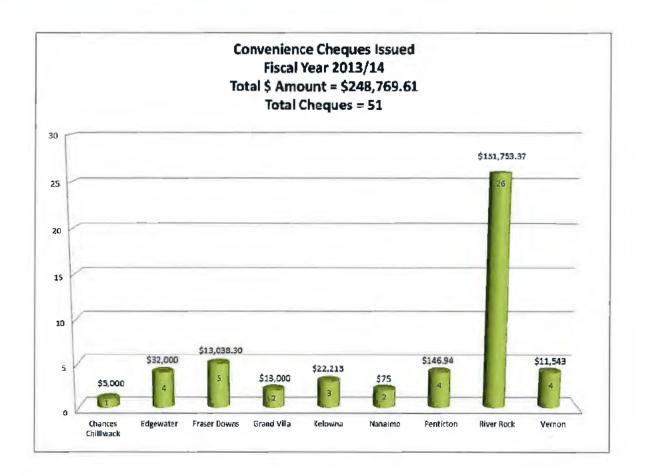
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to \$8,000 in January 2013. These cheques are clearly marked "Return of Funds – Not Gaming Winnings". Patrons are permitted to receive one cheque per week. This option also enhances the security for patrons who do not wish to exit the gaming facility with large quantities of cash.





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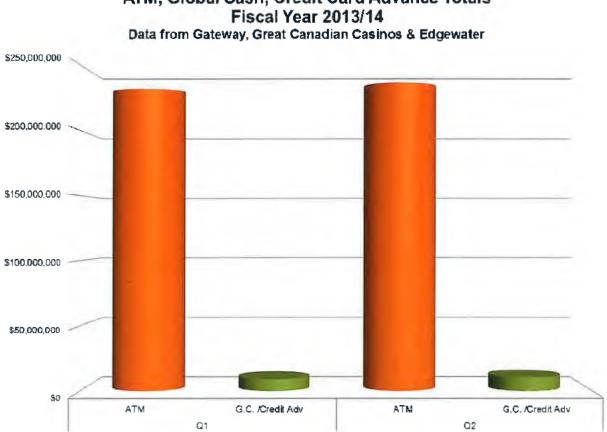


- Five patrons have received more than one convenience cheque however all cheque issuances were within the policy parameters – each cheque issued in different weeks
- System alerts to BCLC are in place each time a convenience cheque is issued
- Compliance with cheque issuance policy is monitored

Existing Methods of Reducing Cash in Casinos

In addition to tracking the new methods of reducing the reliance on cash in casinos, this report will cover the current methods that are in place to assist with this initiative. The casino service providers currently make use of the following methods to provide access to cash at their gaming facilities for their patrons: ATM machines, Global Cash and Credit Card Advances. Data has been obtained for the current fiscal year and displayed in the chart below. These methods provide other options for patrons who do not wish to carry street cash into gaming facilities.





ATM, Global Cash, Credit Card Advance Totals

Total Q1 & Q2:

- ATM = \$468,285,210 ٠
- Global Cash, Credit Card Advances = \$19,526,259
- Total combined =\$487,811,469



Quarterly Comparisons

Cashless Methods	1 st Quarter	2 st Quarter	% Increase
Debit Cage	\$6,195,971	\$7,341,622	16%
Convenience Cheques	\$99,347	\$149,423	34%
Total PGF Deposits	\$67,539,415	\$119,436,059	43%
Existing Methods	\$240,954,352	\$246,857,117	2%
Total Cash Removed	\$314,789,085	\$373,784,221	16%

Summary for fiscal year 2013/14

Total Cash Removed from Casinos since April 1, 2013 Debit at Cage = \$13,537,593 Convenience Cheques = \$248,770 PGF Accounts = \$186,975,474

TOTAL CASH REMOVED USING NEW INITIATIVES = \$200,761,837

TOTAL CASH REMOVED INCLUDING ALL METHODS = \$688,573,306



This is Exhibit "65" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this day of January 2021.

A Commissioner for taking Affidavits for the Province of British Columbia ---

May 14, 2014

Mr. John Mazure Assistant Deputy Minister and General Manager Garning Policy and Enforcement Branch PO BOX 9310 STN GOVT Victoria, BC V8W 9N1



Dear Mr. Mazure

Under the *Gaming Control* Act (GCA), both BCLC and GPEB have defined mandates however these mandates lack specificity in some cases which has created tension between both entities as we each work to fulfill our respective responsibilities.

When conflicts have arisen in the past, they are primarily due to:

- Difference of interpretation/understanding of roles and responsibilities under the GCA; and
- 2. Lack of an effective dispute resolution process which would enable the entities to fully resolve the conflict and create an egreed path for the future.

The resulting tensions give rise to inefficiencies and duplication of work. The current situation poses numerous challenges and results in operational inefficiencies and reputational risk for both organizations.

BCLC and GPEB have complementary responsibilities under the GCA and ultimately the same goal: to provide quality (both in integrity and product) gaming in BC. It is imperative that we meet those responsibilities in a cohesive manner. Not only must we meet our duties under the GCA but both entities also have external obligations such as duties imposed by other statutes.

The recent disclosure of GPEB documents containing personal information gathered by BCLC is one example of how a lack of clarity can affect both organizations. As both BCLC and GPEB have obligations under FIPPA and PCMLTFA, it is unclear as to where responsibility rests. There are several questions that may arise as a result of the inappropriate disclosure and it would be reasonable to expect that both BCLC and GPEB would know the answers. Examples of those questions would be:

- What was BCLC's purpose in gathering the personal information?
- Under what authority was that information shared with GPEB?
- What was GPEB's purpose in accessing the information?
- Since GPEB does not investigate money laundering, why was the information transferred from a s. 86 report to an internal GPEB document, and for what purpose?
- What steps did BCLC take to ensure that GPEB was using BCLC's information appropriately?
- What steps did BCLC take to require the return of the personal information from GPEB?
- Who has the responsibility to notify the individuals affected by the breach?
- Who has the responsibility to make a decision with respect to notifying the OIPC?
- Who has the responsibility to report the breach to FINTRAC?

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Similarly, other questions frequently arise which are germane to the interpretation of the GCA; the scope and breadth of the Service Providers and BCLC's responsibility to report pursuant to s. 86 GCA as well as the scope and mandate of GPEB audits are sources of relatively common disagreements.

In today's operating environment, it is not good enough to rely on past practices as an explenation for current events. Both organizations should be prepared with a coordinated response and be able to immediately answer the above questions. Given the divergent positions expressed previously by both BCLC and GPEB, it is unlikely that we would have a consistent view

Over the course of the past year, BCLC has suggested that both organizations utilize a cooperative process to obtain clarity about the operation of the GCA. One recent suggestion was that we retain an expert in statutory interpretation to obtain a legal opinion on a list of pertinent issues/questions. This would provide both organizations with foundational authority for decisions undertaken in the fulfillment of its mandate. While judicial review of the GCA always remains an option, BCLC believes that we can achieve the same level of clarity faster and at a significantly lower cost through the use of an expert rather than by invoking the formal court process. Further, BCLC sees benefit in both entities taking a proactive approach in seeking clarity of statutory interpretation as ultimately, it will enable both BCLC and GPEB to operate more efficiently and cooperatively.

BCLC intends to retain Mr. Geoffrey Plant to obtain his expert opinion on several matters pertaining to the GCA and its operation. We invite GPEB to participate in one of two ways:

- 1. As a joint retainer: Both GPEB and BCLC would jointly retain Mr. Plant and prepare a common list of issues/questions to be posed to Mr. Plant; or
- 2. As a cooperative partner: GPEB would not participate in retaining or formulating the issues for Mr. Plant but would respond to requests for information from Mr. Plant.

Of course, GPEB always has the option to opt out of the process entirely but it would be BCLC's hope that GPEB would be prepared to participate and would see the value to be gained through obtaining an external opinion.

Once we have received your response, BCLC will either begin the process of working with GPEB to author the retainer letter or will provide GPEB with a copy of our retainer letter so that you have full knowledge of what BCLC has asked Mr. Plant to assess. If we have not heard from you by June 6th, we will assume that you do not wish to participate and will proceed without further notice to you

Yours truly,

Brad Desmarais Vice President, Corporate Security & Compliance

This is Exhibit "66" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this 12, day of January 2021.

A Commissioner for taking Affidavits for the Province of British Columbia

4.50

December 19, 2017

Terrance Doyle Chief Operating Officer Great Canadian Gaming Corporation 95 Schooner Street Coquitlam, BC V3K 7A8

RE: Update Regarding HR Practices Review

Dear Terrance,

I am writing to you with respect to the ongoing review the Attorney General directed BCLC to undertake regarding HR practices at the River Rock Casino Resort. As you and I discussed, the Minister's staff have asked us not to share the written direction we received from them. As previously communicated to your staff, the Terms of Reference are:

- Whether there have been reported or unreported incidents including sexual harassment and/or sexual assault on floor staff, and if so what actions were taken by the service provider and BCLC;
- Whether BCLC or River Rock have required staff to sign some kind of nondisclosure agreement, and if so, what the text of that agreement is and the legal basis for it; and,
- Whether management at River Rock is failing to report any incidents including assaults on their staff to BCLC.

The scope of the review, which also has previously been communicated to your staff, is:

- Review current River Rock Casino work safe policies, workplace harassment policies, and any other onboarding information, documentation, or communication related to assaults and harassments for employees of said location;
- Review CRS iTrak to determine the number of reported incidents of assaults on staff members, and to report any actions taken on such matters.
- Conduct interviews with staff at the River Rock Casino regarding the above.

BCLC has no authority to conduct this review which should have, in our view, been undertaken by the Gaming Policy and Enforcement Branch (GPEB) as part of their Registration mandate. Regrettably, GPEB declined our request to take the lead. Notwithstanding BCLC's tack of authority, we are appreciative of your continued voluntary cooperation in this delicate matter. We are endeavouring to complete the review in the most expeditious manner possible by contracting with Paladin Security to assist with River Rock staff interviews.



14 West Seymour Street Kamloops, BC V2C 152

250.828.5500 250.828.5631

2940 Vintual Way Vancouver, BC V5M 0A6

- T 604.215.0649 F 604.225.6424
- Dei 223 04

The review is being led and managed by BCLC Corporate Security Staff. If you have any questions, please feel free to contact myself or Rob Kroeker.

Sincerely,

Brad Desmarais Vice President, Casino & Community Gaming

cc: Garth Pieper, Director, Operations Rob Kroeker, Vice President, Corporate Security & Compliance This is Exhibit "67" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this Aday of January 2021.

A Commissioner for taking Affidavits for the Province of British Columbia

 To:
 Brad Desmarais[PERSONAL INFORMATION]

 From:
 McCrea, Bill J FIN:EX

 Sent:
 Tue 2014-12-23 10:14:14 PM

 Subject:
 CDD Study

 Regulatory Customer Due Diligence - Jan 31 2014.docx

 R20140915 GPEB AML CDD Research Final Report.pdf

Hi Brad,

From our meeting this morning, here is the study that GPEB commissioned from Malysh Associates Consulting Inc. I have also included our original terms of reference that the CDD sub-committee had developed in order to frame our work. Please note that the CDD Working Group terms page was written to guide us based on the knowledge and thinking of the time. Since then changes have occurred that have resulted in certain changes to our approach. I provide this to you for context only, not to speak to our exact current direction. Brad, I do not believe that we have seen the final version of the FINTRAC audit that was done this year. Would you be able to send me a copy, please. This will help to inform some of the future work that GPEB will be doing with you. Thanks.

Please let me know if you have any questions or comments on this material.

Bill

Bill McCrea BES MBA FCIP Executive Director Quality Assurance & Risk PERSONAL INFORMATION PERSONAL INFORMATION

Province of British Columbia Gaming Policy and Enforcement Branch Location: 3rd Floor 910 Government Street V8W 1X3 Mailing: PO Box 9311 Stn Prov Govt Victoria BC V8W 9N1

Customer Due Diligence in BC Casinos

<u>The Goal</u>

The AML sub-committee will engage a third party to research customer due diligence (CDD) standards adopted by industry specialists who scrutinize cash transactions.

The Details

A sub-committee of the AML x-dwg has been formed to look at CDD, for cash transactions that are performed during the buy-in process at casinos. Specifically, as part of the 'know your customer' requirement we are determining what needs to be done to develop and document the origin of the funds, and what this information will be used for. The sub-committee is: Len Meilleur, Larry Vander Graaf, Terri Van Sleuwen and Bill McCrea.

The sub-committee will develop information based on the identified elements and make recommendations to advance potential regulatory assurance change through this CDD. The elements that have been identified to date include (in no particular order of importance):

- Understand and document the due diligence standards that exist within the financial deposit-taking sector, legal community, currency exchanges, brokerage firms, and, other gambling jurisdictions for dealing with cash;
- The available sources of support for industry due diligence standards;
- Map out the intended direction for advancing potential regulatory requirements of CDD for cash in casinos;
- Consider building a regulator model that would include enhanced/increased CDD due diligence, which documents the origin of the funds;
- Impact of the FINTRAC CDD Regulation change (February 2014) to support GPEB initiatives;
- Develop and document the potential impact of increased due diligence on the health of the gaming industry (gaming integrity, effect on revenue, RGPG, etc.);
- Actions that will be taken based on the results obtained through increased source of funds CDD;
- Solicit input from BCLC and the industry, in order to develop a balanced approach. Support for making
 recommendations to the Minister (internal and/or external reviews).

These ideas will continue our discussion and eventually form the base for recommending the model of regulatory assurance for source of funds. Additional elements will be added, as identified, in order to build an approach that will be supported by evidence and accepted best practices.

The plan for AML diligence has been an approach that covered three phases of increasing development of solutions and intervention. It involves providing alternatives to gambling with cash from outside of gaming facilities, increased AML diligence by BCLC and service providers and, in the 3rd phase, direct regulator involvement to develop assurance that the gaming industry is appropriately aligned with practices that ensure integrity in accepting cash for gambling.

The plan below highlights the work that GPEB will be doing in Phase 3.

AML Phase 3 – Regulator Intervention

Step 1: <u>Subject Matter Expert</u> (SME) - Engage a contractor, through a sole source hiring mechanism, to research and provide standards of Customer Due Diligence (CDD) utilized in the financial deposit-taking sector, legal community, currency exchanges, brokerage firms, and, other gambling jurisdictions, for managing cash. This will involve providing the consultant with background information on the BC gaming experience with cash, in order to put the assignment into context.

<u>Position Paper</u> – The consultant's work will provide the CDD Working Group with industry standards for dealing with cash. This will include the 'Know Your Customer' requirements and actions taken based on the CDD results, including the source of funds.

<u>GPEB Action</u> – The CDD Working Group will develop a gaming regulator position and propose next steps for initiating regulatory assurance actions.

Step 2: <u>Industry Engagement</u> - Obtain industry input, from BCLC and gaming service providers, based on the industry standards and proposed actions.

<u>Government Expertise</u> - Utilize Ministry of Finance (Treasury Board) resources to develop sensitivity analysis of the potential impact of the proposed actions on the financial health of the industry.

- Step 3: <u>Consultant Impact Assessment</u> As part of the Step 1 contract, the consultant will review and provide their SME input to the results developed in Step 2. This will include the strengths and gaps of the feedback.
- Step 4: <u>Regulatory Assurance</u> GPEB will utilize the work to define future Roles and Responsibilities for ensuring the integrity, or perception of the integrity, of cash entering BC gaming facilities. Develop the requirements of the new direction and the mechanism(s) to put this into place (regulation, directive, public interest standard, etc.).

<u>Monitoring</u> – The gathering of ongoing intelligence, and reporting, will be developed. This could possibly be done through creating an analyst position. It could involve working with the Provincial Intelligence Centre (PIC).

The above discussion directs the work of the Customer Due Diligence working group, in developing regulatory assurance, to ensure the integrity of cash entering BC gaming facilities.

Additional AML Research Opportunity

While the SME is engaged in dealing with the various entities that accept cash from customers we would like them, if possible within the parameters of the sole source contract, to examine and report on the customer due diligence and source of funds examination undertaken by these organizations when dealing with international funds transfers. What standards of conduct exist to ensure the integrity of such funds transfers from foreign jurisdictions into Canada? What considerations have to be undertaken when dealing with international funds transfers?

If this is not possible within the terms of the contract it will not be included.

444

GPEB – AML WORKING GROUP

Client Due Diligence in BC Casinos

September 15, 2014

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GPEB - AML WORKING GROUP

Client Due Diligence in BC Casinos

CONTENTS

1.0	INTRODUCTION	
	1.1 1.2	Retainer of Malysh Associates Consulting Inc
	1.3	Scope of This Report & Restriction on Its Use
	1.4	Documents Referenced
	1.5	Sources of Information5
	1.6	Research Work Plan6
2.0	BAC	KGROUND INFORMATION7
	2.1	Suppression of ML7
	2.2	FIU Responsibility7
	2.3	Police Responsiblity7
	2.4	Businesses & Compliance Regimes8
	2.5	Money Laundering Issues9
3.0	DEP	OSIT TAKING INSTITUTIONS 10
	3.1	AML Experience10
	3.2	AML Compliance Practices 12
	3.3	Cash Acceptance12
	3.4	Electronic Funds Transfers 14
	3.5	Comment
4.0	BRO	KERAGE FIRMS 16
	4.1	AML Experience
	4.2	Cash Acceptance
	4.3	Electronic Funds Transfers16
	4.4	Comment
5.0	MON	NEY SERVICE BUSINESSES 18
	5.1	Cash Acceptance
	5.2	Electronic Funds Transfers
	5.3	Comment20

_

6.0	GAMING BUSINESSES		
	6.1 6.2	Cash Acceptance	
	6.3	Best Management Practices	
	6.4	Law Enforcement Partnerships 2	
7.0	GPE	В 2	7
7.0	GPE 7.1	B2 AML Guidelines2	
7.0		_	7

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Page ii

TERMINOLOGIES USED	AML	Anti-money laundering
	BMP	Best Management Practices
	Cash	Bank notes
	CDD	Client Due Diligence
	СО	Compliance Officer
	DTI	Deposit-taking Institution
	EDD	Enhanced Due Diligence
	EFT	Electronic Funds Transfer
	FATF	Financial Action Task Force
	FinCEN	Financial Crimes Enforcement Network
	FinTRAC	Financial Transaction and Reports Analysis Centre of Canada
	Fx	Foreign exchange
	CPEB	Gaming Policy & Enforcement Branch
	IIROC	Investment Industry Regulatory Organization of Canada
	LCTR	Large Cash Transaction Report
	MSB	Money Service Business
	OSFI	Office of the Superintendent of Financial Institutions

PCMLTFA	Terrorist	f Crime (Mon Financing ring Regulation	Act	ndering) and	and its
STR	Suspicious	Transactions I	Report		

GPEB - AML WORKING GROUP

Client Due Diligence in BC Casinos

1.0 INTRODUCTION

1.1 Retainer of Our firm was engaged by the Gaming Policy Enforcement Malvsh Branch – AML Working Group to provide research of client due Associates diligence standards used by financial institutions and other Consulting Inc businesses when accepting cash deposits. We were asked to develop information relating to the 1.2 Terms of Engagement management practices used by deposit-taking institutions, money service businesses, brokerage firms and gaming businesses for cash deposit transactions. Our report summarizes best practices based upon experiences of businesses that are required to maintain an AML compliance regime under the Proceeds of Crime (Money Laundering) and Terrorist Financing Act and its Regulations. Additionally, we are to report on other AML compliance issues that we may encounter during our research to assist GPEB with conducting a gap analysis of their AML policies. 1.3 Scope of This This report is not intended for general circulation or publication. Report & It is not intended to be reproduced or used for any purpose Restriction without our written permission in each specific instance. We do on Its Use not assume any responsibility or liability for losses occasioned by any party as a result of the circulation, publication, reproduction or use of this report contrary to the provisions of this paragraph. This report is based on review of the documents as described in Section 1.4. In the event that further documents or other

information becomes available that could impact our findings, we reserve the right to review such records and reconsider and amend the findings set out in this report.

- 1.4 Documents
ReferencedDuring the course of our research, we referred to various
documents. These documents include:
 - The Proceeds of Crime (Money Laundering) and Terrorist Financing Act and its Regulations ("PCMLTFA"), Revised Federal Statute of Canada
 - FinTRAC Guidelines, 1 through 9, for Casinos, Money Service Businesses, Foreign Exchange Dealers and other businesses
 - Action Plan to Review AML Measures at BC Gaming Facilities, GPEB, August 22, 2011
 - Audit & Compliance Division 5 Year Audit Plan, GPEB, June 24, 2013
 - Key Regulatory Responsibilities of GPEB and Their Application to the British Columbia Lottery Corporation, GPEB, March 25, 2008
 - Roles and Responsibilities of Participants in British Columbia's Gaming Industry, GPEB, February 22, 2010
 - Summary Review AML Measures at BC Gaming Facilities, Province of British Columbia, February 2011
 - Follow the Money: Is Canada Making Progress in Combatting Money Laundering and Terrorist Financing? Not Really, Report of the Standing Senate Committee on Banking Trade and Commerce, March 2013
 - Guideline for Detecting and Deterring Money Laundering & Terrorist Financing, OSFI, March 2008

- AML Compliance Guideline, IIROC, October 2010
- Vulnerabilities of Casinos & Gaming Sector, Asia Pacific Group, FATF, March 2009
- Prevention of Money Laundering in Macau Casinos, Jorge Godinho, Gaming Law Review and Economics, Volume 17 Number 4, 2013
- Remarks of FinCEN Director, Bank Secrecy Conference, American Gaming Association & UNLV International Gaming Institute, June 12, 2014
- Suspicious Activity Reporting in the Gaming Industry, FinCEN, March 2012
- **1.5 Sources of** Information During the course of our research, we interviewed people employed in AML compliance functions at various businesses. Participation in discussions on industry practices was secured on a 'no-name basis. Therefore, we generically provide a list of these confidential sources.

