

**COMMISSION OF INQUIRY INTO
MONEY LAUNDERING IN BRITISH COLUMBIA**

The Honourable Mr. Austin F. Cullen, Commissioner

AFFIDAVIT

I, Stuart Douglas Boland Smith, Q.C., of #200-286 St. Paul Street, Kamloops, BC, V2C 6G4, Urban Systems, SWEAR THAT:

1. I am the former Chair of the Board of Directors of the British Columbia Lottery Corporation, a participant in this public 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 swear this affidavit to provide evidence to the Commission pursuant to a summons issued to me pursuant to the *Public Inquiry Act*, SBC 2007, c 9.
3. Attached to this affidavit as **Exhibit 1** is a copy of Commission Counsel's questions directed to me.
4. Attached to this affidavit as **Exhibit 2** is my witness statement, in response to the questions raised by Commission Counsel.

SWORN BEFORE ME at Kamloops,
British Columbia, on January 22, 2021



A commissioner for taking affidavits for
British Columbia



STUART DOUGLAS BOLAND SMITH,
Q.C.

Robert P. Madill
Barrister & Solicitor
British Columbia Lottery Corporation
74 W. Seymour Street, Kamloops, BC V2C 1E2

THIS IS **EXHIBIT "1"** TO THE
AFFIDAVIT OF **STUART DOUGLAS**
BOLAND SMITH, Q.C.
SWORN BEFORE ME AT KAMLOOPS, BC
ON THE 22 DAY OF JANUARY, 2021.



A Commissioner/Notary Public for the
Province of British Columbia.

Robert P. Madill
Barrister & Solicitor
British Columbia Lottery Corporation
74 W. Seymour Street, Kamloops, BC V2C 1E2

1. Overview of Mr. Smith's tenure as BCLC Board Chair

Please identify the dates of Mr. Smith's term as BCLC Board Chair, the circumstances of his initial appointment and the conclusion of his term as Board Chair and describe generally his responsibilities as Board Chair.

2. Mr. Smith's Interaction with Government as BCLC Board Chair

Please describe generally the nature and extent of Mr. Smith's interaction with senior government officials (ADM-level and above) during his tenure as BCLC Board Chair. How frequently was Mr. Smith in communication with government? With whom did he communicate? What was the nature of these communications? Did the nature of Mr. Smith's communication with government change with any changes in government?

Please describe generally government directions and expectations communicated to BCLC regarding the generation of revenue and BCLC efforts to prevent money laundering in BC Casinos and other BCLC business lines.

3. Mr. Smith's Awareness of Large and Suspicious Cash Transactions in BC Casinos

What was Mr. Smith's awareness of large and suspicious cash transactions in BC Casinos during his tenure as Board Chair? Was Mr. Smith aware of increases in the rates at which BCLC was reporting large and suspicious cash transactions through the first several years of the 2010s? Was he involved in discussions about BCLC's response to these increases? What, if any, directions did he give in response to these issues?

Did Mr. Smith ever form the view that money laundering was occurring in BC Casinos? If so, when and what, if anything, did Mr. Smith do in response? Did Mr. Smith ever form the view that the proceeds of crime were being used to buy-in in BC Casinos in significant amounts? If so, when and what, if anything, did Mr. Smith do in response?

4. 2015-2017 Correspondence Between GPEB/Minister de Jong and BCLC

Between August 2015 and May 2017, then-GPEB General Manager John Mazure and BCLC CEO Jim Lightbody exchanged a number of letters regarding BCLC's anti-money laundering efforts.

See GPEB0762; GPEB0774; GPEB0806; GPEB0885; GPEB0889; GPEB1028; GPEB1032

To what extent was Mr. Smith aware of this correspondence? Did Mr. Smith provide any direction to Mr. Lightbody regarding his responses to Mr. Mazure, or actions that should be taken by BCLC with respect to the issues raised by Mr. Mazure.

On October 1, 2015, Minister de Jong wrote to Mr. Smith referring to some of the correspondence between Mr. Mazure and Mr. Lightbody. See GPEB0775

What did Mr. Smith do in response to this letter? What directions did Mr. Smith give to implement the directions given by Minister de Jong, in particular the direction to implement "AML compliance best practices including processes for evaluating the source of wealth and source of funds prior to cash acceptance?"

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5. Creation of JIGIT and June 2017 Arrests

Please describe Mr. Smith's recollection, if any, of a September 2015 meeting with Minister de Jong, Deputy Minister Cheryl Wenzeneki-Yolland and BCLC CEO Jim Lightbody regarding the need for greater enforcement in BC Casinos. What was Mr. Smith's perspective on the adequacy of the existing law enforcement response to large and suspicious cash transactions in BC Casinos?

Please describe Mr. Smith's response to and actions taken following a June 2017 announcement of arrests by JIGIT and efforts made to obtain the names of those arrested. See BCLC10213

6. February 2017 GPEB Allegations re Top BCLC Players Buying-In with Bank Drafts Purchased Using the Proceeds of Crime

Does Mr. Smith recall an allegation made in February 2017 by GPEB Executive Director of Compliance Len Meilleur that ten of BCLC's top players were buying-in with bank drafts purchased using the proceeds of crime?

If so, please describe Mr. Smith's recollection of actions he and others took in response to that allegation, any meetings with GPEB or government that followed, and additional information obtained related to this allegation.

7. Mr. Smith and BCLC's Response to Peter German's Report

See BCLC5379; BCLC5380; BCLC5221

BCLC5221 includes the following passage written by Mr. Kroeker

"Bud also wants to have a conversation with Min on higher end table games and wants to have a direct conversation about the government to decide if they want to be in this business or not and if so they need to appreciate the risk, how it is being properly managed by BCLC and they need to provide better support to BCLC."