Information Source	Description
GPEB AML Working Group	Executive Directors of Audit, Investigation, Registration & Risk
BC Lottery Corporation	VP Corporate Security & Compliance, Manager AML & Operational Analytics Unit
Deposit Taking Institutions	AML Compliance Officers of Schedule I and II Banks & AML Compliance Officers of BC Credit Unions

Information Source	Description
Gaming Corporations	AML Compliance Officers of corporations who operate casinos in Canada and USA
Money Service Businesses & FX Dealers	AML compliance officers of MSB's in Canada and USA

1.6 Research Work PlanOur work plan consisted of identifying potential sources of information, conducting interviews, and reviewing research papers relating to policy, procedures and management practices for client due diligence and the acceptance of cash.

> We compiled written material from open sources and utilized our network of business contacts to solicit participation in our survey of AML compliance practices.

> Survey questions were developed to generate discussion and determine the procedures adopted by businesses to manage client risk.

The high-lites of our research are summarized by participant categories of deposit taking institutions, money service businesses, gaming businesses and gaming regulators.

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2.0 BACKGROUND INFORMATION

2.1 Suppression of ML Since 1988, the Government of Canada has continually supported international efforts in the suppression of money laundering and terrorist financing activities. Using the FATF recommendations, Canada has developed its AML laws and regulations.

These laws protect the integrity of Canada's financial systems.

- 2.2FIUThe AML laws establish a financial intelligence unit, FinTRAC,
to analyze financial transactions.
- 2.3 Police Using FinTRAC's technical analysis, the police will investigate suspected money laundering cases as well as other criminal offenses.

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Unfortunately, the RCMP Proceeds of Crime Section responsible for investigating FinTRAC referrals has been disbanded. The RCMP has re-organized their federal resources and investigation sections. Money laundering investigations are now investigated by the Federal Organized Crime Section and are only a part of the larger criminal enterprise crime investigations.

FinTRAC referrals are now being sent to the local police agency where the suspected ML offense(s) have occurred. Usually, the local investigators do not have experience investigating ML offenses. According to our source, very little direct money laundering investigative cases are being undertaken by local police. However, FinTRAC referral reports are being used to further other criminal investigations.

454

2.4 Businesses & Financial sector businesses and other designated businesses, such as casinos, provide reports of financial transactions to FinTRAC.

Businesses must maintain an AML compliance regime to deter ML and to ensure transactions are reported to FinTRAC. Further, these compliance programs are designed to mitigate the risks of MF/TF. Businesses are expected to know their clients and not transact with people or business entities who are attempting to launder the proceeds of crime.

Businesses do not have the resources or expertise to actually prove money laundering. They can only observe clients' behavior to determine whether a transaction is suspicious. Businesses use "indicators" of client behavior to form their suspicions. FinTRAC provides examples of these indicators in their AML Regulation Guidelines.

Businesses are required to report suspicious transactions to FinTRAC. The STR is filed after the client has left the business premise. Further, clients must not be informed or "tipped-off" that the STR is being filed.

But in order to obtain information for the STR which FinTRAC needs for analysis, businesses usually conduct the financial transaction in all but the most glaring circumstances.

It is not the role of business to prove money laundering as "indicators" are not evidence of ML. Their role is to identify and report suspicious transactions.

It is the role of FinTRAC and the police to examine the matter further and determine the link to ML/TF activities.

Businesses have legal obligations to not facilitate ML knowingly or by being willfully blind. If clients are too high a risk, financial institutions and businesses will exit the client relationship. In

practice, transactions will be completed until a behavior pattern is established that exceeds the risk tolerance set by the business.

2.5 Money Laundering Issues The purpose of ML is to disguise the source of funds and conceal the ownership of funds. The goal is to make "dirty" money appear "clean". It never really gets clean – it just looks that way.

> In our financial system, extensive records are maintained to document transactions and financial activity. Being constrained by the laws that govern the operation of the financial system, the money launderer must make concessions to the system while limiting his exposure and vulnerability to detection.

> In fact, AML laws are written for the purpose of creating a paper trail for cash (bank notes) transactions.

From an investigative viewpoint, having verifiable and traceable monetary instruments is critical to successful ML prosecutions.

ML risks are assessed based upon the 3 phases of money laundering; placement, layering, and integration. ML methods must be understood and considered when formulating risk mitigation controls.

Examples of ML methods include the use of nominees, front people and businesses, or structuring transactions to avoid identification requirements.

The goal of the money laundering method is to avoid creating a paper trail and identifying the people who launder the proceeds of crime.

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3.0 DEPOSIT TAKING INSTITUTIONS Over the past decade, Canada's financial institutions have become increasingly more observant in not only complying with AML legislation but in exceeding the guidelines in order to protect their hard-won reputation as the conservative, dependable backbone of Canada's financial system.

We have summarized AML policies and discussed the management practices generally used by DTI's to mitigate risks for cash deposits and EFT's.

3.1 AML Experience In countries not as well regulated, some banks have received large fines for non-compliance; however this has not happened in Canada.

Knowing the banks are compliant, FinTRAC will look to other cash handling businesses to ensure the same level of effort is being applied.

Compliance Departments have grown more quickly than any other facet of banking and every new product or system must be first vetted and approved by these new compliance regimes before integration.

New individual banking clients are identified using government issued photo identification documents. Usually, no other formal background verification is conducted.

High net worth, politically exposed, or persons without normal documentation are carefully vetted through the enhanced KYC/CDD processes. Background screening is conducted using databases, such as "Worldcheck", Credit Bureaus and verification inquiries with other financial institutions used by the client.

Business clients require a more thorough review prior to acceptance. Often, businesses with even the slightest connection to drug activity – for example hydroponic

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equipment suppliers, are monitored for excess cash deposits. MSB's and Fx dealers endure close scrutiny of their AML compliance programs to ensure their client's bone fides are verified and present an acceptable risk to the DTI.

Mandatory on-line AML training and testing all line staff and management is delivered regularly in order to ensure consistent application of compliance procedures.

Banks used to allow their clients to deposit large quantities of cash without questioning its source. Since the enactment of AML laws, banks routinely conduct KYC/CDD inquiries to deter ML/TF activities. This includes asking clients the source of funds and making a record of the response. See Section 3.3 for further discussion on DTI practices for accepting cash deposits.

Sophisticated computer systems monitor account activity for unusual patterns. Anything of a suspicious nature is forwarded to Compliance or Corporate Security Departments for review and investigation. The slightest concerns tend to result in the closing of accounts as a proactive defense.

Most DTI's have adopted a policy to exit a client relationship if more than 3 STR's have been filed against the client. Bank AML Compliance Officers will examine the STR narratives, KYC information and account transaction history in their decisionmaking process.

EFT's from foreign locations are only accepted from banks that are known to have strong AML processes in place, and a correspondent banking relationship has been established. Cheques and other monetary instruments are held until cleared, verified, or the client is well known and able to cover should there be a defect in the instrument.

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3.2 AML Compliance Practices Federally licensed financial institutions are regulated by OSFI. ML/TF guidelines are issued by OSFI to ensure that financial entities develop robust systems and practices.

> Likewise at the provincial level, credit unions, trust companies, and other provincially regulated businesses have oversight agencies that issue guidelines to augment the federal AML regulations.

> The guidelines of the regulatory organizations are a public record of the commitment of an industry to deter ML/TF activities.

- 3.3 Cash Acceptance In our discussions with AML compliance officers of deposit taking institutions, we were advised of the following best practices used to mitigate the risk of cash deposits. We have focused our discussion on the practices used to manage individual accounts to draw some comparisons to the gaming patron.
 - a) Using a risk based approach, questions are directed to a potential new client to determine what financial services they will need and the approximate transaction volumes to be anticipated. Based on responses, or lack thereof, decisions are made as to whether to open the account, ask further questions to make a more accurate assessment, or decline the business. A risk based approach enables efforts to be focused on clients, transactions, and payment methods that pose the greatest risk for ML/TF.
 - b) When cash over CAD \$10,000 is tendered, a supervisor will interview the client to determine the source of funds and other related questions to ensure the deposit is of non-criminal origin. Some DTI's require the client complete and sign a Source of Funds Declaration, which

is kept in the client account file. If suspicions arise, details are reported to the compliance department via a STR. The client's account is flagged for monitoring

- c) Enhanced due diligence is performed when account transactions do not make sense or conform to original account/client intentions. This includes interviewing the client, assessing their information, verify information from independent sources, and increasing the frequency of account transaction monitoring
- d) New client account opening procedures require the client produce government issued documents that bear the name and photograph of the individual. Accounts KYC forms are completed to record client information relating to various issues, such as resident address, employment and occupation, sources of income etc. High net worth clients are vetted for source of wealth and may be vetted through banker databases. New immigrants may have their financial information verified by the bank from the previous resident country.
- e) A hierarchy of referral and information sharing capability from front line staff to supervisors to head office compliance/security departments is established as part of the compliance culture. The account manager who brought the client onboard is responsible for making decisions to close the account based upon CDD information obtained from all sources within the DTI and advice from AML CO's.
- f) A graduated level of AML training is used as not everyone needs to be trained alike. Frontline staff require the knowledge to identify large or unusual/suspicious transactions and report them. Supervisors and account management personnel must be familiar with due diligence protocols and have the ability

to ask questions without offending the client. Head Office departments become more specialized in performing enhanced CDD and enter into relationships with regulators, police or other bank investigative sections to ensure business is conducted with legitimate clients handling legitimate funds.

Knowing the source of funds is helpful in that it makes up a component of the risk matrix evaluation. As an example, a depositor advising that a large volume of \$20 bank notes came from "business" would have to be connected to a business where cash is normally expected to be generated. The client's story must be verifiable and make economic sense to be believable.

While there is data that certain nationalities deal in cash more than others, they still must have the personal resources to account for it and answer questions relating to the source of funds to substantiate large cash deposits.

3.4 Electronic Funds International EFT's are risky in that it is difficult to confirm the source of the funds being wired in.

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Financial Institutions have developed trusted relationships with certain foreign banks – a correspondent banking relationship – and rely on these entities to conduct the same level of due diligence as done in Canada.

All international EFT's over CAD \$10,000 are reported to FINTRAC.

Banks will monitor EFT activity carefully. Transaction value thresholds are established to focus attention on higher risk transactions and to reduce compliance and surveillance costs.

3.5 Comment Banks have an advantage over other businesses, such as casinos, as businesses cannot form these "banking" relationships that are key to client information sharing.

Businesses can leverage their banking partner's relationships with other banks to provide a safe harbor for international EFT's. While the funds may have come from a foreign jurisdiction, they have come through a trusted correspondent bank.

A prudent business practice is to only conduct EFT's between domestic banks.

Banks do not hesitate to interview clients and demand economic reasons for any transaction. The results of the inquiries are documented in the client file.

Client risk is assessed based upon a risk matrix for various ML indicators. Conducting transactions, such as depositing cash, is only 1 of the ML risks, which may or may not affect the risk profile of the client.

Transactions are monitored and assessed against the stated purpose and intent of the client maintaining a bank account.

Banks will close out client accounts if sufficient and appropriate evidence indicates the risk is too great for the bank to continue the relationship.

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4.0 BROKERAGE FIRMS		Brokerage firms are unique in that they are heavily regulated by provincial statutes and by the rules of IIROC. Their rules for KYC and CDD activities are onerous.	
		AML compliance is another layer in their management and practices of KYC programs.	
4.1	AML Experience	In general, brokerage firms react to AML risk similar to banks. Their reputation for honesty and integrity is paramount to establish client trust.	
		As such, most firms do not want connections to clients who may be using their firm to conceal assets derived from ML/TF activity. A brokerage firm's ML risk is focused on the layering and integration phases.	
4.2	Cash Acceptance	Most brokerage firms do not accept cash for deposit into client accounts. They do not want the ML/TF risk associated with cash.	
		Deposits to client accounts are made using other monetary instruments. For individual accounts, cheques and EFTs are the norm.	
4.3	Electronic Funds Transfers	Rules vary for EFTs depending upon the client. Institutional clients have different rules than corporate and individual clients. The risk matrix is complex depending upon client net worth and market-knowledge sophistication.	
		For individuals, most brokerage firms will accept EFTs from domestic banks that are drawn on the client's personal bank account. There are exceptions for very wealthy clients depending upon the KYC/CDD inquiries that have been documented prior to the trade/transaction.	

Each firm establishes its own risk tolerance for payment and settlement, in concert with their banking partners, to accept or reject international EFTs. Firms rely on the KYC program to assess client risk.

4.4 Comment Brokerage firms are in a unique position. Their rules for KYC are extensive. Account mangers continually interact with clients, discuss personal financial affairs and record results of discussions in the client file.

Their CDD is documented to protect the firm and broker(s) from any transaction liability, such as knowing their client's knowledge of markets or financial products, investor sophistication and investment risk tolerance, client's wealth and source of income, and client investment objectives.

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5.0 MONEY SERVICE BUSINESSES	MSB's typically provide two types of services; currency/foreign exchange and remittance payments. Payment and settlement of the transaction is conducted either by cash or other monetary instruments.
	In Canada, MSB's are required to maintain an AML compliance regime under the PCMLTFA. As such, the CDD and risk assessment practices are an integral part of their business operations.
	Note: Currency exchange describes the buying and selling of bank notes, while Fx describes the buying and selling of foreign currencies using other monetary instruments (cheques, drafts, EFT) for payment and settlement.
	MSB's have a bad reputation with banks because in the past, many engaged in ML. As a result, banks are hesitant to provide service for any but the very best AML compliant businesses.
	Regular auditing of their AML compliance regimes and targeted questioning of EFT activity is the norm. Such a reputation is difficult to overcome and this exemplifies the need of the MSB to have a robust and strict compliance program.
	Our discussion is based upon the BMP's generally followed by reputable MSB's.
5.1 Cash Acceptance	MSB's who provide currency exchange services transact almost exclusively in cash, as cash is the most used instrument of exchange.
	The ML risk is that cash is anonymous. As such, AML regulations require currency exchange transactions greater than CAD \$3,000 to record client identification. Transactions greater than CAD \$10,000 require a report to FinTRAC.

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Money launderers will avoid transactions where they have to identify themselves, or they will use nominees, also known as smurfs.

The compliance requirements to monitor transactions and risk assess clients has increased significantly since the February 2014 amendments came into force. Most MSB's had been performing this type of CDD work prior to the new regulations. KYC programs were established to satisfy the banks' maintenance rules for operating their bank accounts.

MSB's generally do not have an issue accepting cash in a transaction providing the client cooperates with the CDD inquiries and identification rules. If a client exhibits some 'red flag' indicators for ML risk, a Suspicious Transaction Report will be filed with FinTRAC. Some MSBs require the client to complete and sign a Source of Funds Declaration, which is kept on the client file.

Once an STR is filed, the client risk profile will be elevated for enhanced DD. The next time the client transacts, the MSB will interview the client to determine their ML risk. Judgments will be made by the AML compliance officer as to whether the MSB will continue with the client relationship. Current industry practice is to close client accounts after 3 STR's as MSB's will mirror bank practices.

Some MSB's adopt a business model where they will not accept cash as payment for Fx. Their risk focus is on the layering and integration ML phases to assess client risk.

Effective KYC/CDD programs include 3rd party relationships and nominees to expand and mitigate ML risks, adding an additional level of complexity to CDD processes.

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5.2 Electronic Funds Transfers MSB's who focus on being a payments company use EFT's to settle transactions. EFT services are offered in conjunction with a Fx transaction.

The CDD practices used to mitigate ML risk center around the economic purpose of each transaction. KYC interviews are conducted to obtain stated purposes, values, and frequencies of transactions. This information is then compared to actual transaction history. Any changes in behavior will result in enhanced CDD being conducted. The MSB may ask the client to produce 3^{rd} party documentation to support the need for Fx/EFT transactions. Further, the sender or ultimate beneficiary of the transaction will be identified and verified.

Any remittance transaction greater than CAD \$1,000 requires the identification of the client. International EFT's greater than CAD \$10,000 require a report to FinTRAC. The information reported to FinTRAC is extensive as the original sender, intermediaries and ultimate beneficiaries must be recorded and reported.

5.3 Comment Prior to the new February 2014 regulations, client transaction monitoring was not mandatory. Established MSB's did have account monitoring firmly established to provide assurances to their banking partners that they were mitigating ML/TF risks.

Individual account KYC/CDD practices consist of recording the identification documents used to verify client identity. Source of wealth, source of funds inquiries are conducted when transaction values and frequency of transactions change, thus elevating the client risk.

The new regulations have increased the compliance requirements for client risk management. EDD procedures to maintain higher-risk client accounts will require increased client interviews and more frequent transaction monitoring.

Like banks, once a client account relationship is established, MSBs will conduct all transactions unless the behavior pattern of the individual is glaringly and suspiciously "indicating" ML.

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6.0 GAMING BUSINESSES

We surveyed AML compliance officers of casinos in Canada, Nevada, and Washington State. Some of the Nevada companies also had casino/resort operations in other countries.

There is a general acknowledgment that AML risk assessments of "VIP" clients have increased significantly over the last 5 years. The current US ML issue is to conduct CDD for determining source of wealth and source of funds.

Since September 2013, the Director of FinCEN has publicly stated that casinos need to do more CDD and track clients gaming transactions to monitor for ML activities.

In Ontario, casino operations have entered into a contractual relationship with the Ontario Provincial Police. The Chief Superintendent in charge reports to the OPP Deputy Commissioner of Investigations and Organized Crime for criminal matters and to the Registrar of Alcohol and Gaming (AGCO) on regulatory matters.

They work closely to devise strategies and policies to combat ML that are effective and viable from a resourcing perspective taking into account the unique nature of the industry.

From a practical perspective, a Police Inspector acts as the Director of the Gaming and Enforcement Branch and police officers are fully integrated into the AGCO. The Inspector is responsible for the Casino Enforcement Unit, the Corporate Investigations Unit, the Internet Gaming Unit and the Gaming Specialist Unit. The focus of their AML activity centres around the Casino Enforcement Units who provide 24/7 policing services to gaming venues. They are first responders to any criminal activity within each site and deal with any other offences that affect the integrity of the industry, or its stakeholders.

They also perform an intelligence role and share information quickly via their on-site personnel who are responsible for interviewing clients referred by the cash cage operators when large or suspicious cash is presented for deposit.

6.1 **Cash Acceptance** Casinos generally do not have an issue with accepting cash from clients. US-AML COs reported that they do not place limits on the amount of cash that can be used for buy-in.

Their reasoning is that their KYC/CDD procedures provide the risk mitigation strategies to identify and confirm the individual as a legitimate gaming player. They also utilize investigative resources to research clients that pose higher risk.

Source of funds and source of wealth interviews are becoming normal procedures as FinCEN is developing policy initiatives to increase the KYC/CDD activities. But this policy is in its infancy and will take a few more years to be fully implemented industry wide.

Casinos in Ontario generally will not allow more than CAD \$10,000 – 15,000 cash/in. These large deposits trigger a CDD interview to learn the source of funds. This interview is usually conducted by the OPP police officer.

However, there are thresholds that trigger managers and concierge to identify and interview those clients. The threshold amount is based upon the risk tolerance for backing bets. Some casinos have thresholds starting at \$10,000 buy-ins while other set thresholds at \$100,000. CDD procedures are focused on betting patterns and betting amounts.

US AML CO's reported that compliance resources are focused on approximately 15% of the total client base for enhanced CDD. Statistically, the top 15% clients account for the majority of gaming revenue.

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VIP clients are risk rated based upon the ease with which client information can be independently verified. In some cases, private investigators will be hired to conduct verification work, particularly if the client is not a US resident.

Cash/out policies generally set procedures for how disbursements are paid. Most casinos follow a policy of using the same instrument for cash/out as used for cash/in.

Some casinos will set maximums on the amount of cash returned with the remaining balance by cheque. The casinos want verifiable and traceable instruments to help law enforcement in ML investigations.

6.2 Electronic Funds Transfers There is not a general consensus on the use of EFT's to fund player accounts.

> Some casinos will allow international EFT's as well as domestic. Others will only accept domestic EFT. However, this may change depending upon future guidelines from FinCEN relating to CDD and client risk procedures. US-AML Co's reported that most casinos eventually will adopt a domestic only EFT to fund player accounts. Corporations who operate casino/resorts in other jurisdictions (domestic or international) reported that they will not allow inter-company transfers of player funds between casinos.

- 6.3 Best Management The industry standards used as BMPs are summarized as follows:
 - AML compliance officers must be qualified and experienced. They must have direct reporting to the corporation CEO and to the corporate audit committee
 - A compliance culture must be developed through all levels of casino staff. Line staff and managers must work cooperatively with surveillance and compliance staff

- Top 10 15% of revenue generating clients receive the most CDD. All clients in this category are interviewed by trained staff to determine source of wealth <u>and</u> source of funds. Client risk is based upon the ability to verify information.
- KYC/CDD interviews are conducted based upon triggering thresholds of buy-ins. The threshold is determined by statistical analysis of buy-in and bets per hand at each casino
- All clients who are identified either by loyalty reward programs or concierge services at minimum are background checked through a commercial database, such as Worldcheck
- Information sharing arrangements with local police agencies are established to identify known criminal gang members and affiliates. Casinos do not want these associates on their premises
- Clients who come from Asia-Pacific countries, especially PRC, are automatically classed as high-risk and require EDD
- Player funded accounts are used to prevent loan-sharking. Players can only pay where they play and with funds on deposit or funds available through pre-approved credit lines
- Cash/outs should mirror the cash/in instrument, ie, banknote to banknote, cheque to cheque, EFT to EFT etc.
- Client wanting cash/out in cash are limited to 10% of cash/in or player account balance to a pre-set maximum. The remainder is paid by cheque or EFT to client's personal domestic account. This creates a traceable paper trail for investigation purposes. The returned cancelled cheque is investigated to verify bank account used to deposit the cheque

- Do not allow any bank-like transactions, such as transferring funds direct from off-shore accounts to casino bank accounts or vice versa, or allowing chip churning to occur without intervention interview by AML CO
- EFTs are conducted from/to accounts held by domestic financial institutions. The account must be in the name of the client
- 6.4 Law Enforcement Partnerships CO's reported that having police partnerships greatly assist with deterring criminal activities within the gaming industry including ML.

Some of the areas of police assistance specifically stated include:

- Sharing of information related to criminal gangs, their members and affiliates, and to criminal activity directed at the casino including ML
- Interdicting 'undesirable' persons and supporting local security personnel to evict potentially violent persons
- Providing a level of security for public safety in and around the casino
- Investigating and prosecuting criminal offenses directly related to gaming

- **7.0 GPEB** We were asked to comment on any gaps that we encountered that may assist GPEB in its role as regulator of the gaming industry.
- 7.1 AML Guidelines We believe that GPEB could greatly enhance its leadership in AML compliance by creating an AML compliance regime regulation under the Gaming Control Act/Regulations. Additionally, a companion Guideline for Deterring and Detecting Money Laundering should be implemented to establish the policy expectations of the new regulation. Alternatively, a Public Interest Directive could be issued to establish GPEB's AML program.

The intention is to direct gaming industry businesses in their responsibility to develop and maintain robust AML compliance programs that meet GPEB's governance and control expectations.

The Guideline is not to replace the federal guidelines published by FinTRAC nor create any new requirements under federal legislation.

They are to establish the "tone at the top" and provide industry specific policy for AML compliance expectations.

As an example, if GPEB wants specific policy for the determination of source of funds, the policy expectation can be specified in the Guideline. Gaming businesses can determine the procedures required to comply with policy.

Private & Confidential

7.2 Intelligence & GPEB currently does not have resources dedicated to criminal intelligence and crime analysis relating to the gaming industry.

Further, the province does not have dedicated police officers responsible for gaming related investigations and prosecutions.

GPEB should consider establishing a police-accredited unit to provide policing services for the gaming industry, including but not limited to:

- criminal intelligence and risk analysis
- investigations and prosecutions
- liaison with police departments in communities that host casinos
- information sharing program between GPEB, the BC police community, FinTRAC and other law enforcement agencies
- assist GPEB's Special Provincial Constables with conducting intelligence inquiries
- annual reporting to GPEB executive on the overall risks to gaming
- subject-matter experts in gaming industry related issues

475

MALYSH ASSOCIATES CONSULTING INC

Jerome P Molysh

Per: Jerome Malysh, CPA CGA, CFE Principal

SUBJECT MATTER EXPERTISE Jerome Malysh and John Paterson conducted the research for this report. Our bios are as follows:

John Paterson – in his 25 year professional banking career, he held senior management positions in Corporate Security and Compliance for HSBC Canada and for CIBC. He was responsible to develop the banks' AML compliance programs during the formative years of Canada's ML/TF legislation. He developed and wrote the AML policies, and trained employees in AML compliance and risk management. Following retirement from HSBC, John provides AML consulting services to the financial services industry. Prior to his banking career, John was a member of the RCMP in British Columbia specializing in economic crime investigations and drug enforcement.

Jerome Malysh, CPA CGA CFE - developed his money laundering expertise during his 20 year career in the RCMP Proceeds of Crime Section. Since retirement from the Force in 2000, he has built a risk management consulting practice helping financial service businesses develop their AML compliance programs. Jerome has provided AML consulting services to businesses in Canada, USA, Australia and New Zealand. Representative assignments consist of technical writing of AML policy and procedures, developing internal control and audit programs, assessing ML/TF risks and building mitigation strategies, training line staff and management in AML compliance, and conducting statutory reviews of AML compliance regimes. He has provided expert witness testimony in money laundering in the Supreme Court of British Columbia.

Private & Confidential

This is Exhibit "68" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this 2021 day of January 2021.

A Commissioner for taking Affidavits for the Province of British Columbia



341046

Bud Smith, Chair Board of Directors British Columbia Lottery Corporation 2940 Virtual Way Vancouver BC VSM 0A6

Dear Mr. Smith

Re: 2015/16 Mandate Letter

British Columbians have come to expect the high quality products and services delivered by their provincial public sector organizations. The Province is well served by our public sector organizations. It is the responsibility of the boards and senior management teams of these organizations to lead and manage in the best interests of the Province and the taxpayer by strengthening accountability and promoting cost control.

One of government's core values is respect for the taxpayer's dollar. It is critical that public sector organizations operate as efficiently as possible, in order to ensure British Columbians are provided with services at the lowest cost possible. This requires constant focus on maintaining a cost-conscious and principled culture through the efficient delivery of services that stand the test of public scrutiny and help develop a prosperous economy in an environmentally sustainable manner. The foundation of this work is the government's commitment to controlling spending and balancing the budget.

The British Columbia Lottery Corporation (BCLC) is directed to take the following specific strategic priority actions for 2015/16:

1. BCLC will implement action items that pertain to the Corporation as part of government initiatives in the areas of health prevention, protection and research to address problem gambling. These action items and their timelines for implementation are being developed by government in consultation with BCLC taking into consideration the Provinces' 2014 Problem Gambling Prevalence Study, the 2013 Public Health Officer's (PHO) Report, entitled Lowering the Stakes: A Public Health Approach to Gambling in British Columbia, as well as other research on problem gambling in youth and problem gambling treatment programs.

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Ministry of Finance

Office of the Minister

Mailing Address: PO Bax 2048 Str. Prov Govt Victoria BC V8W 2052 PERSONAL NEORMATION

Location: 501 Bolleville Streer Padiament Buildings, Victoria website: www.gov.be.ca/fm

- 2. The Gaming Policy and Enforcement Branch (GPEB) and BCLC will jointly develop key principles that will inform respective roles and responsibilities. These principles will outline expectations, obligations, and related business impacts to provide role clarity and maximize accountability. These principles will be devised by June 30, 2015, and implemented by December 31, 2015.
- 3. Optimize the Corporation's financial performance, in accordance with government policy and directives under the *Gaming Control Act* and Treasury Board direction. BCLC will sustain the organizations net return to the province, by responding to customer and marketplace demands for products and services and seeking new revenue opportunities that are consistent with the approved framework. Consistent with previous direction the corporation will present Treasury Board with a detailed business case for casino optimization by November 30, 2014, and a detailed business case and risk assessment for business optimization by February 28, 2015.
- 4. At the conclusion of the Crown Review BCLC, the Corporation will work to address, as appropriate, the recommendations made by Internal Audit & Advisory Services.
- 5. As part of the Corporation's continued mandate, BCLC will use information provided by law enforcement to create actions and solutions to prevent money laundering in BC gaming facilities. GPEB will develop anti-money laundering standards, to which BCLC will respond. Additionally, BCLC will identify and implement strategies to increase the use of cash alternatives and measure and demonstrate this progress.

These specific strategic priority actions and the Taxpayer Accountability Principles actions are to be included and integrated in your 2015/16-17/18 Service Plan.

As part of the commitment to fiscal responsibility and to ensure the best possible use of government resources, provincial public sector organizations now operate under the Taxpayer Accountability Principles (attached) announced by Premier Christy Clark in June 2014. Through the implementation of Taxpayer Accountability Principles, leadership teams in public sector organizations are leading a change to a cost-conscious public sector that strengthens cost management capabilities and fosters a principled culture of efficiency and accountability at all levels. This leadership includes implementing your organization's Code of Conduct which contains conflict of interest provisions and post-employment restrictions.

BCLC is expected to fully adopt the Taxpayer Accountability Principles – cost consciousness (efficiency), accountability, appropriate compensation, service, respect and integrity. The actions, as detailed in the 2014 Transition Letter, are to be completely implemented in 2015/16. For further information on the Taxpayer Accountability Principles, please see, <u>http://gov.be.ca/crownaccountabilities.</u>

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To support the implementation of the Taxpayer Accountability Principles, please ensure all board members sign this 2015/16 mandate letter and the signed letter is posted publicly on your organization's website.

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Government is committed to further strengthening accountability, improving the management of public funds and revitalizing the relationship between government and public sector organizations. This strong focus on improved two-way communication is to support and ensure a complete understanding of government directions, expectations, accountabilities and alignment with strategic priorities. As such, it is important that each of us advise the other in a timely manner of any issues that may materially affect the business of BCLC and/or the interests of government, including information on any risks to achieving financial forecasts and performance targets.

I look forward to our regular quarterly meetings that focus on strategic priorities, performance against the Taxpayer Accountability Principles, results and working together to protect the public interest at all times.

Honourable Michael de Jong, Minister of Finance

Date: FEB 0 5 2015

Signed By:

Bud Smith, Chair British Columbia Lottery Corporation

2/2015

Date

Arthur H. Willms, Vice-Chair Board of Directors British Columbia Lottery Corporation Date

Christina Anthony, Director British Columbia Lottery Corporation Date

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To support the implementation of the Taxpayer Accountability Principles, please ensure all board members sign this 2015/16 mandate letter and the signed letter is posted publicly on your organization's website.

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I look forward to our regular quarterly meetings that focus on strategic priorities, performance against the Taxpayer Accountability Principles, results and working together to protect the public interest at all times.

Honourable Michael de Jong, Q.C. Minister of Finance Date: FEB 0 5 2015

Signed By:

Bud Smith, Chair British Columbia Louery Corporation

Arthur H. Willms, Vice-Chair Board of Directors British Columbia Lottery Corporation Date

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Date

Christina Anthony, Director British Columbia Lottery Corporation Dare

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I look forward to our regular quarterly meetings that focus on strategic priorities, performance against the Taxpayer Accountability Principles, results and working together to protect the public interest at all times.

Honourable Michael de Jong, Q.C. Minister of Finance

Date: FEB 0 5 2015

Signed By:

Bud Smith, Chair British Columbia Lottery Corporation Date

Arthur H. Willms, Vice-Chair Board of Directors British Columbia Lottery Corporation

Christina Anthony, Director - British Columbia Lottery Corporation Date

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Trudi Brown, Director British Columbia Lottery Corporation

Feb	13/15
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Date

David W. Gillespie, Director British Columbia Lottery Corporation

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Date

Date

Robert Holden, Director British Columbia Lottery Corporation

Moray Keith, Director British Columbia Lottery Corporation

Wendy Lisogar-Cocchia, Director British Columbia Lottery Corporation Date

Date

Trudi Brown, Director British Columbia Lottery Corporation

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David W. Gillespie, Director British Columbia Lottery Corporation Date

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16,2015

Date

Robert Holden, Director British Columbia Lottery Corporation

Date

Moray Keith, Director British Columbia Lottery Corporation

Date

Wendy Lisogar-Cocchia, Director British Columbia Lottery Corporation Date

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Trudi Brown, Director British Columbia Lottery Corporation

Date

Date

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David W. Gillespie, Director British Columbia Lottery Corporation

Robert Holden, Director British Columbia Lottery Corporation

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Wendy Lisogar-Cocchia, Director British Columbia Lottery Corporation

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Trudi Brown, Director British Columbia Lottery Corporation Date

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David W. Gillespie, Director British Columbia Lottery Corporation Date

Robert Holden, Director British Columbia Lottery Corporation

Moray Keith, Director British Columbia Lottery Corporation

Wendy Lisogar-Cocchia, Director British Columbia Lottery Corporation

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Date

February 16/2015

Date

Date

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Trudi Brown, Director British Columbia Lottery Corporation

David W. Gillespie, Director British Columbia Lottery Corporation

Date

Date

Robert Holden, Director British Columbia Lottery Corporation Date

Moray Keith, Director British Columbia Lottery Corporation

Wendy Lisogar-Cocchia, Director British Columbia Lottery Corporation

Date

F.es 13/2015

Date

cc: Honourable Christy Clark Premier

> John Dyble Deputy Minister to the Premier and Cabinet Secretary

Peter Milburn Deputy Minister and Secretary to Treasury Board Ministry of Finance

Cheryl Wenezenki-Yolland Associate Deputy Minister Ministry of Finance

Bud Smith, Chair, Arthur Wilms, Board Member Trudi Brown, Board Member David Gillespie, Board Member Robert Holden, Board Member Wendy Lisogar-Cocchia, Board Member Moray Keith, Board Member British Columbia Lottery Corporation

Jim Lightbody A/Chief Executive Officer British Columbia Lottery Corporation

Attachment: Taxpayer Accountability Principles

B.C. Taxpayor Accountability Frinciples

Further information available at http://gov.bc.ca/crownaccountabilities

Strengthen cost management capabilities and foster a culture of costconsciousness at all levels of public sector organizations. Provide public services and programs as efficiently and effectively as possible to "bend the cost curve" and support sustainable public policies and programs as a lasting legacy for generations to come.

Transparently manage responsibilities according to a set of common public sector principles in the best interest of the citizens of the province. By enhancing organizational efficiency and effectiveness in the planning, reporting and decision making, public sector organizations

Comply with a rigorous, standardized approach to performance management and employee compensation, which reflects appropriate compensation for work across the public sector that is consistent with government's taxpayer accountability principles and respectful of the taxpayer.

will ensure actions are aligned with government's strategic mandate.

Maintain a clear focus on positive outcomes for citizens of British Columbia by delivering cost-efficient, effective, value-for-money public services and programs.

Engage in equitable, compassionate, respectful and effective communications that ensure all parties are properly informed or consulted on actions, decisions and public communications in a timely manner. Proactively collaborate in a spirit of partnership that respects the use of taxpayers' monies.

Make decisions and take actions that are transparent, ethical and free from conflict of interest. Require the establishment of a strong ethical code of conduct for all employees and executives. Serve the citizens of British Columbia by respecting the shared public trust and acting in accordance with the taxpayer accountability principles.

: Service

Respect

Cost Consciousness

(Efficiency)

Accountability

Appropriate

Compensation

Integrity

This is Exhibit "69" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this day of January 2021.

To:Brad DesmaraisFrom:McCrea, Bill J FIN:EXSent:Wed 2014-11-26 10:55:30 PMSubject:RE: BCLC Mandate Letter for 2015/16

Hi Brad,

Thank you for your thoughts. I will add acknowledgement of your work with the RCMP. I didn't leave it out deliberately, but rather didn't focus on it as much as you. I hear you with respect to the potential impact of regulator requirements. We know that these can have an effect on revenue. So some discussion will have to happen around the effect of an AML mandate on a revenue mandate.

I am going to change some of the wording for the GPEB standards that are being worked on. It can be reoriented somewhat, but I do have to include it in some form.

With respect to the currency issue, the direction is more about use of cash alternatives. I believe that there is still room for growth there, but more culture change is needed at the CSP's. Frankly the "marketing" of cash alternatives is more passive than I think it should be.

I will reword the AML mandate and move it on. Guaranteed this will not be the final version.

Bill

Bill McCrea BES MBA FCIP Executive Director Quality Assurance & Risk PERSONAL INFORMATION

From: Brad Desmarais [PERSONAL INFORMATION]

Sent: Wednesday, November 26, 2014 2:12 PM

To: McCrea, Bill J FIN:EX

Subject: RE: BCLC Mandate Letter for 2015/16

Sorry, Bill. This is the one of multiple versions of this document I've been struggling with last night and this morning. In meetings around SOEBC, Crown Review and HR Strat Planning so my time has not been my own. Thank you for the opportunity to provide input. In my view, we should be striving for a collaborative approach rather than a prescriptive one. I also have a number of concerns with establishing goals around reduction of currency as a percentage of total buy-in as drafted below that we ask you to carefully consider.

First, if GPEB provides AML direction then they also must accept responsibility for any reduction in revenue for directives imposed without due regard for business, cultural and M/L typology risks. Second, if GPEB imposes this then there must be an acknowledgement that many cash play factors are beyond BCLC 's control with the possible exception of banning currency at prescribed levels which, of course, would lead to drops in revenue.

It is important to also understand and acknowledge that BCLC is increasing their ability to identify problematic player behaviour resulting in the number of banned persons also increasing. Additionally, our ability to present compelling evidence to Service Providers justifying public interest directives that may have a revenue limiting effect is also increasing. Simply targeting cash reduction percentages as the defining measurement is, in my opinion, a very simplistic approach to a very complex issue.

The initiatives over the past year that are just now bearing fruit, such as the RCMPISA, should be acknowledged and reinforced in the mandate letter, rather than being essentially ignored (while I note you did make reference to our AML automated system). GPEB has to put some skin in the game and support us rather than simply being a critic from the sidelines. Bill, I know you understand our challenges and you are doing all you can, but there has to be a greater commitment to finding solutions and moving forward from GPEB as whole than in the past. This mandate letter could be an opportunity to support that vision and help create a culture at GPEB that they are an active part of the solution. Some suggested goals:

 \forall GPEB will work cooperatively with BCLC to identify and mitigate money laundering typologies which

have an impact on Gaming;

∀ BCLC will continue to expand cash alternative measures providing GPEB with comprehensive reporting on current and anticipated strategies. BCLC should strive to increase the diversion of currency towards non-cash play year over year.

Brad Desmarais

Vice President, Corporate Security & Compliance (and) Interim Vice President, Human Resources BCLC, 2940 Virtual Way, Vancouver, B.C. V5M 0A6

PERSONAL INFORMATION

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

From: McCrea, Bill J FIN:EX [PERSONAL INFORMATION]

Sent: Wednesday, November 26, 2014 1:40 PM

To: Brad Desmarais

Subject: FW: BCLC Mandate Letter for 2015/16

Importance: High

Hi Brad,

Further to our discussions I need to put an AML wording forward for the Mandate letter. From yesterday's input I'm looking at having the following set into the letter. I expect that BCLC will respond and ultimately, from the discussion, there will be a commitment that will go forward. The wording is:

It is recognized that BCLC is developing an automated anti-money laundering (AML) and analytics program that will focus on solutions and actions to deal with real or suspected money laundering in BC gaming facilities. BCLC will also develop and implement actions based on direction from GPEB of forthcoming AML standards. Additionally BCLC will identify and implement strategies to increase the use of cash alternatives as a % of total buy-ins at BC gaming facilities.

Thank you for your attention to this.

Bill

Bill McCrea BES MBA FCIP Executive Director Quality Assurance & Risk PERSONAL INFORMATION

From: McCrea, Bill J FIN:EX Sent: Luesday, November 25, 2014 9:20 AM To: 'Brad Desmarais - BC Lottery Corporation' Subject: BCLC Mandate Letter for 2015/16 Importance: High

Hi Brad,

Further to our discussion yesterday you are aware that Cabinet have asked for the Mandate Letter to include an item dealing with the AML activities. In dialogue between John Mazure and me we will be looking for this to include a sentence about working with forthcoming GPEB standards for AML and one about strategies to increase use of cash alternatives. Here is a proposed wording that I would appreciate your comments on.

BCLC will develop and implement actions based on direction from GPEB of forthcoming antimoney laundering (AML) standards. Additionally BCLC will identify and implement strategies to increase the use of cash alternatives as a % of total buy-ins at BC gaming facilities.

Brad, as this needs to move along would you please give me your input as soon as possible. We will be incorporating this new sentence into the Mandate Letter and, as I understand, it will come back to BCLC for comment. So the final version isn't done yet. Thanks for your help.

Bill

Bill McCrea BES MBA FCIP Executive Director Quality Assurance & Risk PERSONAL INFORMATION

Province of British Columbia Gaming Policy and Enforcement Branch Location: 3rd Floor 910 Government Street V8W 1X3 Mailing: PO Box 9311 Stn Prov Govt Victoria BC V8W 9N1

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.

This is Exhibit "70" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this 12 day of January 2021.

September 19, 2013

Douglas Scott Assistant Deputy Minister Ministry of Energy and Mines Gaming Policy and Enforcement Branch

RE: BCLC Policy Change Regarding Casino Cheque Issuance

Proposal:

An agreement in principle contemplating a change of policy whereby Casino Operators issue cheques, in any amount, to patrons cashing out of play regardless of the type of funds used to "buy in", including currency.

Background:

At the moment, Casino patrons who "buy in" to Casino play using currency are only allowed to "cash out" with currency, preferably in the dominations used in the first instance. For clarity, Casinos presently issue:

- Verified win cheques during the cash-out process;
- 2. Return of patron gaming funds with a Casino cheque stamped as a Return of Funds Not Gaming Winnings' Return of PGF cheque; and
- Convenience cheques for a monetary amount not to exceed \$8000.00 for return of buy-in funds or small unverified wins.

The practice of cash-out with currency was mandated initially as an Anti-Money Laundering measure using the rationale that returning non-winning funds in currency form would thwart individuals who intend to use Casino operations as a tool to begin the money laundering process. However laudable, this initial position may in fact be exacerbating, and in some cases, have the effect of encouraging the use of funds derived from the execution of cash based criminal enterprises. Cash is anonymous and is highly portable with virtually no record or audit trail available to track where it came from or, in some cases, where it landed. Non-currency monetary instruments, such as cheques, create an audit trail in every sense with detailed information being returned to the cheque issuer with respect to who cashed it, where, when and associated financial information including account number(s) and institution. This information is easily obtained by investigators through a Judicial Order at a later date and in doing so, creates a start point for a subsequent investigation. Conversely, individuals in possession of currency can easily claim a variety of sources of funds, none of which are true but virtually impossible to contradict. By returning currency to persons who may have originally derived the funds from a criminal offence, an argument could be made that the Casino is facilitating the continued use of criminally derived funds in an anonymous environment.



2940 Virtual Way Vancouver, BC V5M 0AG

604.215.0649 604.225.6424

Rationale:

There are a number of compelling reasons to explore the option of a policy which allows for the return of funds by cheque rather than currency;

Proceeds of Crime Deterrence:

As stated above, currency is essentially an anonymous instrument. Conversion of currency to another monetary instrument is something that is fraught with risk and is best done, from a criminal's perspective, in a manner where the new instrument cannot be traced to him/her. In short: secrecy is key. Casinos are a bad place to attempt this process in that the participants in the transactions are conclusively identified and prescribed transactions are reported to a regulatory agency which serves as a financial intelligence center for law enforcement (FinTRAC). Returning funds by cheque would enhance the deterrent effect by issuing a cheque branded as "not from winnings" or similar wording and made out in the name of the individual cashing out. The returned negotiated cheque would contain substantial financial intelligence including account numbers, etc. The secrecy craved by criminals would be compromised. Anecdotally, both RCMP Proceeds of Crime investigators and FinTRAC analysts acknowledge the substantial intelligence value of information contained in a returned cheque as opposed to simply returning cash and maintaining the anonymity of that instrument. It is reasonable to assume the issuance of cheques would serve as a general deterrent to those individuals using the proceeds of crime to gamble as well as creating an enhanced investigative aid for investigators using properly obtained judicial orders to obtain that information.

Public Safety:

Robbery or interference of patrons leaving gaming establishments is thankfully rare, however individuals in possession of large amounts of cash represent a much higher risk than those in possession of a cheque. Persons entering Casinos in possession of large amounts of cash are at risk, but unless previously targeted away from property, the risk is much lower than those leaving the Casino with large amounts of cash. Opportunity to identify "high rollers" within the Casino is greater and subsequent surveillance and robbery after leaving is much more likely. The benefit of executing a robbery of a patron simply to obtain a cheque is virtually non-existent. Most banks, when providing clients with large amounts of cash, require the client to sign a waiver absolving the bank from any liability incurred as a result of being in possession of currency and the associated risk. Notwithstanding, banks typically do their utmost to persuade their clients to accept a monetary instrument other than cash as an AML and crime prevention strategy.



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2940 Virtual Way Vancouver, BC V5M 0A6

604.215.0649 604.225.6424

Reduction of Cash in Casinos:

BCLC and GPEB are both committed to reducing the amount of cash used in Casinos. The use of cheques would support this undertaking. Cheques issued by a Casino would be honoured as buy-ins for subsequent play. At present, cash-outs in the form of currency cause the player to return with that same currency if they wish to buy in at a later date thereby creating a "churn" of cash. Cheques issued by one Casino would be negotiable at another Casino for play there.

Cost Saving:

Managing large amounts of cash is an expensive endeavor. Substantial policy exists around how cash is handled which involves a multitude of security and financial processes. The use of non-currency financial instruments significantly reduces financial and security risks with a corresponding reduction in cost. Anecdotal discussions with Casino Service Providers indicate the amount of the cash float maintained on hand in the cash cage could be reduced if cash-outs by cheque were permitted. The ROI in moving to a non-currency environment with respect to cash-outs is difficult to quantify, however there is no doubt a savings would result thereby improving the revenue bottom line.

Conclusion:

The purpose of this document is to obtain permission in principle to create policy and process around removing the current \$8,000 limit on "convenience cheques" as a means of reducing risk to the public and increasing AML support through deterrence and potential investigative aids to law enforcement (through properly obtained judicial orders). A reduction in the reliance on cash in the Casinos as well as operational cost savings would be ancillary benefits.

Brad Desmarais Vice President Corporate Security & Compliance British Columbia Lottery Corporation

cc Bill McCrea Michael Graydon Jim Lightbody



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2940 Virtual Way Vancouver, BC V5M 0A8

604.215.0649 604.225.6424 This is Exhibit "71" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this IL day of January 2021.



Know your limit, play within it.

September 22, 2013

Log # 331838

Brad Desmarais Vice President Corporate Security and Complaince BC Lottery Corporation 2940 Virtual Way Vancouver BC V5M 0A6

Re: BCLC Request for Policy Change Regarding Casino Cheque Issuance

Dear Brad:

Thank you for your proposal of September 19, 2013. As you know, GPEB is eager to advance this proposal in order to realize increased public safety and reduce the use of cash in casinos.

However, the information and analysis contained in the proposal is not currently sufficient for approval-in-principle of the requested policy change with respect to issuance of casino cheques. There are many questions left unanswered and a compelling argument that this policy will increase the opportunity for money laundering persists. I do not make these comments to be in any way critical of your proposal. I know that I have rushed this issue with your office in hopes of finding a solution as soon as possible. I believe it is an important proposal that must continue to be considered with additional analysis.

Therefore, despite my inability to take action based on the information currently available, GPEB is committed to continuing this discussion and analysis as both our organizations work to find an appropriate solution in the public interest. Going forward, I will not be able to participate in these discussions as General Manager of GPEB and so I would like to provide brief comments on this issue before I move on to other duties with the Provincial Government on September 23rd.

To begin, in my view the core argument that criminals prefer cash for anonymity has very important limits. Large amounts of cash can be a significant challenge to organized crime groups. It is difficult to transfer, is vulnerable to interdiction, and during virtually all legitimate large modern-day commercial transactions it raises significant and unwanted suspicion, including from FinTRAC and law enforcement agencies.

Ministry of Finance

Gaming Policy and Enforcement Branch Assistant Deputy Minister's Office Mailing Address; PD BOX 6311 STN PROV GOVT MCTORIA BC V6W 9N1 PERSONAL INFORMATION Location: Third Floor, 910 Covernment Street Victoria, BC

Web: www.gaming.gov.bc.ca

If we accept the premise that a person wants to launder money in a casino, their goal *must* be to acquire a cheque¹. If their laundering goal is to have money returned in cash, why would they walk into a casino? The cash is already in their hands. Therefore, the suggestion that a casino is facilitating the criminal's money laundering goals in some way when returning cash in the same denominations as it was received is questionable.

If the goal of a criminal is not to launder in a common sense, but to use illicit currency to enjoy casino games, it is conceivable they would prefer to receive cash back, and this may deter this type of play (though a criminal may intend to play out their money entirely, or take casino chips home if a verified win cheque is seen by them as an attractive goal).

Future analysis of this proposal should include consideration of the potential types of money launderers. The table below is merely a starting point, however, it provides a first cut at what the potential impact of the proposed policy may be,

Launderer Type	Launderer Objectives	Potential Cheque Policy		
		Impact		
Criminal laundering their own proceeds of crime	 Playing for enjoyment Wish to acquire cheque 	 May deter play Will make cheque acquisition easier (no need for verified win) and potentially encourage more laundering² 		
Criminal using nominees to launder	3. Wish to acquire cheque in nominees name later to be transferred through multiple accounts – business and personal – comingled with other funds etc. – to obscure original source of funds	 Will potentially encourage more money laundering as in #2. 		
Legitimately wealthy players who buy discounted currency "street cash" that is the proceeds of crime such as drug dealing	4. Wish to gamble. Enjoy the benefit of gambling at a discount due to lower cost of street cash.	4. No deterrent. May encourage more laundering as player will be able to buy more discounted street cash for the next day of play since they received no cash back from casino.		

While much more analysis is warranted, I believe the table above illustrates why a decision to change this policy is not simple and could have unforeseen consequences in an environment we do not fully understand. In the four scenarios noted in the table, only one appears to have the potential to deter the money laundering, and that potential is questionable. The other three scenarios indicate potential to increase money laundering in BC Casinos.

¹ Unless the launderer's objective is to "colour up" to higher denominations (which should not be permitted with existing policy), or clean serial numbers (which would be a very rare practice). ² Notations similar to "Not from winnings" are not anticipated to act as a significant deterrent since, (as we

² Notations similar to "Not from winnings" are not anticipated to act as a significant deterrent since, (as we understand) it is very challenging to prove there are not a series of small wins that can account for a payout, and sophisticated launderers will know even a verified win does not fully clean money and the laundering must continue through electronic means after the initial placement is made in a casino.

If feasible, I would like to see this policy implemented in order to achieve the other benefits you have noted in your proposal. Before that is possible a number of questions, including some presented here, must be answered to demonstrate the proposal will have the intended impact in our efforts to prevent money laundering.

In relation to the very desirable public safety benefit of this proposal, I believe it is important to note that all casino patrons are now in a position to ensure their own safety by utilizing the many non-cash options for buy-in, including debit card, bank transfer and the patron gaming accounts. This new level of patron safety is the product of GPEB and BCLC working together collaboratively on our common goal, a practice I know will continue. The additional safety of these options should be emphasized with players buying in with large amounts of cash. As you noted, customers who buy-in with smaller amounts of cash can enjoy the safety of "convenience cheques" for amounts of \$8,000 or less.

GPEB is committed to timely fact-finding and analysis with the help of expert guidance in order to form a solid and defensible base for any new policy. John Mazure, the incoming General Manager, will work with Bill McCrea and others on GPEB staff to continue this effort.

I appreciate your work on this issue and assure you that GPEB is committed to continuing the development of knowledge and policy in this area.

Sincerely,

Douglas S. Scott Assistant Deputy Minister

cc Michael Graydon Jim Lightbody Bill McCrea

3|Page

BCLC0000065.03

This is Exhibit "72" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this <u>J</u>, day of January 2021.

 To:
 Brad Desmarais

 Person
 Jim Lightbody

 Sent:
 Tue 2013-09-24 6:47:36 AM

 Subject:
 Fw: BCLC Proposal Regarding Casino Cheque Issuance

 GPEB reply to BCLC Cheque Proposal of 2013-09-19.pdf

Unbelievable....

Sent from my BlackBerry 10 smartphone on the TELUS network.

From: Scott, Douglas S EMNG:EX Sent: Sunday, September 22, 2013 5:11 PM To: Brad Desmarais Cc: McCrea, Bill J EMNG:EX; Michael Graydon; Jim Lightbody Subject: RE: BCLC Proposal Regarding Casino Cheque Issuance

Hi Brad,

Please find our reply to your proposal attached. As noted in the letter, we do not believe the rationale as presented is sufficient to undertake an approval in principle at this time. That said I certainly think it should be considered further.

Thank you for making an effort to get this issue resolved with me before my departure. It has been a pleasure working with you on these and other issues and I wish you all the best. Regards,

Doug

Douglas S. Scott Assistant Deputy Minister Gaming Policy and Enforcement Branch Ministry of Finance Government of British Columbia PO Box 9311, Stn Prov Govt Victoria, BC V8W 9N1

PERSONAL INFORMATION

Website: www.pssg.gov.bc.ca/gaming Know your limit, play within it.

Please consider the environment before printing this e-mail

From: Brad Desmarais PERSONAL INFORMATION

Sent: Thursday, September 19, 2013 2:23 PM

To: Scott, Douglas S EMNG:EX

Cc: McCrea, Bill J EMNG:EX; Michael Graydon; Jim Lightbody

Subject: BCLC Proposal Regarding Casino Cheque Issuance

Doug:

Please find attached the document we spoke of. This should be regarded as a concept document – you'll note that I've asked for "approval in principle" for a policy change with respect to the issuance of cheques. Obviously final approval would be subject to consultation with stakeholders including police, regulators and the Casino Service Providers. I anticipate substantial policy revision would also result not only with us but with the CSPs as well. If you have any questions please don't hesitate to call.

Hard copy to follow by mail.

Brad

Brad Desmarais

Vice President Corporate Security & Compliance BCLC, 2940 Virtual Way, Vancouver, B.C. V5M DA6 PERSONAL INFORMATION Last year, more than \$1 billion generated by BCLC gambling activities went back into health care, education and community groups across B.C.

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.

This is Exhibit "73" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this day of January 2021.

Fri 02/02/2018 6:39:40 PM Sent: Subject: Re: AML Program adjustments

I have also given the DAG heads up on these.

From: Rob Kroeker PERSONAL INFORMATION Date: February 2, 2018 at 5:45:02 PM GMT To: Jim D. Lightbody PERSONAL INFORMATION, Brad Desmarais PERSONAL INFORMATION Subject: AML Program adjustments

Jim and Brad

To:

A week or so ago we discussed some modifications to current controls that we believe will not only improve those controls from an AML stance but will also help smooth out the impacts of the new prescriptive source of funds requirement. Those three things are:

- 1. Reduce PGF account opening requirement from \$10,000 to \$0 (this was not an AML control but rather a request of SPs to control account administration costs).
- 2. Delimit all convenience cheques (right now delimited cheques only go to account holders, but with all case and bank drafts of \$10K or more being sourced in every instance delimiting cheques is now very low risk)
- 3. Cap cash payments (bank notes) out to \$25,000. (this will reduce the churn of cash and help with verification procedures when cash an SP pays out comes back).

These three measures will reduce the burden of account and buy-in - cash-out administration and provide additional AML oversight.

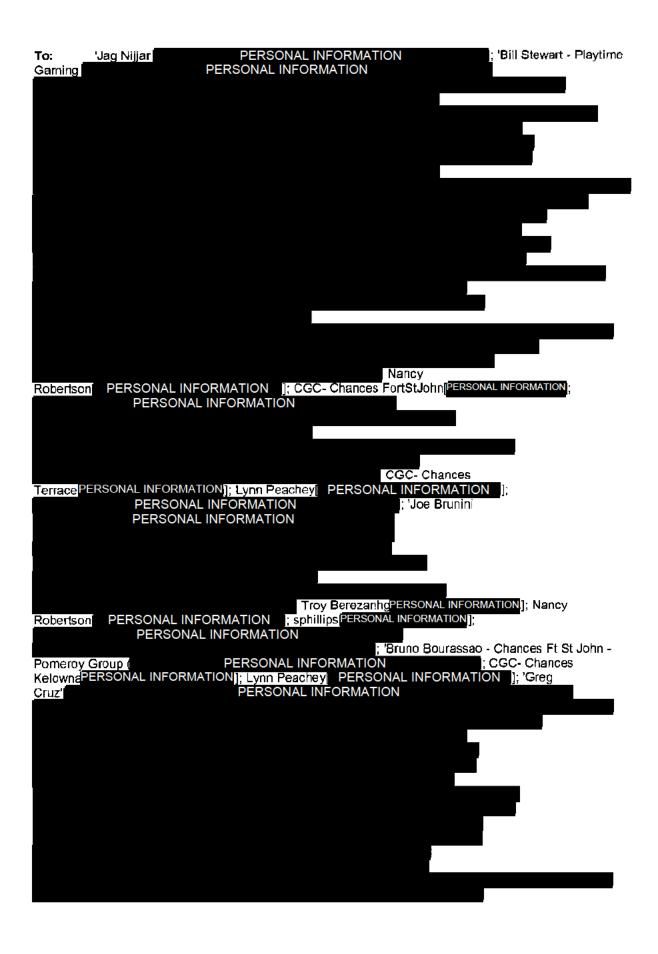
At the operational level, my team is saying the SPs are good with these.

We would like to proceed, subject to Brad giving the SPs a heads up at the top end and any other comments or concerns the two of you might have.

Rob

This is Exhibit "74" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this 12 day of January 2021.

A Commissioner for taking Affidavits for the Province of British Columbia ----



];
GC
; ALL-

Dear Service Providers,

Recently you were informed of upcoming changes to BCLC's cash reduction strategies. Specifically, changes to PGF accounts, convenience cheques and cash distribution limits. These changes were originally intended for implementation on March 15, 2018. After further consultation it has been decided to delay these changes until the Peter German Report has been released. These changes will be forthcoming at a later date and will be communicated in advance for your implementation.

If you have any questions, please direct them to BCLC's AML team at PERSONAL INFORMATION

Thank you, AML Unit



This is Exhibit "75" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this 22 day of January 2021.

To:Rob KroekerPERSONAL INFORMATIONFrom:Brad DesmaraisSent:Mon 16/04/2018 9:29:11 PMSubject:FW: RR file 2014-520942014 gaming chips P9.xlsx

Not sure if this is of assistance.

From: Robert G. Kroeker PERSONAL INFORMATION Sent: Wednesday, October 15, 2014 4:59 PM To: Brad Desmarais PERSONAL INFORMATION Cc: John Karlovcec PERSONAL INFORMATION Subject: RE: RR file 2014-52094

Here is high level tracking table we have been keeping on these. RR only. I would appreciate not sharing with other SP – especially player particulars.

Do you know if you are seeing a similar trend at Villa or Edgewater?

From: Brad Desmarais [PERSONAL INFORMATION] Sent: Wednesday, October 15, 2014 10:32 AM To: Robert G. Kroeker Cc: Nicole Wu; Lisa Green Subject: FW: RR file 2014-52094 Importance: High

Hi Rob

Another one of these. We should get together and talk strategy. I'm on holidays this week, but could we organize something for next week?

Brad Desmarais Vice President, Corporate Security & Compliance (and) Interim Vice President, Human Resources

BCLC, 2940 Virtual Way, Vancouver, B.C. V5M 0A6

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

From: John Karlovcec Sent: Wednesday, October 15, 2014 9:07 AM To: Brad Desmarais Cc: Kevin Sweeney; Kris Gade; Bruno Gatto; Brad Rudnicki Subject: FW: RR file 2014-52094 Importance: High

Hi Brad,

Just an Fyi, see email stream below re: an incident at River Rock Casino last night.

510

Here is another example of a known player coming in with almost \$500 K in cash \$20 bills getting chips then leaving the site without play.

Although a player this is not typical of his play, previous high roughly \$180 K.

As per our previous discussion and after discussing with Kevin, Bruno and Kris this morning we've instructed the BCLC investigator to issue a 14 day barring from all gaming sites pending BCLC investigation including interview by an investigator.

I have also requested a deeper dive from our Analytics group into the patron's background.

We will keep you posted. I'm just running off to a meeting.

John

From: Jim Husler Sent: Wednesday, October 15, 2014 7:24 AM To: Daryl Tottenham; Steve Beeksma; Jerome Wakeland Cc: AML; Bruno Gatto; Stone Lee Subject: RE: RR file 2014-52094

Hi Daryl,

Thanks for the email I see the file IN20140052094 that involved patron^{Bercover} SID#10700. It appears he bought in for \$467,725.00

Bill breakdown: 1000x\$100.00=\$100,000.00 18386x\$20.00=\$367,720.00 1x\$5.00=\$5.00 Total = **\$467,725.00**

From the time he turned over his bills to the time he was presented his chips was approx. 46min.

<u>I have contacted Surveillance (0715hrs) and they are looking into last night's paperwork – Just</u> going through their shift change right now.....

I have indicated on IN52094 to advise you of the review results.

FYI – Steve and I will contact Surveillance later on today to advise them once again to leave the UFT files open so they can be processed by the system.

Thanks,

Jim HUSLER

BCLC Casino Investigator Corporate Security and Compliance BCLC 2040 Virtual Way, Vancouver BC V5M 0A6 PERSONAL INFORMATION



From: Daryl Tottenham Sent: Wednesday, October 15, 2014 6:44 AM To: Steve Beeksma; Jim Husler; Jerome Wakeland Cc: AML; Bruno Gatto Subject: RR file 2014-52094

Morning guys, This report from last night only has 1 supplement in it so far which shows buying in last night at 6 pm for \$467,725 in small bills. The surveillance report shows it took a while to count it all, then picked up his chips and promptly left the casino with the chips. Could someone please check with surveillance first thing this am and advise if he came back and played or not and advise us ASAP of the results? Thanks kindly, Daryl

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•----

114 11	Patron Name	DOB	Canadian	Date of Incident	Time of day	Dollar total	Why SFT	Chips Received & /or produced	BOLC ACTION	PGF account	PGF account
20140046174	PERSONAL INFOR	PERSONAL INFO	Y	09-12-14	8:38PM	\$100,000.00	Chips produced for play w/out buy in	5K	Watched	Y	1
0140046886	PERSONAL INFO	-	Y	09-16-14	4:38PM	5112.000.00	LCT NO PLAY	1K, 5K	Watched	Y	
0140040251	PERSONAL INFO	<u>;</u>	N	08-10-14	1:23PM	\$70,000.00	LET NO PLAY	SK	Watched	Y	302
0140020462	PERSON/		Ý	04-22-14	3 47PM	\$30,000,00	LCT NO PLAY	ŝĸ	Svear barring		
0140029458	PERSONAL I	-	Y	06-12-14	10:32AM	594,040 00	LCT NO PLAY	5K	1 year barring		
0140040865	PERSONAL IN		Ŷ	08-14-14	11:00PM	\$25,000.00	Chips produced for play w/out buy in	5K	5 year barring of patron (MA, Q) who produced chips	Ŷ	379
0140047191	PERSONAL IN	T .	Ý	09-18-14	12:34PM	\$100,000.00	Chips produced for play w/out buy in	5K	Watched	Y	
0140049315	PERSONAL IN	1	Y	09-29-14	1132AM	\$945,000.00	Chips produced for play w/out buy in	5K	Watched	Ŷ	
140045230	GAQ, Jia Gui	Ť.	Y	09-07-14	12:00AM	\$300,000,00	Chips produced for play w/out buy in	5K	Watched	Y	
01400372.51	PERSONAL	·-	Y	07-24-14	4:18PW	\$50,020,00	LCT NO PLAY	\$5,00, 5K	Watched		
0140012203	PERSONAL INFORMA		Y	03-10-14	12:33AM	\$230,000.00	CDR w/out play		Watched		
0140048302	PERSONAL INFORM	-	Y	09-24-14	12:00 AM	S40.000.00	LCT NO PLAY	5K	Watched		38 CLOSE
0140034997	PERSONAL		Y	07-12-14	10:478PM	\$140,000,00	LCT minimal play	\$100. 1K. SSK	1 year barring	-	361 CLOSE
0140043627	PERSONAL IN		N	08-29-14	4:12PM	\$50,000.00	LCT NO PLAY	1K.5K	Watched		
0140022093	PERSONAL IN		- <u>Y</u>	05-01-14	12:45PM	\$100,000.00	LCT NO PLAY	54	Watched	Y	373
0140036437	PERSONAL	1	÷.	07-20-14	J:16PM	\$200,000.00	COR w/out play	SK SK	Watched		
0140035941	PERSONAL I		Ň	07-17-14	8:41PM	5100,000.00	LCT NO PLAY	SK	Watched		
0140049503	PERSONAL		v	09-30-14	1223PM	\$100,000.00	Chips produced for play w/out buy in	16,56	Watched	- v	
0140019355	PERSONAL IN	<u>.</u>	v	04-17-14	10:46AM	\$10,000.00	LCT NO PLAY	IK.		· · · ·	
0140034787	PERSONAL	-	 N	07-11-14	6:11PM	\$68,600.00	LCT NO PLAY	\$109, \$500, 1K, \$5K	<u>Syear barring</u> Watched	· .	
0140019328	PERSONAL INF	+	N	04-16-14	4:11PM	\$50,000.00	LCT NO PLAY	\$5.00, 5K	Watched	Y	2.65
0140040753	PERS	t i	Y	08-13-14	2:22PM	\$220,000.00	LCT minimal play			ř	365
0140040923		+	T Y	08-14-14	2:22PM 2:38PM	\$200,000.00	LCT NO PLAY		5year barring	ļ	
0140006467	PERSO	(Y Y			• · · · · · · · · · · · · · · · · · · ·		\$5.00, \$100, \$50, 5K	Syear barring		
0140006467	PERSONAL IN	ł		02-06-14	12:27AM	\$150,000,00	LCT minimal play	5K	Watched	ļ	
	PERSONAL INFO	+	Y V	07-24-14	9:29PM	\$50,000.00	LCT NO PLAY	5K	3 year self banning		412 CLOS
0140044174	PERSONALINEŎ	+-		09-01-14	10:55PM	\$2.55,000.00	Chips produced for play w/out buy in	<u>sk</u>	Watched	Y	3.69
0140035170	PERSONAL INFOR	-	Y	07-13-14	7:51PM	\$50,000.00	Chips produced for play w/out buy in		Watched	1	
0140028340	PERSONAL INFOR	-	Y	06-04-14	4:03PM	-\$190,000.00	CDR w/out play	5K	Watched	<u> </u>	
0140044753		1	Y	09-04-14	1:08PM	\$40,000,00	LCT NO PLAY	1 K, 5K	Watched		_230 CL05
0140040717	WE, Kesi Dersonalineorm	1	N	08-13-14	8:23AM	\$500,000.00	LCT, normal play, left with chip:	<u> </u>	Watched		
0140033734	PERSONAL		Y	07-05-14	3:36PM	\$82,900.00	LCT NO PLAY	5K	Watched		
0140041070	PERSONAL INFO	-	N	08-15-14	10:10PM	\$40,000,00	LCT ND PLAY	3K	Watched		20 CLOSE
0140032699	PERSONA	1	Y	06-30-14	6:28PM	\$50,000.00	LCT NO PLAY	5K	Watched		
0140038209	PERSONA	1	Y	07-30-14	10:40PM	\$200,000.00	Chips produced for play w/out buy in	5K	Watched		
0140039338	PERSONAL INFO	1	Ŷ	08-05-14	11:41AM	\$30,000,00	LCT NO PLAY	5%	Watched		
0140036774	PERSONA	4	Y	07-22-14	3:46PM	\$50,000.00	LC1 minimal play	5K	Watched		
0140041993	PERSON		Y	08-20-14	2:32PM	\$43,000.0D	LCT minimal play	\$500, 1K, 5K	Watched		
0140042580	PERSONAL INFORM		Y	08-23-14	B:24PM	\$54,980.CD	LCT minimal play	\$5.00, \$25.00, \$100,\$500, 1K, 5K	Watched		
0140046884	IPERSONAL INFORM		Y	09-16-14	1:57PM	\$200.000.00	Chips produced for play w/out buy in	SK	Watched	v	
0140047059	PERSONAL		Y	09-17-14	5:22PM	\$100,000.00	Chips produced for play w/out buy in	5K	Watched	Y	
0140046337	DERSONAL		¥	09-13-14	4:15PM	\$100.000.00	LCT NO PLAY	5K	Watched	Ϋ́	
0140042573	PENS		Y	08-23-14	7:41pm	\$120.100.00	LCT, normal play, left with chips		Watched		
0140017903	PERSONAL INFOR		Y	04-08-14	3:33PM	\$250,000.00	LCT NO PLAY	5K	Watched		
0140039845			N	08-08-14	2:32PM	\$170,000.00	LCT NO PLAY	5K	5 year barring	1	i
014004081C	PERSONAL INFORM		N	08-13-14	8:42PM	5300,000.00	LCT ND PLAY	SK	Syear barring		
0140041385	PERSONAL INFORMA	l	N	08-16-14	8:50PM	\$170,000.00	LCT NO PLAY	5K	5 year barring	i	
014004823.5	PERSONAL INFORMAT	1	Y	09-24-14	1222PM	\$120,000.00	Chips produced for play w/out buy in		Watched	γ	
0140006747	PERSONAL INFOR	î l	Y	02-07-14	4:00PM	\$100.000.00	LCT minimal play	5K	Watched	i	i
0140034129	PERSONAL INFORM		Y	07-09-14	854AM	\$300,000.00	Chips produced for play w/out buy in	5K	Watched		
0140032784	PERSONAL INFORM	1	Y	06-30-14	728AM	\$250,000.00	LCT NO PLAY	510	Watched		i

This is Exhibit "76" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this 22 day of January 2021.

 From: Brad Desmarais

 Sent: July 14, 2015 2:21 PM

 To: Ross Alderson
 PERSONAL INFORMATION

 Cc: Kevin Sweeney
 PERSONAL INFORMATION

 Subject: RE: RRCR Chip Swap

Hi Ross

What you are telling me is a bit different than what I was advised. I was advised it would be several weeks from the point of order to taking delivery of the chips. For that reason both Monica and I both directed that the chips be ordered asap. This process has been ongoing since last Fall and we are both a bit frustrated with the delays – if there are still issues with the chip swap we don't have to deploy them right away although it is my preference that we do. There was never an intention to implement the chip swap in secret. In fact we were always committed to discussing with the SP the best way to implement but we were going to hold off on those discussions until we had the chips in hand so as to ensure there was not a rush on chip exchange without the necessary investigative resources in place to conduct the on-site interviews. The 90 day notice is news to me - we'll have to work around that. Obviously that is a challenge and my expectation is that we have appropriate investigative resources in place to deal with the pre-discussed levels of unsourced chips as they come in. I somewhat disagree that BCLC's exposure in this matter is simply reputational. I believe there is a bigger issue and that is we and the SP are responsible for millions of dollars of what could be criminal stored value instruments which strikes at the heart of our corporate social responsibilities as well as what some might perceive as an M/L enablement issue. I agree there is no direct evidence that an unauthorized casino is operating with RRCR chips, that was a theory advanced as a potential reason why such large liability exists; that is infinitely more palatable (and treatable) than the alternative, and that is the chips are being used as a SVI for criminal purposes. I acknowledge chip use would be the first time I am aware of in this manner (I have investigated precious gems, bearer bonds, gold, etc. in the past) but chips, in my view, are the ideal instrument for this purpose. I suspect the storage vs. marker discussion will be ongoing for some time. We shouldn't wait for a resolution to start the swap unless one or both solutions can be implemented very quickly using the chip swap timeline as the arbiter, not the other way around. From my perspective, allowing the marker/storage issue to dictate timelines is a bit like allowing the tail to wag the dog. We can implement policy after discussion with the SP regarding a prohibition on removing the \$5K chips from the casino – how that is accomplished can be an agreement between us and the SP. They may have an innovative idea that we have not thought of. In closing, I am very, very nervous about this issue where the worst case scenario is that the police execute a Search Warrant on a cash consolidation house connected to an known OC group and find \$millions in chips. Given the current emphasis the police are putting on disrupting criminal flows of funds such a scenario is more likely now than ever before. Sorry for the rant. I'd like to discuss this with you and Kevin before you meet with RRCR reps. I can be available on Thursday – perhaps we can meet somewhere in Burnaby to discuss in person (I'd rather not come in the office in order not to get swept up in other issues).

Brad Desmarais

Vice President, Corporate Security & Compliance

BCLC, 2940 Virtual Way, Vancouver, B.C. V5M 0A6

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

515

From: Ross Alderson Sent: Monday, July 13, 2015 1:46 PM To: Brad Desmarais Cc: Kevin Sweeney Subject: RE: RRCR Chip Swap

Hi Brad,

Kevin and Lare meeting with Rob K and Terence D on Friday morning to discuss.

Now the SP is in the loop I am proposing we hold off on ordering the new chips until after that meeting and possibly when you and the project team get a further chance to discuss.

The rationale around the delay to order is

- 1. We must give 90 days' notice to players to return old stock under 5.9.3 Table games policy .
- 2. The new chips will only take 2-3 weeks to order
- 3. New chips will cost \$40-\$50K.
- 4. I want to analyze liability figures at weeks end and see if the old chips are coming back this week. This may solve some of the issue and limit the need to order new chips.
- 5. There is still disagreement here at BCLC whether Marker play v Safekeeping is the best option (Bal is still digging on that including reviewing best practice in LV) | am by no ways an expert on this but there is strong arguments either way regarding the issues facing either option.
- 6. Also I am not sure whether the option to take a number of current \$5K chips out of circulation was considered. (say take 5,000 RR \$5K chips out of circulation dropping the total from 15,000 to 10,000.) This may force tighter controls on the SP to track and get back the outstanding 2000 chips.

Investigations will of course review all UFT's involving chips so no new processes need to be implemented on SP-

I want to discuss the whole liability issue with Rob and Terence and get their thoughts on how they are going to also prevent chips leaving the facility moving forward. I think it is worthwhile presenting the facts to them on how much is outstanding V other sites now it is put in the open and give them the feeling we are working together for a solution rather than secretly working on a project and then imposing conditions.

Right now I understand the liability for BCLC is more reputational. Although we suspect that there is an underground Casino or organized crime figures utilizing the chips there does not appear to be concrete evidence of that. I know some chips have been linked to JIN (Unless you have further info than what I obtained from FSOC) Yes there may be good intelligence in a chip recall but that is only if they come back and are drawn to our attention.

Could it be that one player is hording the bulk of the chips? (eg to hide money/assets from the Chinese Govt.) The SP may actually know that and we should ask.

I know this project was well under way when I came on board and initial conversations were had in Nov 2014 but I the more I have been involved I have a number of questions on the strategy.

Hopefully we can discuss next week but as always I am happy to defer to your direction

Regards

Ross Alderson CAMS

516

Director, AML & Operational Analysis Corporate Security and Compliance Division, BCLC 2940 Virtual Way, Vancouver, BC, V5M 0A6 PERSONAL INFORMATION

PERSONAL INFORMATION

From: Brad Desmarais Sent: Monday, July 13, 2015 8:57 AM To: Kevin Sweeney Cc: Ross Alderson Subject: RE: RRCR Chip Swap

Thanks, Kevin. Very frustrating.

Brad Desmarais Vice President, Corporate Security & Compliance

BCLC, 2940 Virtual Way, Vancouver, B.C. V5M 0A6 Personal Information

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

From: Kevin Sweeney Sent: Thursday, July 09, 2015 5:59 PM To: Brad Desmarais Cc: Ross Alderson Subject: RRCR Chip Swap

Brad

Fyi, in case your monitoring emails, our BCLC Casino Division inadvertently disclosed the chip swap project to people internally and externally.

Danny Chang was contacted by GPI and questions were asked about order (unclear why directions were not specific to contact Karen Gray and or Darren Jang). Needless to say CHANG was taken back and was meeting with Walter SOO around same time and asked what his knowledge was.

Garth Pieper informed me this afternoon of the situation. I have called a meeting with him and Ross to discuss next steps. Now that SOO is aware we think the best bet is to advise Kroeker and Terrance Doyle of order. We may not get into much detail other than new chips were ordered and we were going to reach out to GCC to discuss plan once they were received.

I will send out an update once PIEPER, ALDERSON and I meet tomorrow and discuss ideas.

Kevin Sweeney, CRM Director, Compliance & Investigations & Interim Director, Information Security & Privacy Corporate Security and Compliance Division, BCLC

PERSONAL INFORMATION

PERSONAL INFORMATION

This is Exhibit "77" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this _____ day of January 2021.

A Commissioner for taking Affidavits for the Province of British Columbia 14 September 2015

Len Meilleur Executive Director for Compliance Gaming Policy Enforcement Branch (GPEB) 3rd Floor, 910 Government Street Victoria, B.C. V8W 1X3

RE: Proposed River Rock Casino Resort Chip Swap

Dear Len,

On September 7th at 1300 hrs BCLC were notified by GPEB, via teleconference, of a request from Law Enforcement to postpone the proposed River Rock Casino Resort (RRCR) \$5,000.00 Chip swap which was initially scheduled for September 8th 2015 at 0800 hours.

BCLC were advised that proceeding with the chip swap would "impede" a criminal investigation. Based on that information BCLC agreed to postpone the chip swap until further notice.

It is BCLC's intent to fully cooperate with any law enforcement investigation however we would respectfully ask GPEB to notify BCLC as soon as practicable when the chip swap can again proceed.

There are inherent risks and liabilities for BCLC with the current outstanding volume of RRCR \$5,000.00 chips. There are also a number of cost and logistical considerations to consider in successfully executing the chip swap.

One of the key objectives for the chip swap was to identify individuals in possession of high volumes of \$5,000.00 chips through the chip return interview process. This may become more difficult with the delay, particularly with there now being increased visibility into the project.

Additionally there remain concerns that the outstanding volume of \$5,000.00 chips are being utilized for illegal activity including within illegal common gaming houses, which in turn could cause reputational damage for BCLC should a large volume of BCLC chips be found at one of these facilities.

BCLC would appreciate the continued support and consideration from GPEB in this matter.

Kind Regards

Ross Alderson Director, AML & Operational Analysis





74 West Seymour Street Kamloops, BC V2C 1E2

) 250.828.5500 I 250.828.5031

2940 Victual Way Vancouver, BC - V5M 0A6

1 604.215.0649 1 604.225.6424 http://doi.org/10.1011 This is Exhibit "78" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this _____day of January 2021.

A Commissioner for taking Affidavits for the Province of British Columbia

 To:
 Garth Pleper[PERSONAL INFORMATION]; Brad Desmarais[PERSONAL INFORMATION]

 Cc:
 Bal BamraPERSONAL INFORMATION]; Kevin Sweeney[PERSONAL INFORMATION; Kris

 Gade[PERSONAL INFORMATION]; Rob Kroeker[PERSONAL INFORMATION]
 ; Kris

 From:
 Ross Alderson

 Sent:
 Wed 13/01/2016 5:43:58 PM

 Subject:
 Chip Stock

 09 23 2015 Primary Chip Stock.doc

 Jan 18 2016 Chip Swap Operation RRCR.DOCX

Hi Garth and Brad,

The Security team met with RRCR staff yesterday and they were informed of the January 18 'go live' date for the \$5K chip swap. The meeting went well in my opinion.

GPEB and BCLC Communications were also notified yesterday.

I have attached a copy of the ops plan that RRCR were provided with.

I have also attached a copy of the Chip stock document which was a result of Securities review late last year of BCLC's current chip stock practices. I am hoping that the Casino Division can review and provide any feedback.

One challenge I have found through this project is that no one group within BCLC appears to own the Chip liability.

While Security may identify anomalies through compliance reviews there needs to be regular monitoring to determine an acceptable liability and exposure to the organization.

Can I ask the Casino Business unit work with other stake holders such as finance to formulate a process and action plan moving forward. I have previously mentioned this to Jennifer BARBOSA as well and she may also be able to assist in managing acceptable levels of risk.

As for this particular chip swap I would like to set acceptable liability levels for RRCR before we go live. From all the prior discussions internally and with an industry expert there seems to be no given rule therefore what I propose for RRCR is that we set a maximum threshold between \$500K and \$1 million for \$5K chips, so in three or four weeks from now we are not at the same position we were last year. There would also have to be commitment to some sort of further action taken should the site not meet the set expectations.

Appreciate your comments and feedback

Regards

Ross Alderson CAMS

Director, AML & Operational Analysis Corporate Security and Compliance Division, BCLC 2940 Virtual Way, Vancouver, BC, V5M 0A6 PERSONAL INFORMATION

PERSONAL INFORMATION

CORPORATE SECURITY & COMPLIANCE

Decision Document

Subject:	Primary Chip Stock
Issue Lead:	Manager Cash Alternatives & Special Projects
Submitted to:	Director AML & Operational Analysis

Decision Required

The need has been identified to build a process that establishes who the key accountability sits with to track the chip stock at each casino. Two reasons behind this is to ensure that BCLC is aware of their assets in chip stock in the province, and to be aware of the chip liability as BCLC now shares the cost of this with the Service Provider (SP).

Situation

In recent months, the River Rock Casino (RRC) has experienced an increase in patrons leaving the site with large quantities of \$5000 chips.

Daily chip liability reviews of RRC \$5000 chips conducted by BCLC Corporate Security and Compliance since January 1, 2015 determined a substantial shortage of \$5000 chips in inventory with a dollar value ranging between \$6.1 million and \$13.6 million at any given time.

A large number of these chips are believed to be in circulation for reasons of servicing an underground network of individuals that facilitate providing patrons with access to the chips to enable play at the RRC and specifically the high limit rooms. There is also concern that they may be used for funding illegal gaming.

Given the severity around this issue, we conducted a review of the primary chip stock at River Rock to ensure that the quantities listed were in fact correct.

Review Conducted

The following items were reviewed:

- Vendor Shipments of chips purchased since 2009;
- CMS entries from 2009 2013;
- GMS Primary Stock numbers after conversion;
- Chip destruction/removal documents stored in various locations which could not be accessed from 2009;

The following departments were interviewed:

- GMS personnel spoken to on how they determined primary stock numbers during the conversion
- Finance / Accounts Payable to ensure all vendor shipments were accounted for;
- Compliance on where the removal/destruction documents were located;
- Table Product Specialist to obtain vendor shipments and understand nominal stock;
- Manager of Business Operations to decipher the correct chip movement at River Rock;
- GCC Cage Director to obtain information on their end regarding chip movement.

With the information that was gathered, it was clear that accountability needs to be identified and a proper process established to ensure that moving forward, BCLC can be confident with the amount of chips supplied to each facility.

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Decision Document

Findings

- When GMS was converted from CMS, the numbers in CMS were incorrect because it only
 tracked the day to day liability from the chips that existed in the casino at the time CMS was
 implemented. As well, the impact of foreign chip transfers by process in policy caused issues
 on the chip count. Because there was no nominal chip stock counted, the numbers leading up
 to the conversion to GMS are incorrect.
- Finance and GMS have confirmed that when they converted sites to GMS, they received their numbers from the SP, unless the site had recently converted their entire chip stock which in those cases, they just looked at the most recent addition and used that as the chip stock. This was applied to River Rock with their nominal chip stock from 2009.
- Finance has also confirmed that the only they have information around the destruction and removal of chips from what the Service Provider enters into the CMS system, now GMS; they rely on the SP to be accurate in entering the information. Copies are kept by Compliance on the media tab in Itrak. No cross checking formally exists with this process.
- CMS documentation is provided in dollar value, not chip quantity amounts. Finance has stated that another report does exist to identify chip counts that can be cross referenced to the chip movement report but the CMS system has been turned off and Finance has not referenced those reports even before the shutdown of the system.
- When SP's tracks chip destruction, this number may also be inaccurate because these numbers include foreign chips from other sites that they may have accepted but no differentiation is noted on the paperwork. So even reviewing this documentation would not be sufficient to gather appropriate Intel to determine accurate inventory counts.
- SP's do not enter chip additions or removals to the system immediately, which could cause errors.
- Documentation review has revealed that there are human errors all through the process. SP
 documentation reveals missing vendor shipments, vendor shipments reveal incorrect entries
 made by the SP into the CMS, some vendor shipments not found in SAP for accounts payable,
 documentation around removal/destruction of chips are stored in various places with
 compliance and the physical copies are stored in the daily paperwork on site. No formal
 process in place to define who owns this process to ensure all chip tracking is stored in one
 place for easier viewing. It appears that multiple departments are all keeping various
 documentations in different ways.
- The MBO for River Rock has done a complete reconciliation of the 5000 chips (Appendix A). Although the accuracy of this data cannot be 100% confirmed, fortunately, the numbers appear to add up to an amount that was entered into GMS. A review of the \$100 chips needs to be reviewed as well because we are significantly out on these counts. (Appendix B)
- Appendix C describes the current process, but as you can see, there is no one department that
 is accountable for the whole process to be complete. Some of the shortcomings of this
 process are:

- Documents around removal/additions are stored on site with the daily paperwork. If we were to request this documentation, we would have to search multiple stored boxes from Iron Mountain.
- Security scans the addition/removal chip documents in the media file on ITRAK, but there is no policy around this which questions consistency. Once scanned, paperwork is then destroyed, and it is difficult to search for all files associated with a site if we wanted to do a complete review. In addition, this process is not in policy so prior years are not recorded. Security does not send any notification to Finance for the removal/destruction or addition of chips.
- Finance does not request destruction/removal documents as they rely on the SP to have accurate entries into the system.
- o Product stores vendor invoices by fiscal year, not in one place for easy access.

Options

Even though the numbers for the 5000 chip count worked out to the amount entered into GMS, it was clear that the process to confirm this was exhaustive with no proper protocol in place.

Possible options to alleviate this situation are:

Option 1

One way to do this is to establish accountability with the department that starts the process which is Product (Appendix D), explained below:

- Product places the order with the vendor;
- Vendor ships the order to Vantec, who confirms the shipment with Product;
- Product notifies Security with shipment to site;
- Security ensures shipment to site; verifies the quantity and sends documents back to Product as well as scanning into ITRAK;
- Operations confirms that the site has entered the appropriate quantities into the system and notifies Product it has been complete, sending a confirmation report;
- Product sends a goods receipt and confirmation of site acceptance to Finance who can pay
 the vendor; sending back appropriate documentation to confirm payment.

All submissions to be stored in one file by casino name closing the invoice off. Product can also keep an ongoing tracking method of counts on a spreadsheet as they come in for each site.

Destructions and removals of chips can work the same way with all documentation going back to product.

Benefits:

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Decision Document

- One department is accountable to the entire process;
- All information is stored in one spot both digitally and physically if required;
- File can be auditable by the compliance team;

Risks:

- Product fails to follow up with all departments in the process;
- Depending on when the chips are sent to site, Finance may not get the billing complete in a timely process with the proposed option;

Option 2

Same as Option 1 but make Finance accountable for the process as final payment to complete the process comes from this department.

Benefits:

- One department is accountable for the entire process;
- Finance can check the GMS system themselves to ensure the chip order or chip destruction is correctly entered;
- File can be audited by compliance;
- Payment may be more timely with Finance being accountable to the process;

Risks:

- Finance fails to follow up with all departments in the process;
- Finance may feel this duty is out of their job scope.

Option 3

Tighten up policy to make it a requirement that all chip additions and removals documentation is scanned into the Itrak system in a way that all documents can be viewed for one site.

Benefits:

- Ensure consistency in the process;
- · If recorded by site in one file, all information would be present;

Risks:

- No easy way to review all information for a requested site without doing an extensive search through various reports;
- Inconsistency in the way GCO's report additions/removals;
- Itrak may not be able to store all documents per site; program limitations.

Option 4

Remain Status Quo.

Recommendations

It is recommended that we establish a process where checks and balances are in place and that accountability sits with one department (Option 1 or 2). Security continues to be the oversight to ensure this process is being followed and policy is updated to reflect the changes.

Next Steps

Identify and gather key stakeholders to determine the issues with the current process.

Establish accountability in key areas of discussion.

Identify and implement a process whereby we can rely on the accuracy of chip stock in the province.

Decision Document

Appendix A

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CORPORATE SECURITY & COMPLIANCE

Decision Document

Date	Comment	Quantity	Value
Jan 14 2009	New series chips added 5000 x \$5000	5000	\$ 25,000,0
Mar 1 2009	Remove for destruction	-158	\$ (790,0
April 1 2009	Remove for destruction	-4	\$ (20,0
May 1 2009	Remove Foreign to HO	-18	\$ (90,0
June 1 2009	Remove Foreign to HO	-14	\$ (70,0
July 1 2009	Remove Foreign to HO	-12	\$ (50,0
Sept 1 2009	Remove Foreign to HO	-7	\$ (35,0
Oct 1 2009	Remove Foreign to HO	-18	\$ (90,00
Nov 1 2009	Remove Foreign to HO	-9	\$ (45,0)
Jan 1 2010	Remove Foreign to HO	-5	\$ (25,0)
Mar 1 2010	Remove Foreign to HO	-2	\$ (10,0)
Apr 1 2010	Remove Foreign to HO	-17	\$ (85,0)
May 1 2010	Remove Foreign to HO	-16	\$ (80,0)
June 1 2010	Remove Foreign to HO	-7	\$ {35,0
July 1 2010	Remove Foreign to HO	-19	\$ (95,0)
Aug 1 2010	Remove Foreign to HO	-24	S (120,00
Sept 1 2010	Remove Foreign to HO	-52	\$ (260,0)
Oct 1 2010	Remove Foreign to HO	-42	\$ (210,00
Nov 1 2010	Remove Foreign to HO	-53	\$ (265,00
Dec 1 2010	Remove Foreign to HO	-21	\$ (105,00
an 1 2011	Remove Foreign to HO	-1	\$ (5,00
Feb 1 2011	Remove Foreign to HO	-10	\$ (50,00
Mar 1 2011	Remove Foreign to HO	-13	\$ (65,00
Apr 1 2011	Remove Foreign to HO	-9	\$ (45,00
May 1 2011	Remove Foreign to HO	-7	\$ (35,00
June 1 2011	Remove Foreign to HO	-3	\$ (15,00
July 1 2011	Remove Foreign to HO	-19	\$ (95,00
Aug 1 2011	Remove Foreign to HO	-10	\$ (50,00
Oct 20 2011	Add new chips- Replacement for defects	280	\$ 1,400,00
uly 16 2012	Remove chips	-2	\$ (10,00
Aug 1 2012	Add new chips- Replacement for defects	100	\$ 500,00
Aug 21 2012	Remove defective chips	-274	\$ (1,370,00
Oct 31 2013	Add new chips	1000	\$ 5,000,00
		5534	\$ 27,670,00

Appendix B

CORPORATE SECURITY & COMPLIANCE

Decision Document

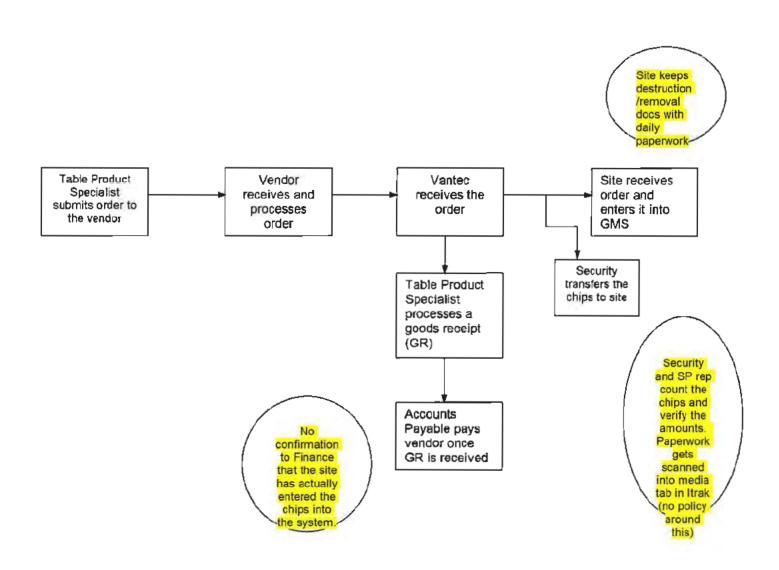
	CMS			GMS									
	Sept 1 2013	Oct 12013	Nov 1 2013	Nov 4 2013	Dec 31 2013	Mar 31 2014	Jun 30 2014	Sept 30 2014	Dec 31 2014	31-Mar-15	Jun 30 2015	Sept 9 2015	Sept 22 2015
Denomination													
\$0.25	2236	2484	2718	0	0	0	a	Ö	0	Ó		0	C
\$0.50	19508	19350	18718	80000	80000	80000	80000	80000	80000	80000	80000	80000	80003
\$1	41320	43411	41281	80000	80000	8000	80000	80000	80000	80008	80000	80000	80000
\$2.50	10224	10227	10230	14186	14186	14185	14185	14186	14186	14186	14186	14186	14186
\$5	63796	65883	61600	80000	80000	30000	80008	80000	80000	80000	80000	80000	80000
\$25	26753	26775	25179	30000	30000	30000	30000	30000	30000	32000	32000	32000	32000
\$100	18231	18026	17346	29464	29464	29461	29464	29464	29464	32464	32464	32464	32464
\$500	14138	14149	13707	14516	14516	14515	14516	14516	14516	14516	14516	14516	14516
\$1,000	9533	9554	9564	9763	9763	9763	9763	9763	9763	12263	12253	12263	12263
\$5,000	4041	3742	4597	5534	7534	7534	7534	10034	10034	15034	15034	25668	15034
\$3	8	8	8	8	8	8	8	8	8	8	8	8	8

Chip counts were incorrect in CMS, this number	should have been 4534
Reorder 1000 pieces inv 165912.	
Receives 2000 pleces (ny 167824	
Reorder 2500 pieces inv 174048	
Reorder 2000 pieces inv 180472	
Reorder 3000 pieces inv 180472	
Reorder 2500 pieces inv 180472	
Reorder 5000 pieces inv 180472	
Reorder 10000 plexes that are not at River Rock	et, but still in primary stock inv 185941

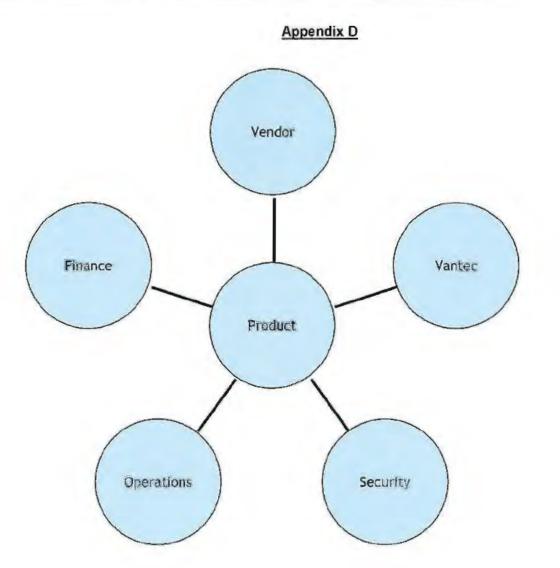
Appendix C

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#### CORPORATE SECURITY & COMPLIANCE OPERATIONAL PLAN

| FILE NAME:          | DATE:             | FILE NUMBER: |
|---------------------|-------------------|--------------|
| Chip Swap Operation | January 18, 2016. |              |

#### BACKGROUND

Daily chip liability reviews of RRC \$5000 chips conducted by BCLC since January 1<sup>st</sup> 2015 has determined a substantial shortage of RRC \$5000 chips in inventory with a dollar value that has ranged between 4.4 and 13.6 million.

The most recent daily chip liability review that was conducted on January 4, 2016, revealed a shortage of

\$4,710,000 million worth of RRC \$5000 chips or 942 total chips.

A large number of these chips are believed to be in circulation for reasons of servicing in some cases, an underground network of individuals that facilitate providing patrons with access to the chips to enable play at the RRC and specifically the high limit rooms, although there is also concern they may also be used for funding illegal gaming and as a financial instrument for other criminal activity.

BCLC also believes the high number of outstanding RRC \$5000 chips poses a personal risk to the safety of those in possession of large quantities of these chips, as they may be targeted in a robbery.

This also poses a reputational risk to the gaming industry in British Columbia as this amount of outstanding chips could be viewed as funding an underground economy.

#### OBJECTIVES

- 1. To replace the current RRC \$5000 chip that is in circulation with a new RRC \$5000 chip.
- 2. On February 1<sup>st</sup> 2016 render valueless the current RRC \$5000 chip.
- To implement safeguards to prevent a recurrence of this current situation by implementing policy\* to mitigate the removal of chips from the RRC and specifically the high limit rooms. This will include setting future acceptable liability levels.
- 4. To encourage patrons to open Patron Gaming Fund accounts and make use of the account as a cash alternative and to prevent players from leaving the site with gaming chips.

\*Temporary RRC policy will be introduced for the period of this project

#### PROPOSED INVESTIGATIONAL SUMMARY

1. A marketing campaign to the public by BCLC and/or Great Canadian Gaming Corporation (RRC) notifying patrons in possession of the RRC \$5000 chips in question to return the chips.

- 2. Those in possession of the RRC \$5000 chips will have until midnight January 31<sup>st</sup>, 2016, to return the chips.
- Anyone that is Voluntary Self Excluded or Barred, or otherwise unable to attend RRC that wishes to return chips can make arrangements by calling BCLC on 1-866-815-0222 or email BCLC through the BCLC.com Customer support portal <u>http://corporate.bclc.com/customer-support.html</u>

A case will be dispatched to BCLC Corporate Security to coordinate the return of chips in their possession.

- 4. Anyone returning chip values of \$10,000 or more is processed in accordance with FINTRAC reporting requirements.
- 5. One (1) BCLC Investigator will be on duty from 0900 hrs. to 2400 hrs. each day, starting January 18, 2016 to January 31, 2016.

An assessment of the project will be conducted on January 25, 2016, to determine if the project will continue until January 31, 2016, or be concluded.

BCLC Investigators will be available to conduct interviews of patrons returning large quantities of chips when the return involves a suspicious circumstance, a subject of interest or when the circumstances otherwise dictate.

- 6. Any **unknown** individual returning values of \$10,000 or more will be subject to an interview by BCLC Corporate Security and Compliance personnel.
- 7. Any known individual returning values of \$50,000 or more, will be subject to an interview by BCLC Corporate Security and Compliance personnel.
- 8. Anyone identified making **multiple** visits to the RRC and returning a single \$5000 chip, or returning **multiple** times with a small number of chips, will be subject to an interview by BCLC Corporate Security and Compliance personnel.
- 9. Anyone returning large quantities of RRC \$5000 chips, when applicable, a Suspicious Transaction Report will be submitted by BCLC Investigators.

#### INTERPRETERS

It is anticipated that many that will be interviewed will require an interpreter to communicate with in either the Mandarin or Cantonese language. Access to an interpreter proficient in each of these languages will be required during all operational hours either by phone or available at the River Rock Casino to be physically present at the interviews.

1. First consideration is to be given to making a request for an interpreter to an on duty River Rock

Manager to utilize a River Rock employee.

- If a River Rock employee is not available in the language required BCLC options are available Monday to Friday, day-shift hours:
- 3. As a last resort the services of Mosaic Translation Services can be utilized:

#### MOSAIC Translation Services:

Monday to Friday 8:00am - 5:30pm - 604-254-8022 Afterhours line - 5:30pm - 4:00am - 604-254-8617.

Saturday/ Sunday/ Statutory Holidays - afterhours line - 604-254-8617.

#### OPERATION DURATION

A public announcement that those in possession of the RRC \$5000 chips have until midnight January 31<sup>st</sup> 2016 to return the chips to the RRC in exchange for the cash value of the chips.

The period for returning the chips ends at midnight on January 31, 2016.

The announcement will indicate that if the chips are not returned before midnight of January 31, 2016, the chips will not be accepted by the RRC or any other casino in British Columbia and the chips will have no value. Any persons wishing to return with 'old' chips after midnight on January 31, 2016 will be required to contact BCLC on 1-866-815-0222 or email BCLC through the BCLC.com Customer support portal <a href="http://corporate.bclc.com/customer-support.html">http://corporate.bclc.com/customer-support.html</a> to arrange to speak to a member of BCLC Corporate Security.

#### OTHER STAKEHOLDERS PARTICIPATION

#### SERVICE PROVIDERS

Although there is a Casino & Community Gaming Centres, Standards Policies and Procedures
prohibiting accepting another facilities chips, there will likely be an increase in attempts by
individuals to cash in the RRC \$5000 chips at other facilities, therefore a reminder can be
circulated to other Lower Mainland facilities regarding this policy.

Sec:3-3.1 Cage - Chip Inventory

- 3.4 Value chips issued from a casino facility, identified by that facility's logo, may be redeemed only within that facility;
  - 3.4.1 No cross-company or other company (foreign) value chips can be redeemed (cashed) by any casino employee.
  - 3.4.2 No cross-company or other company (foreign) value chips shall be accepted as a tip by any casino employee.



536

#### GREAT CANADIAN GAMING CORPORATION

- For the duration of the project, Great Canadian Gaming Corporation (GCGC) will post notices throughout the RRC informing patrons of the initiative.
- Communication to RRC VIP Management regarding education into the process.
- There may also be an increase in attempts by individuals to cash in one RRC \$5000 chips on one or multiple occasions in an attempt to avoid detection and therefore a reminder should be circulated to all cage staff regarding this policy.

#### Section: 1-2.3 General - FINTRAC and Anti-Money Laundering Compliance

3 SUSPECTED MONEY LAUNDERING/"SUSPICIOUS FINANCIAL TRANSACTION"

NOTE: Please refer to the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) website, <u>www.fintrac.gc.ca</u>, for the full list of the casino industry indicators for suspicious financial transactions.

3.1 Casino staff should use the following list in conjunction with that provided by FINTRAC's guidelines to determine if an unusual financial transaction should be reported to BCLC Security investigators via their manager and an incident report created in CRS. This list is not considered exhaustive and a common sense approach should be used at all times.

3.1.7 Client has large chip-ins at the table with no recent activity or history of play to explain the source of the chips

BCLC

Marketing strategy.

Internal communication for all staff awareness.

GPEB/GOVT

Communication

SUBMITTED BY

Ross Alderson Director, AML & Operational Analysis

This is Exhibit "79" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this \_\_\_\_\_ day of January 2021.

A Commissioner for taking Affidavits for the Province of British Columbia



#### PRIVILEGED AND CONFIDENTIAL

Brad Desmarais Vice President, Casino and Community Gaming British Columbia Lottery Corporation 2940 Virtual Way Vancouver, BC V5M 0A6

Date: February 22, 2018

#### Re: Table Game "Buy-In" Trends 2012-2017

Dear Mr. Desmarais,

This letter summarizes HLT Advisory Inc.'s ("HLT") analysis of table game "buy-in" trends since 2012. "Buy-In" refers to the value of table game playing chips that players acquire to wager on table games. Further terms used in this letter are:

- Drop the total amount of buy-in at table games from casino customers.
- Large Cash Transactions ("LCTs") transactions where a customer buys-in with cash for \$10,000 or more in a 24-hour period.
- Player Gaming Funds ("PGF") transactions where a customer buys-in without cash (i.e., from monies that were deposited into a casino account from a recognized financial institution by way of bank drafts or electronic wire transfers).

The data used in this report was received from a BCLC database that was created in 2004 for FINTRAC reporting requirements. Transactional data is inputted directly into the database by casino Service Providers for all LCT, PGF and Casino Disbursement Transactions.

Up until the end of July 2016, LCTs were reported to FINTRAC for both cash and non-cash (i.e., PGF buy-ins) transactions. At the end of July, 2016, FINTRAC instructed BCLC that LCT filings were not required for customer non-cash buys-in using PGF funds. Consequently, no PGF data was entered for non-cash buy-ins for the period of August and September 2016, and a portion of October 2016. In October 2016, BCLC made changes to the database software to allow for the reinstatement of non-cash PGF transaction collection by Service Providers, without reporting these transactions to FINTRAC as directed.

For the purposes of this trend analysis, HLT made estimates for total PGF transactions (i.e., both number of transactions and corresponding value) in the 2016 (July to December) period based on 2015 and 2017 data for corresponding months. No other adjustments to the data were made by HLT.

Key trends over the 2012 to 2017 period that were assessed included:

• Total table drop and win



- Total drop by source
- Number and value of LCTs
- Number and value of PGFs

The results are presented in a series of summary data tables and charts that follow. A written summary of the overall key trends is first provided.

#### **Total Drop and Win**

Over the time-period total table drop was trending upwards. The resultant win ranged from approximately \$200 million to \$275 million. The decline in hold rate in the latter periods is consistent with increased baccarat wagering (i.e., typically lower hold rate than other games). The increase in baccarat wagering is consistent with trends experienced in other major North American table gaming markets such as Las Vegas over this period.

|                     |                |             |          |           | Та        | ble 1     |              |           |          |           |           |           |
|---------------------|----------------|-------------|----------|-----------|-----------|-----------|--------------|-----------|----------|-----------|-----------|-----------|
|                     |                |             |          | Table G   | ame Drop  | by Source | e (\$ Millio | ns)       |          |           |           |           |
| Buy-in Source       | 2012           |             | 2013     |           | 201       | 2014      |              | 5         | 201      | 6         | 201       | 7         |
| Buy-in bouice       | Jen-Jun        | Jul-Dec     | Jan-Juni | Jul-Dec   | Jan-Jun   | Jul-Dec   | Jan-Jun      | Jul-Dec   | Jan-Jun  | Jul-Dec   | Jan-Jun   | Jul-Dec   |
| LCT                 | \$181.4        | S190.1      | \$228.2  | \$243.0   | \$327.9   | \$368.1   | \$342.6      | \$292 5   | \$242 B  | \$233.3   | \$243.2   | \$240.7   |
| PGF                 | \$46 4         | \$82.3      | \$84.1   | \$182.7   | \$287.0   | \$182.1   | \$153.7      | \$158.6   | \$180.1  | \$200.5   | \$226.5   | \$252.0   |
| Other               | \$697.4        | \$898.0     | \$678.2  | \$685.6   | \$738.3   | \$770.0   | \$790.7      | \$836.9   | \$889.1  | 3979.1    | \$918.6   | \$968.9   |
| Total Drop          | \$925,1        | \$950.5     | \$990.5  | \$1,111.4 | \$1,353.2 | \$1,320.1 | 51,287.1     | \$1,287.9 | 51,292.0 | \$1,412.9 | \$1,388.2 | \$1,461.6 |
| Hold Rate           | 22.1%          | 20.2%       | 20.9%    | 20.4%     | 19.7%     | 20.3%     | 21.5%        | 19.6%     | 19.2%    | 17.5%     | 17.7%     | 17.0%     |
| Table Win           | \$204.8        | 5191.8      | \$207.0  | \$227.1   | \$266.1   | \$267.4   | \$276.3      | \$251.9   | \$247.9  | \$247.0   | \$245.2   | \$248.5   |
| Louise Built to sur | , the based of | FISTE OTHER |          |           |           |           |              |           |          |           |           |           |

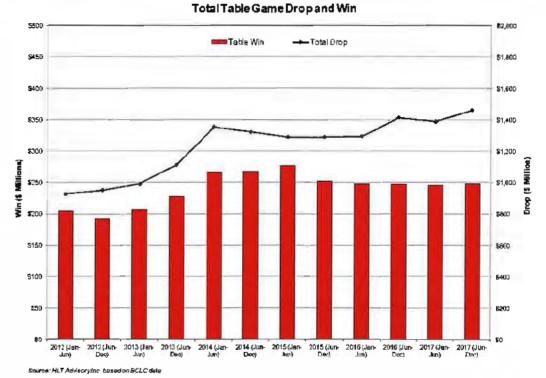


Chart 1



#### Total Drop by Source

Since the beginning of 2012, drop from LCTs as a percent of total drop first increased from 19.6 percent to 27.9 percent in the last half of 2014 and has since declined to 16.5 percent. Drop originating from PGFs increased from 5.0 percent at the beginning of 2012 to 21.2 percent in the first half of 2014. After dropping to 11.9 percent in the first half of 2015, it has increased to 17.2 percent. In the latter half of 2017, drop from PGF funds surpassed LCT funds for the first time. Other drop (i.e., cash buy-ins under \$10,000) accounts for the largest amount of drop in each period yet it has declined from 75.4 percent to 66.4 percent of total drop over the entire period.

|               |         |         |         | Distributio | n of Table | Game Dr | op by Sou | Irce    |         |         |         |        |
|---------------|---------|---------|---------|-------------|------------|---------|-----------|---------|---------|---------|---------|--------|
| Buy in Source | 2012    |         | 2013    |             | 2014       | 1.00    | 201       | 5       | 201     | ž       | 2017    |        |
| Buy in Source | Jan-Jun | Jul-Dec | Jan-Jun | Jul-Dec     | Jan-Jun    | Jul-Dec | Jan-Jun   | Jul-Dec | Jan-Jun | Jul-Dec | Jan-Jun | Jul-De |
| _CT           | 19.6%   | 20.0%   | 23.0%   | 21.9%       | 28.2%      | 27.9%   | 26 6%     | 22.7%   | 18.8%   | 16.5%   | 17.5%   | 16,59  |
| PGF           | 5.0%    | 6.6%    | B 5%    | 16 4%       | 21 2%      | 13 8%   | 11 9%     | 12 3%   | 13 9%   | 14.2%   | 16.3%   | 17 29  |
| Other         | 75.4%   | 73.4%   | 68.5%   | 61.7%       | 54.6%      | 58 3%   | 51.4%     | 65.0%   | 67 3%   | 69.3%   | 66.2%   | 66.39  |
| Total Drop    | 100.0%  | 100.0%  | 100.0%  | 100.0%      | 100.0%     | 100.0%  | 100.0%    | 100.0%  | 100.0%  | 100.0%  | 100.0%  | 100.09 |

Table 2

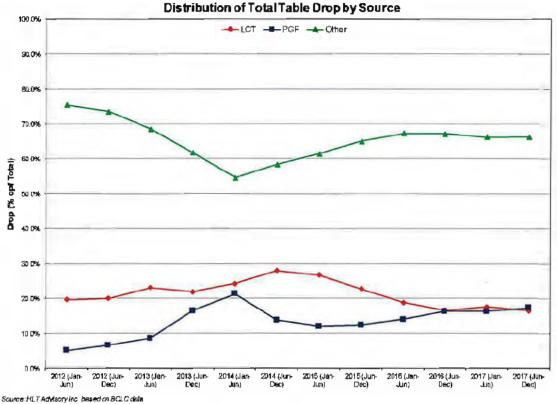


Chart 2 Distribution of Total Table Drop by Source

#### Number of LCTs

The total number of LCTs from cash buy-ins increased from the beginning of 2012 from 4,949 to 9,711 at the end of 2014. Since, the number has drop to generally between 8,500 and 9,000 in each period. In each period, LCTs under \$20,000 account for the largest share of all LCTs. LCTs under \$20,000 accounted for 72.9 percent of all LCTs at the beginning of 2012 and now account for 88.2 percent. The number of LCTs above \$20,000 increased to approximately 3,000 in the last half of 2014 and has since declined steadily (approximately 1,000 in last half of 2017) and now account for approximately 11.8 percent of all LCTs, down from 27.1 percent at the beginning of 2012.

|                |         | _              |         |         | Та        | ble 3     |          |         |         |         |         | _       |  |  |  |  |
|----------------|---------|----------------|---------|---------|-----------|-----------|----------|---------|---------|---------|---------|---------|--|--|--|--|
|                |         |                |         | Numb    | er of LCT | 's by Buy | In Level |         |         |         |         |         |  |  |  |  |
| Buy-in Level   | -       | Number of LCTs |         |         |           |           |          |         |         |         |         |         |  |  |  |  |
| (\$ thousands) | 2013    | 2              | 2013    | 3       | 201       | 4         | 201      | 5       | 201     | 6       | 201     | 7       |  |  |  |  |
|                | Jan-Jun | Jui-Dec        | Jan-Jun | Jul-Dec | Jan-Jun   | Jul-Dec   | Jan-Jun  | Jul-Dec | Jan-Jun | Jul-Dec | Jan-Jun | Jul-Dec |  |  |  |  |
| \$10-\$20      | 3,610   | 3,557          | 4,722   | 5,210   | 6,364     | 6,666     | 6,552    | 6,603   | 6,986   | 7,548   | 7,650   | 7,797   |  |  |  |  |
| >\$20 to \$50  | 796     | 590            | 853     | 1,031   | 1,330     | 1,751     | 1,341    | 1,183   | 990     | 919     | 844     | 740     |  |  |  |  |
| >\$50 to \$75  | 125     | 14D            | 129     | 140     | 265       | 253       | 273      | 198     | 107     | 88      | 100     | 119     |  |  |  |  |
| >\$75 to \$250 | 410     | 495            | 514     | 545     | 692       | 963       | B45      | 533     | 255     | 149     | 182     | 179     |  |  |  |  |
| >\$250         | в       | 14             | 18      | 34      | 91        | 78        | 72       | 41      | 17      | 7       | 6       | 2       |  |  |  |  |
| Total          | 4,949   | 4,796          | 6,236   | 6,960   | 8,742     | 9,711     | 9,083    | 8,558   | 8 357   | 8711    | 8 782   | 8.837   |  |  |  |  |

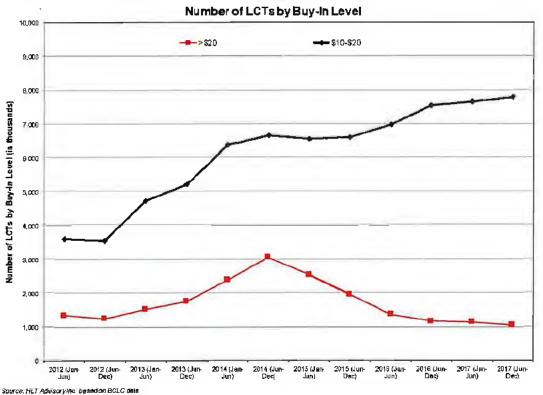


Chart 3 mber of LCTs by Buy-In Level

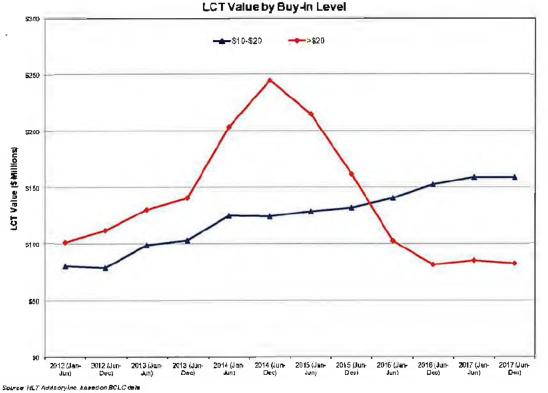


#### Value of LCTs

The total value of LCTs increased from \$181.4 million in the beginning of 2012 to \$368.1 million by the end of 2014. Since the end of 2014, the value has declined to \$240.7 million. All LCTs greater than \$20,000 totalled \$244.2 million at the end of 2014 and since has declined to \$82.2 million (a 66.4% decrease). The largest decrease was experienced in buy-in levels above \$50,000 (e.g., decreased from \$162.3 million to \$31.6 million over the same period – a 80.6 % decrease).

|                |                           | _                           |         |         | Ta      | ble 4   |         | _       |         |         |         | _       |  |  |  |  |
|----------------|---------------------------|-----------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|--|--|--|--|
|                | LCT Value by Buy-In Level |                             |         |         |         |         |         |         |         |         |         |         |  |  |  |  |
| Buy-in Level   |                           | Value of LCTs (\$ Millions) |         |         |         |         |         |         |         |         |         |         |  |  |  |  |
| (\$ thousands) | 2012                      |                             | 201     | 3       | 201     | 4       | 201     | 5       | 201     | 6       | 201     | 7       |  |  |  |  |
|                | Jan-Jun                   | Jul-Dec                     | Jan-Jun | Jul-Dec | Jan-Jun | Jul-Dec | Jan-Jun | Jul-Dec | Jan-Jun | Jul-Dec | Jan-Jun | Ju-Dec  |  |  |  |  |
| \$10-\$20      | \$90 1                    | \$76.5                      | \$99.5  | \$102.6 | \$124 B | \$123.9 | \$128.5 | \$131.3 | \$140.3 | \$152.4 | S158.3  | \$159.5 |  |  |  |  |
| >\$20 to \$50  | \$42.8                    | \$36.5                      | \$52-0  | \$53.5  | \$69.0  | \$81.9  | 369.0   | \$65.4  | \$56_1  | \$55.0  | \$54.1  | \$50 6  |  |  |  |  |
| >\$50 to \$75  | \$8.5                     | \$9.5                       | \$9.4   | \$9.8   | \$17.2  | \$16.5  | \$17.8  | \$13.3  | \$7.8   | \$6.5   | \$7.3   | \$9.5   |  |  |  |  |
| \$250 ما \$250 | \$547 3                   | 361.2                       | \$62.0  | \$66.6  | \$B4.8  | \$114.4 | \$101.0 | \$66.2  | \$32 1  | \$16.9  | \$21.3  | \$21 4  |  |  |  |  |
| >\$250         | \$2.5                     | \$4.4                       | \$6.2   | \$10.5  | \$32.2  | \$31.4  | \$26.4  | \$16.4  | \$6.5   | \$2.6   | \$2.2   | SO 7    |  |  |  |  |
| Total          | \$181.4                   | \$190.1                     | \$228.2 | \$243.0 | \$327.9 | \$368.1 | \$342.6 | \$292 5 | \$242.8 | \$233.3 | \$243.2 | \$2407  |  |  |  |  |

Chart 4





#### Number of PGFs

The total number of PGF buy-ins increased by almost four times since the beginning of 2012 (i.e., from 1,094 to 4,012 or 266.7% increase). PGFs less than and greater than \$20,000 have followed the same general trend line since the latter half of 2014.

|                |         |         |         | Num     | ber of PG | ble 5<br>Es hy Buy | Jn ( evel   |         |         |         |         |         |
|----------------|---------|---------|---------|---------|-----------|--------------------|-------------|---------|---------|---------|---------|---------|
| Buy-in Level   | 2012    |         | 2013    |         | 2014      |                    | 2015        |         | 2016    |         | 2017    | 7       |
| (\$ thousands) | Jan-Jun | Jul-Dec | Jan-Jun | Jul-Dec | Jan-Jun   | Jul-Dec            | Jan-Jun     | Jul-Dec | Jan-Jun | Jul-Dec | Jan-Jun | Jul-Dec |
| \$10-\$20      | 487     | 204     | 319     | 406     | 428       | 406                | <b>59</b> 8 | 540     | 1,091   | 1,213   | 1,440   | 1,481   |
| >\$20 to \$50  | 362     | 294     | 418     | 548     | 526       | 539                | 538         | 673     | 1,073   | 1,173   | 1,221   | 1,394   |
| >\$50 to \$75  | 51      | 46      | 83      | 82      | 110       | 136                | 148         | 154     | 201     | 243     | 251     | 263     |
| >\$75 to \$250 | 192     | 305     | 288     | 524     | 760       | 421                | 525         | 525     | 574     | 716     | 772     | 717     |
| >\$250         | 2       | 15      | 53      | 198     | 307       | 187                | 121         | 121     | 106     | 162     | 115     | 167     |
| Total          | 1,094   | 866     | 1,161   | 4,758   | 2,131     | 1,889              | 1,930       | 2,013   | 3,045   | 3,606   | 3,799   | 4,012   |

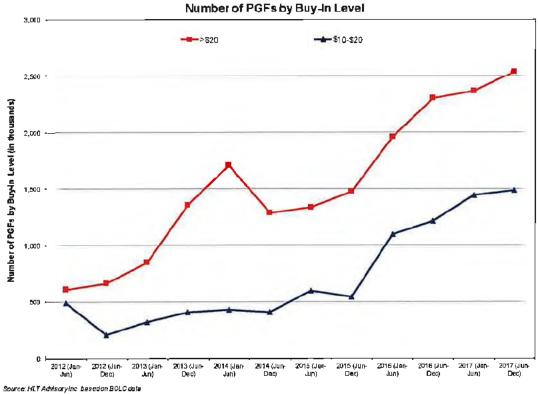


Chart 5

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#### Value of PGFs

The total value of PGF buy-ins increased from \$46.4 million at the beginning of 2012 to \$252.2 million by the end of 2017 (a 443.0% increase). PGFs over \$20,000 increased significantly between the start of 2013 to the first half of 2014. Following a steep decline over the next two time periods, is has increased along the same trend line that was experienced in the first three time periods.

Table 6

|                |         |                             |         | P       | GF Value I | y Buy-In | Level          |         |         |         |         |        |  |  |  |
|----------------|---------|-----------------------------|---------|---------|------------|----------|----------------|---------|---------|---------|---------|--------|--|--|--|
| Buy-in Level   |         | Value of PGFs (\$ Millions) |         |         |            |          |                |         |         |         |         |        |  |  |  |
| (\$ thousands) | 201     | 2                           | 201     | э 🗌     | 2014       |          | 201            | 5       | 201     | 6       | 2017    |        |  |  |  |
|                | Jen-Jun | Ju)-Dec                     | Jan-Jun | Jul-Deo | Jan-Jun    | Jul-Dec  | Jan-Jun        | Jul-Dea | Jan-Jun | Jul-Dec | Jan-Jun | Jul-De |  |  |  |
| \$10-\$20      | \$7.2   | \$3.2                       | \$51    | \$6.2   | \$6.7      | \$6 0    | \$9.3          | \$8.2   | \$15.9  | \$16.5  | \$21.5  | \$22   |  |  |  |
| \$50 al \$50 × | \$13.7  | \$111                       | \$160   | \$22.7  | \$19.9     | \$21.3   | \$21.4         | \$28.0  | S41 8   | \$41.4  | S46 1   | \$54   |  |  |  |
| >\$50 to \$75  | \$3.2   | \$3.1                       | \$51    | \$5.2   | \$7 1      | \$8.4    | 593            | \$9.8   | \$12 7  | \$14.8  | \$15.9  | \$15   |  |  |  |
| >\$75 to \$250 | \$21.6  | \$39.6                      | \$371   | \$715   | \$99 1     | \$57 1   | \$70 7         | \$69.1  | \$71.4  | \$88.1  | 597 4   | \$91   |  |  |  |
| >\$250         | \$0.7   | \$5.3                       | \$208   | \$77.1  | \$154.2    | \$89.3   | <b>\$4</b> 3.0 | \$43 5  | \$38.4  | \$39.8  | S45.6   | \$68.  |  |  |  |
| Total          | \$48.4  | \$62.3                      | \$84.1  | \$182.7 | \$287.0    | \$182.1  | \$153.7        | \$156.6 | \$180.1 | \$200,5 | \$226.5 | \$252. |  |  |  |

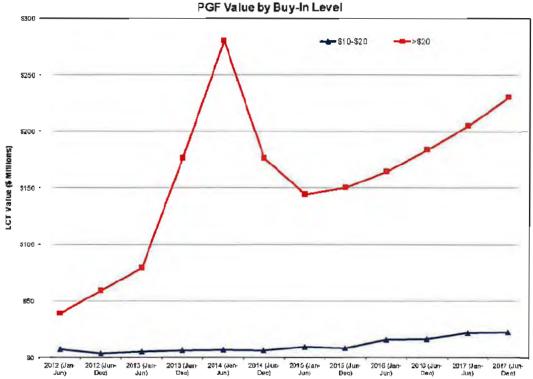


Chart 6

Source: HLT Advisory Inc. based on BCLC data.

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#### \* \* \* \* \*

Should you have any questions on this letter report, please do not hesitate to contact either of the undersigned at PERSONAL INFORMATION or PERSONAL INFORMATION respectively.

Sincerely,

**HLT Advisory Inc.** 

Rellionel

Robert M Scarpelli Managing Director

Drew Chamberlain Managing Director

This is Exhibit "80" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this day of January 2021.

A Commissioner for taking Affidavits for the Province of British Columbia

# Corporate Strategy January 2019



### Agenda

Assessing BCLC's Past Performance

- Our Approach to Strategic Planning
- SWOT
- Mission / Values / Vision
- Strategic Pillars
- Next Steps

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# **Assessing BCLC's Past Performance**

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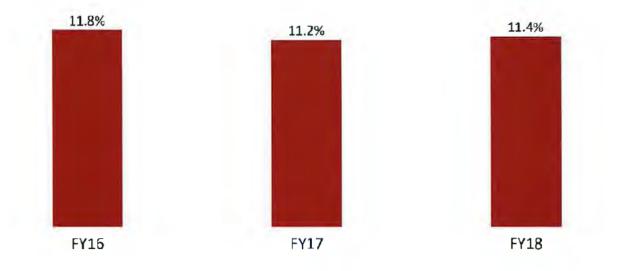
### Profit

#### **BCLC Financial Performance**

|                                | FY16              | FY17             | FY18              |      |
|--------------------------------|-------------------|------------------|-------------------|------|
| NET WIN:                       | 2.35B             | <b>2.40B</b>     | <b>2.50B</b>      |      |
| CASINO:<br>LOTTERY:<br>SPORTS: | 78%<br>21%<br>1%  | 79%<br>20%<br>1% | 80%<br>20%<br><1% |      |
| NET INCOME:                    | 1.31B             | 1.34B            | 1.40B             |      |
| CASINO:<br>LOTTERY:<br>SPORTS: | 78%<br>22%<br><1% | 76%<br>23%<br>1% | 76%<br>23%<br>1%  | bele |

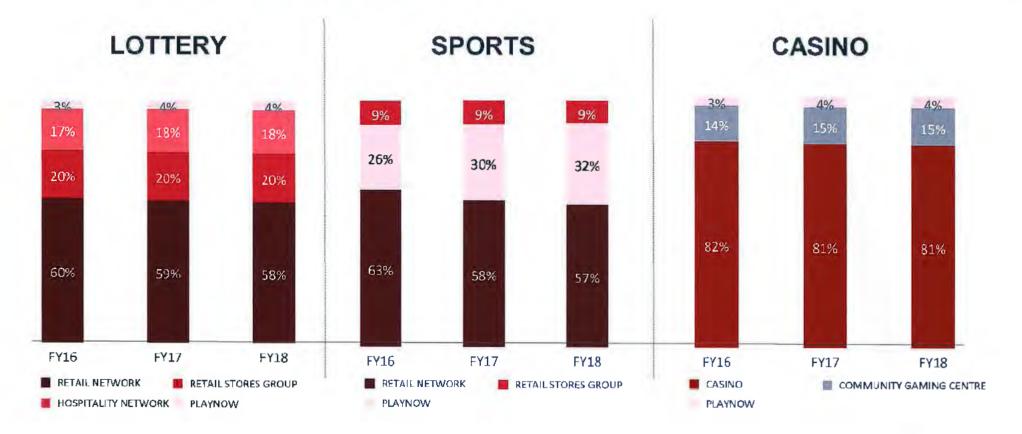
#### **BCLC Revenue Concentration**

#### 80% OF REVENUE DRIVEN BY X% OF PLAYERS





#### **Distribution Highlights**





## **Players**

#### **BCLC Player Participation**

|                                | FY16              | FY17              | FY18              |
|--------------------------------|-------------------|-------------------|-------------------|
| <b>ADULT POP:</b>              | <b>3.70M</b>      | 3.75M             | 3.85M             |
| PLAYER COUNT:                  | <b>2.70M</b>      | <b>2.81M</b>      | <b>2.81M</b>      |
| CASINO:<br>LOTTERY:<br>SPORTS: | 40%<br>96%<br>19% | 45%<br>96%<br>21% | 42%<br>95%<br>18% |

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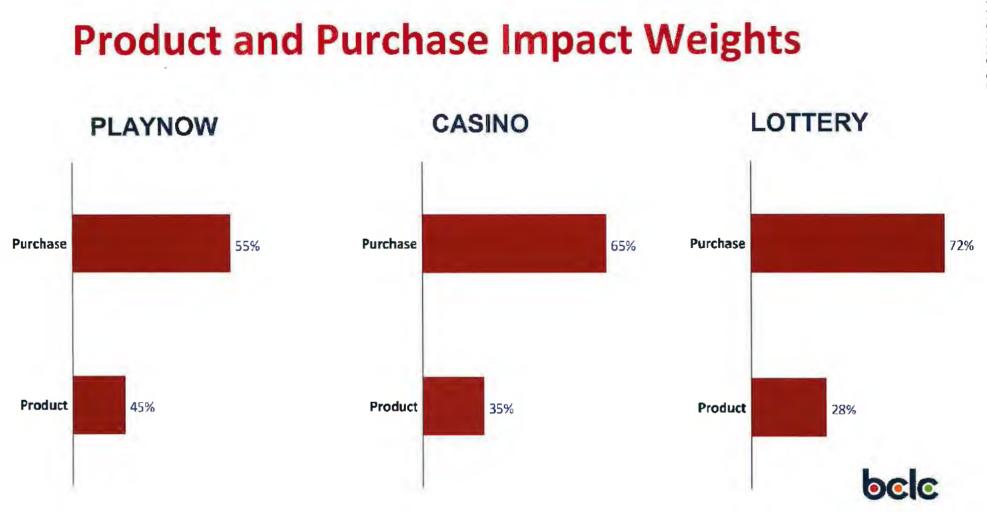
PLAYER COUNT=P12MONTHS

\*PRODUCT BREAKDOWN DOES NOT EQUAL 100%, DUE TO ANONYMOUS CROSS-PLAY

#### **Experience: Satisfaction vs The 10 Pillars** Customer Service Relevance **Product Mix** Value For Money Experience Experience Purchase Player Product Security/ Experience Privacy Score Excitement Convenience/ Ease of Purchase Fairness Made Me **Feel Valued** bele

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## Public

#### **BCLC As An Entertainment Offering**

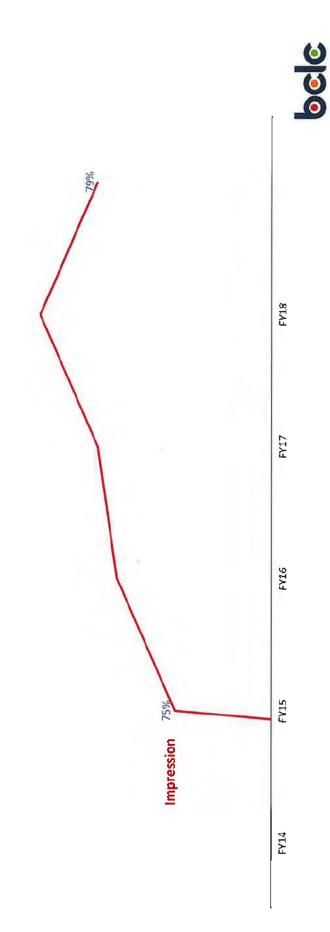


#### **BCLC Within The Entertainment Landscape**

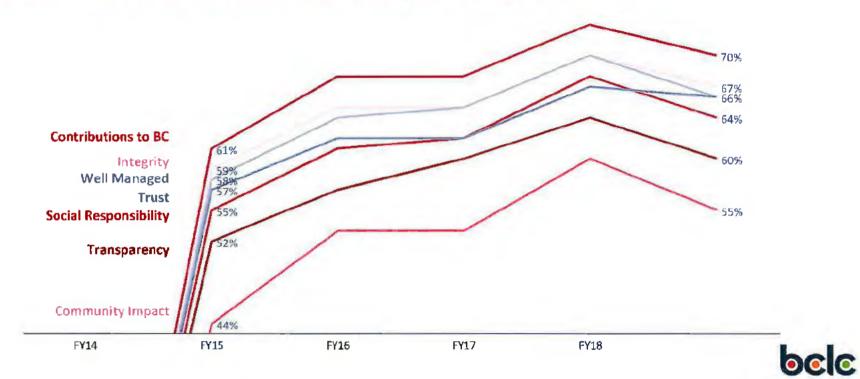


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#### **Five Year Public Perceptions Trend**



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## People

#### **Employee Engagement**

| FY                 | '15 | FY17 | FY18 |
|--------------------|-----|------|------|
| <b>ENGAGEMENT:</b> | 83% | 87%  | 86%  |
| ALIGNMENT:         | N/A | 85%  | 85%  |
| AGILITY:           | N/A | 46%  | 43%  |

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## Employees view BCLC as...

| 54%                  | 36%                | 32%       |
|----------------------|--------------------|-----------|
| <b>BUREAUCRATIC:</b> | ADVERSE TO CHANGE: | TOO SLOW: |

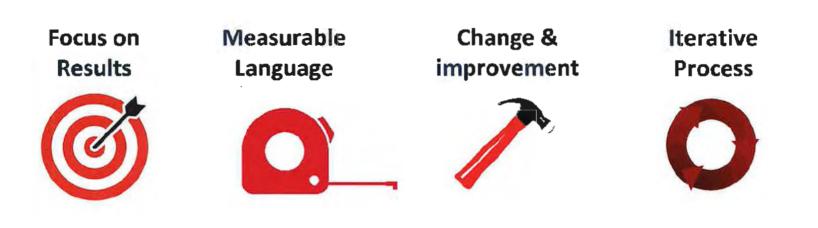


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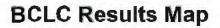
# **Our Approach to Strategic Planning**

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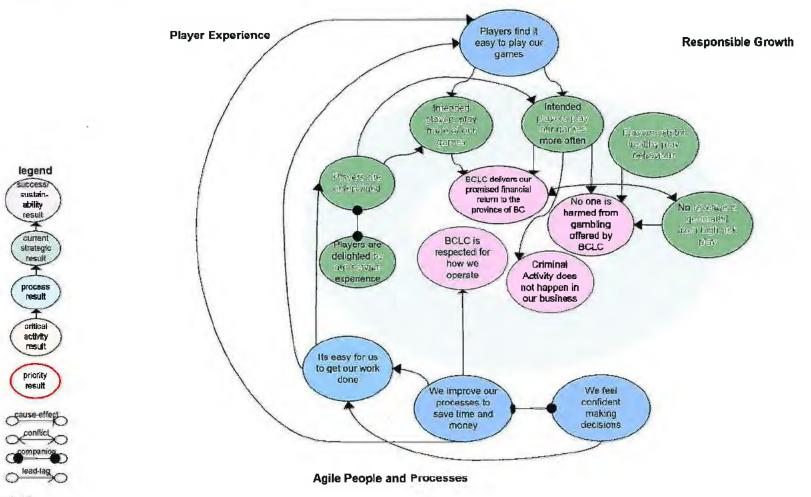
#### **BCLC Approach to Strategic Planning**



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Version 1.9 Jan 14



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## SWOT

#### **SWOT - Strengths**

- Engaged workforce
- Breadth of analytics practice
- Business model (3-P Profitable)
- Expertise in operating games of chance
- Product management
- Distribution network
- Responsible Gambling practice (GameSense)

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#### **SWOT - Weaknesses**

- Culture risk avoidance
- Execution speed to market, decision making
- Work processes
- Not strong at meeting customer service expectations
- Insight on customer expectations

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#### **SWOT - Opportunities**

- Convergence retail/digital
- Expansion of mobile
- Emerging/new uses of current technology
- Leverage our business partners to realize our strategy
- Cross Play
- Integrated gaming experiences
- Growing public acceptance of gambling as a form of entertainment



#### **SWOT - Threats**

- Product relevance
- Increasing regulatory requirement
- Growing public safety events/concerns in our industry
- Cyber attacks
- Reputational events
- Activism against gambling
- Market Disruptors
- Partner compliance



#### **Themes Arising from the SWOT**

- 1. Achieving financial growth and player health
- 2. Entertainment relevancy
- 3. Player Experience is more than just product
- 4. Pace of Change

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Mission | Values | Vision



#### Mission

#### **Current Mission Statement**

To conduct and manage gambling in a socially responsible manner for the benefit of British Columbians.

#### **Revised Mission Statement**

We operate gambling responsibly for British Columbians

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#### Mission

We operate gambling responsibly for British Columbians

#### The results we want to achieve:

- No one is harmed from gambling offered by BCLC
- Criminal activity doesn't happen in our business
- BCLC is respected for how we operate
- BCLC delivers our promised financial return to the province of B.C.



#### Results

#### Measures

| No or | ne is | harmed  | from |  |
|-------|-------|---------|------|--|
| gamb  | ling  | offered | by   |  |
| BCLC  |       |         |      |  |

% of BCLC players with Problem Gambling Severity Index . (PGSI)\* score of 7 or lower

**Criminal activity**  # of Criminal charges for offenses in relation to a gambling product. doesn't happen in our business

- % of public who agree BCLC is operated fairly and honestly
- **BCLC is respected for** how we operate
- % of public who agree BCLC is a good corporate citizen
- % of public who agree BCLC is well managed •
- % of public who have trust and confidence in the games offered by BCLC •

**BCLC delivers our** promised financial return to the province of B.C.

- \$ Net Income
- % Variance between Actual Net Income and Service Plan Net Income



\* See Appendix Slides for Details

#### Values

#### Integrity

 The games we offer and the ways we conduct business are fair, honest, transparent and trustworthy.

#### **Social Responsibility**

 Everything we do is done with consideration of its impact on and for the people and communities of British Columbia.

#### Respect

 We value and respect our players, partners, the public and each other.



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#### Vision

Gambling is widely embraced as exceptional entertainment for adults.

#### The result we want to achieve:

• Players are entertained

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#### Vision

#### **Current Vision**

Gambling is widely embraced as exceptional entertainment for adults.

#### **Revised Vision**

We deliver exceptional gambling entertainment.

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#### Result

#### Measure

Players are entertained

Player Need states Index Score\*



\* See Appendix Slides for Details



## **Strategic Pillars**

Agile People & Processes Responsible Growth Player Experience

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#### **Player Experience**

#### Description

We will shift to focus on player experience from just products and distribution. We want their experience to be entertaining, easy, and personalized to their needs and wants.

This is important because we know our players satisfaction is about more than just the product.

#### The results we want to achieve:

- Players have fun
- Players find it easy to play
- Players are delighted by our service



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| Results                                         | Measures                                                                                                                             |  |  |
|-------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|--|--|
| Players are entertained                         | Entertainment needs states index score                                                                                               |  |  |
| Players find it easy to play our games          | <ul> <li>% of players who tell us that it is easy to<br/>play our games (understand, find, purchase,<br/>redeem/validate)</li> </ul> |  |  |
| Players are delighted by our service experience | <ul> <li>% likelihood to return based on customer<br/>service experience</li> </ul>                                                  |  |  |
|                                                 | <ul> <li>% expected effort of customer service<br/>experience</li> <li>% actual effort of customer service</li> </ul>                |  |  |
|                                                 | experience                                                                                                                           |  |  |

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## **Responsible Growth**

## Description

We will grow by shifting our focus from relying on core players to creating opportunities for intended players to play more of our games more often; in other words growing revenue from healthy play.

This is important because we know too much revenue is generated from a concentrated group of players and high risk play exists.

## The results we want to achieve:

- Intended players play more of our games
- Intended players play our games more often
- No revenue is generated from high risk play
- Players exhibit healthy play behaviours

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## Results

## Measures

| Intended players play more of our games     | <ul> <li>Average # of products played per intended<br/>player</li> </ul>        |
|---------------------------------------------|---------------------------------------------------------------------------------|
| Intended players play our games more often  | Game play frequency per intended player                                         |
| Players exhibit healthy play behaviours     | Positive Play Scale: Gambling literacy                                          |
|                                             | <ul> <li>Positive Play Scale: Pre-commitment<br/>(setting and using)</li> </ul> |
| No revenue is generated from high risk play | Measure in development                                                          |



## **Agile People & Processes**

## Description

We will shift our focus from listing initiatives to setting results and we will trust our people to make decisions that achieve those results. We will embrace the philosophy of agility and are committed to learning through continuous improvement.

This is important because we want to solve our customer problems faster and reduce our employees' frustration with our processes.

## The results we want to achieve

- · We feel confident making decisions
- We improve our processes to save time and money.
- Its easy for us to get our work done

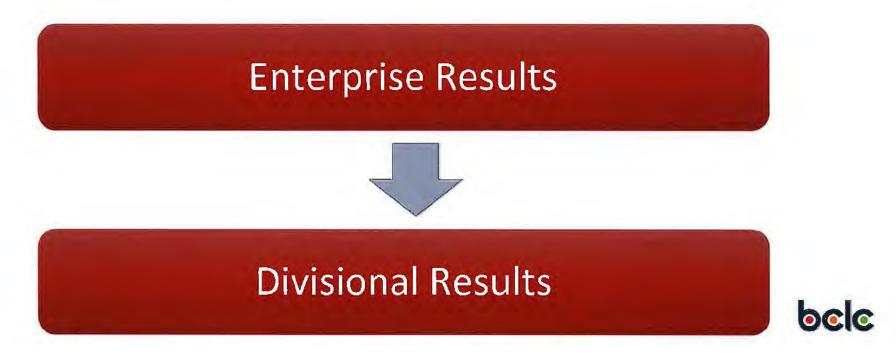
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## Results Measures We feel confident making decisions % of BCLC employees who feel confident making decisions Amount of time saved through targeted We improve our processes to save time and . process improvement annually money Amount of money saved through targeted • process improvement annually It's easy for us to get our work done % of BCLC employees who say it's easy to get work done % of BCLC employees who say its easy to get help from people in other teams

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## **Next Steps - Cascading the strategy**

Cascading refers to the process whereby corporate strategic direction is broken down into contributions each part of the organization can make to help the organization achieve its goals.







## PGSI – Problem Gambling Severity Index

The Problem Gambling Severity Index (PGSI) is the standardised measure of at risk behaviour in problem gambling. It is a tool based on research on the common signs and consequences of problematic gambling. The PGSI quiz asks participants to self-assess their gambling behaviour over the past 12 months by scoring themselves against nine questions.

never (score: 0) rarely (score: 1) sometimes (score: 1) often (score: 2) always (score: 3)

- Have you bet more than you could really afford to lose
- Have you needed to gamble with larger amounts of money to get the same feeling of excitement
- Have you gone back another day to try to win back the money you lost.
- Have you borrowed money or sold anything to get money to gamble
- Have you felt that you might have a problem with gambling
- Has your gambling caused you any health problems, including stress or anxiety.
- Have people criticized your betting or told you that you had a gambling problem, regardless of whether or not you thought it was true
- Has your gambling caused financial problems for you or your household.
- Have you felt guilty about the way you gamble or what happens when you gamble.

## **PGSI categories:**

- High risk problem gambler (PGSI 8-27)
- Moderate risk problem gambler (PGSI 3-7)
- Low risk problem gambler (PGSI 1-2)
- Non problem gamblers (PGSI 0)



## **Needstate Index Score**

The Needstate index score was developed by Kantar TNS. "Irresistibility Quotient", or IQ score, which was created by our vendor (Kantar TNS).

The IQ measures the alignment between entertainment activities and needstates, where 100 is a perfect alignment to that needstate. An IQ below 50 delivers no impact on behaviour. Real benefits start to emerge when IQ reaches 60 and develop significantly above this level.

## The measure is composed of:

- 25% collage exercise results:
  - Collaged images of each needstate archetype are presented, and the respondent matches an activity to each of the six collages based on which activity they think that group of people would prefer (projective exercise).
  - · Then, respondents create their ideal form of entertainment, using the collage associated with an activity.
- 75% attribute ratings on entertainment activity:
  - Personality
  - Feeling
  - Brand image
  - User image
  - Benefits
  - Features

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## **Positive Play Scale**

The PPS is a 14-item scale that assesses positive beliefs and behaviours about gambling.

There are two beliefs subscales:

- a. Personal responsibility, which assesses the extent to which a player believes they should take ownership of their gambling behaviour.
- b. Gambling literacy, which assesses the extent to which a player has an accurate understanding about the nature of gambling.

There are two behaviour subscales:

- c. Honesty and control, which examines how honest a player is with others about their gambling and feels in control of their behaviour.
- d. Pre-commitment, which assesses the extent to which a player considers how much money and time they should spend gambling.

Positive Play Scale (PPS) categories are as follows:

- High PPS: All items score at least 6 out of 7 on the response scale (clearly a positive player).
- Medium PPS: All items have a score of 4 or more (a positive player with room for improvement).
- Low PPS: At least one item has a score of 3 or less (not an overall positive player, but may have positive play beliefs and/or tendencies).

This is Exhibit "81" to the Affidavit #1 of Brad Desmarais, affirmed before me at Vancouver, in the Province of British Columbia, this 21 day of January 2021.

A Commissioner for taking Affidavits for the

A Commissioner for taking Affidavits for the Province of British Columbia

## Corporate Strategy October 2019

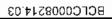


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## Background

BCLC created its last strategy in 2015 to take the organization three years into the future. In May, 2018, BCLC executive conducted a comprehensive review of performance and external trends noting various factors driving a need for change. Trends such as increasing customer experience expectations and public expectations related to social responsibility weighed heavily in our review. BCLC executive also identified an opportunity to enhance the clarity and results-orientation of the strategy to provide direction for the organization. These factors drove the refresh our corporate strategy

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# Mission | Vision | Values



## Mission

We operate gambling responsibly to benefit all British Columbians

## The results we want to achieve:

- BCLC delivers our promised financial return to the province of B.C.
- No one is harmed from gambling offered by BCLC
- Criminal activity doesn't happen in our business
- BCLC is respected for how we operate
- BCLC operates in a socially responsible manner

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## Vision

We deliver exceptional gambling entertainment.

## The result we want to achieve:

• Players are entertained

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## Values

## Integrity

• The way we conduct business is fair, honest, transparent and trustworthy.

## **Social Responsibility**

• Everything we do is done with consideration of its impact on and for the people and communities of British Columbia.

## Respect

 We value and respect our players, partners, the public and each other.



# **Strategic Pillars**

Strategic pillars represent the major changes or shifts we need to make as an organization to achieve our vision and deliver on our mission with excellence.



## **Player Experience**

## Description

We will shift to focus on player experience from just products and distribution. We want their experience to be entertaining, easy, and personalized to their needs and wants.

This is important because we know our players satisfaction is about more than just the product.

## The results we want to achieve:

- Players are entertained
- Players find it easy to play
- Players are delighted by our service

## **Responsible Growth**

## Description

We will grow by shifting our focus from relying on core players to creating opportunities for intended players to play more of our games more often; in other words growing revenue from healthy play.

This is important because we know too much revenue is generated from a concentrated group of players and high risk play exists.

## The results we want to achieve:

- Intended players\* play more of our games
- Intended players\* play our games more often
- No revenue is generated from high risk play
- · Players exhibit healthy play behaviours

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\* Intended players are those who demonstrate healthy play behaviors and don't contribute to crime in our business. Further definition of intended players is to be determined by each line of business.

## **Agile People & Processes**

## Description

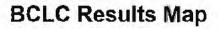
We will shift our focus from initiatives to setting results and we will trust our people to make decisions that achieve those results. We will embrace the philosophy of agility and are committed to learning through continuous improvement.

This is important because we want to solve our customer problems faster and reduce our employees' frustration with our processes.

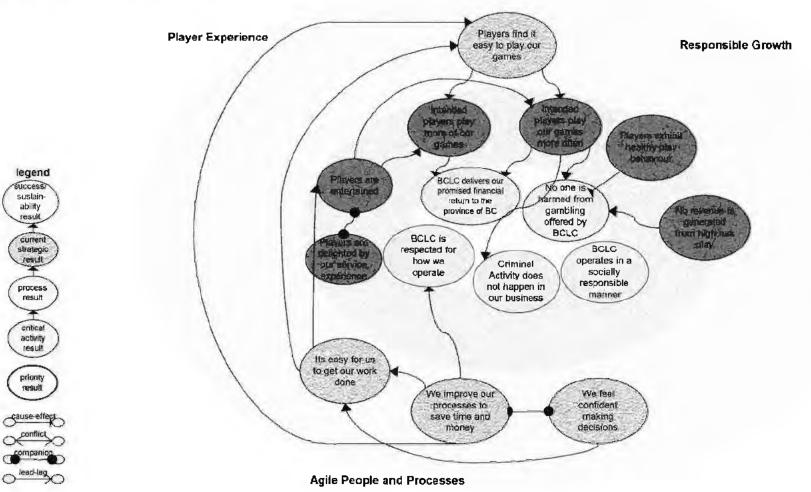
## The results we want to achieve

- · We feel confident making decisions
- We improve our processes to save time and money.
- Its easy for us to get our work done

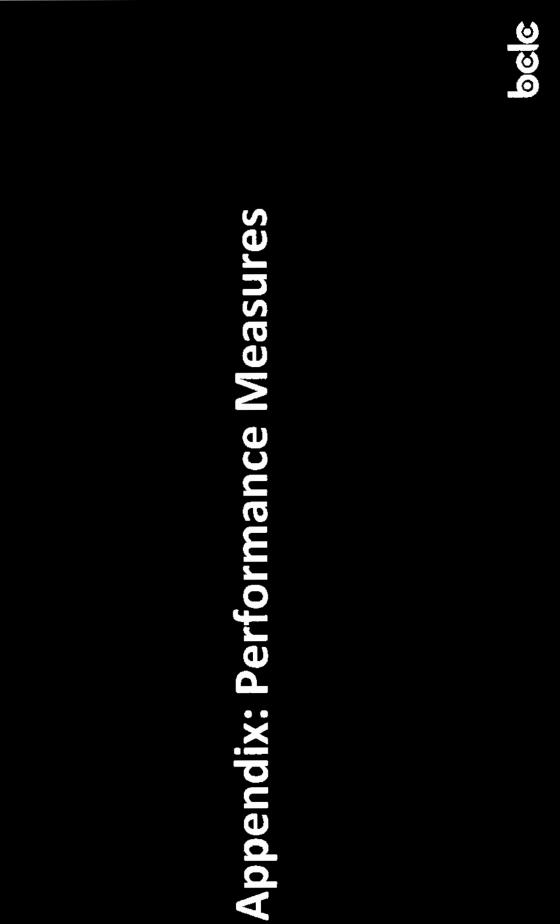
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September 2019



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## **Results**

## No one is harmed from gambling offered by BCLC

Criminal activity doesn't happen in our business

BCLC is respected for how we operate

BCLC delivers our promised financial return to the province of B.C.

BCLC operates in a socially responsible manner.

## Measures

- % of BCLC players with Problem Gambling Severity Index (PGSI) score of 7 or lower
- # of Criminal charges for offenses in relation to a gambling product.
- % of public who agree BCLC is operated fairly and honestly
- % of public who agree BCLC is a good corporate citizen
- % of public who agree BCLC is well managed
- % of public who have trust and confidence in the games offered by BCLC
- \$ Net Income
- % Variance between Actual Net Income and Service Plan Net Income
- TBD



## Result

## Measure

Players are entertained

# Player Need states Index Score

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| Results                                            | Measures                                                                                                                             |
|----------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|
| Players are entertained                            | <ul> <li>Entertainment needs states index score</li> </ul>                                                                           |
| Players find it easy to play our games             | <ul> <li>% of players who tell us that it is easy to<br/>play our games (understand, find, purchase,<br/>redeem/validate)</li> </ul> |
| Players are delighted by our service<br>experience | <ul> <li>% likelihood to return based on customer<br/>service experience</li> </ul>                                                  |
|                                                    | <ul> <li>% expected effort of customer service<br/>experience</li> </ul>                                                             |
|                                                    | <ul> <li>% actual effort of customer service</li> </ul>                                                                              |
|                                                    | experience <b>bclc</b>                                                                                                               |

## Results **Measures** Intended players play more of our games Average # of products played per intended player Intended players play our games more often Game play frequency per intended player • Players exhibit healthy play behaviours Positive Play Scale: Gambling literacy • Positive Play Scale: Pre-commitment ٠ (setting and using) No revenue is generated from high risk play TBD - Measure in development

## bclc

## Results

We feel confident making decisions

## Measures

- % of BCLC employees who feel confident making decisions
- We improve our processes to save time and money
   Amount of time saved through targeted process improvement annually
   Amount of money saved through targeted process improvement annually
   It's easy for us to get our work done
   % of BCLC employees who say it's easy to get work done
  - % of BCLC employees who say its easy to get help from people in other teams

## bclc