Did this meeting with the Minister take place, and do Mr. Kroeker's comments accurately capture the nature of the meeting Mr. Smith wanted to have with the Minister? If so, please elaborate on the nature of the risk that government needed to develop an appreciation of, why Mr. Smith believed it was being properly managed at the time and the better support BCLC required from government.

Please provide Mr. Smith's account of this meeting.

Generally, what was Mr. Smith's role in implementation of the German recommendations at BCLC.

8. EY River Rock Cheque Audit

Please describe Mr. Smith's recollection of discussions at Board meetings regarding the audit of cheques issued at the River Rock Casino performed by Ernst & Young, in particular those related to whether and how the report would be made publicly available and means by which the report could be protected from FOI requests.

Please describe any meetings with Minister Eby about this audit in which Mr. Smith was involved.

9. **Termination of Ross Alderson**

Please describe Mr. Smith's role, if any, in the termination of Ross Alderson, including any interaction Mr. Smith had with any government officials regarding Mr. Alderson.

THIS IS EXHIBIT "2" TO THE
AFFIDAVIT OF **STUART DOUGLAS**
BOLAND SMITH, Q.C.
SWORN BEFORE ME AT KAMLOOPS, BC
ON THE 22 DAY OF JANUARY, 2021.



A Commissioner/Notary Public for the
Province of British Columbia.

Robert P. Madill
Barrister & Solicitor
British Columbia Lottery Corporation
74 W. Seymour Street, Kamloops, BC V2C 1E2

RESUME for Bud Smith, Q.C.

Born: Kamloops, BC, May 14, 1946

Educated: B.A. University of Victoria (1970)
LLB. University of British Columbia (1974)

Things Done:

- Member Law Society of BC since May 1975
- Partner Mair Jensen Blair (1975 - 1983)
- Principal Secretary to Premier of British Columbia (1983 - 1986)
- MLA for Kamloops (1986 - 1991)
- Cabinet Minister (1988 - 1991)
(Regional Economic Development/Attorney General)
- Director/Officer:
 - ~ BC Development Corporation (1979 - 1983)
 - ~ BC Lottery Corporation (2012 - 2018)
 - ~ Canada Post Corporation (1991 - 1994)
 - ~ Doman Industries Limited (TSE 2002 - 2005)
 - ~ Galveston Resources Ltd. (TSE 1986 - 1988)
 - ~ Getchell Resources Ltd. (VSE 1992 - 1997)
 - ~ Farm Energy Corporation (ASE 1991 - 1995)
 - ~ Christopher James Gold Corp. (VSE 1995 - 2008)
 - ~ Prince Rupert Port Authority (2007-09 - 2018)
 - ~ Mejia Property Inc. (1984 - present)
 - ~ Monashee Captive Insurance Company Ltd. (2009 - 2018)
 - ~ Nicola Mortgage Company (1991 - present)
 - ~ Pacific Crest Homes Ltd. (1991 -- 2013)
 - ~ Ridley Terminals Inc. (2009 - 2012)
 - ~ Royal British Columbia Museum (2009 - 2012)
 - ~ Thompson Valley Mortgage Corp. (1994 - present)
 - ~ Tessarema Resources Ltd. (2013 - present)
 - ~ Tulo Centre of Indigenous Economics (2007 - present)
 - ~ Urban Systems Ltd. (1992 - 2019)
 - ~ Western Provincial Investment Group Corp. (1991 - present)
 - ~ White Bear Resources Inc. (TSX 2012 - 2013)
 - ~ YKA Travelwise Kamloops Ltd. (1995 - 2015)
- Volunteer Community Service:
 - ~ Chancellor - Diocese of Cariboo
 - ~ Kamloops Chamber of Commerce (VP)
 - ~ Kamloops Track and Field Club
 - ~ St. Paul's Anglican Cathedral
 - ~ Western Canada Theatre Company (Trustee)
- Awards:
 - ~ Queen's Council Appointment 1988
 - ~ Canon St. Paul's Cathedral and Diocese of Cariboo 2001
 - ~ Anglican Award of Merit 2013

Full Name: Stuart Douglas Boland Smith

1. Overview of Tenure as BCLC Board Chair

It was suggested by one or both local MLAs in late 2011/early 2012 that Mr. Smith apply to serve as a BCLC director, noting his broad experience as a Crown corporation/agency director and a longstanding association with BCLC being headquartered in Kamloops. An application was made to the Board Resourcing and Development Office. Officials from that office sought and received additional resume-type information. Subsequently, Mr. Smith's appointment as a Board member was made effective May 31, 2012.

Mr. Smith's appointment as Chair was made effective August 1, 2013, following the departure of the prior Chair. In common with most Chair appointments, the appointment followed a brief discussion with, and invitation to serve from, the Premier.

During May 2016, the Minister Responsible asked Mr. Smith to renew the appointment for a further three-year term, which was declined, but Mr. Smith agreed to serve for a further two years so as to provide continuity, crossing the fixed election date in 2017.

Following the provincial election, in July 2017 during a meeting in the new Minister Responsible's Victoria office, the Chair delivered a letter of resignation, left open to be accepted at any time of the Minister's choosing up to May 31, 2018, when the term otherwise would expire. The resignation was not accepted prior to May 31, 2018.

Between 2012-2018, the general responsibilities of the Chair were founded upon the design/purpose for the BCLC Board, which was one of governance. It was not an executive or operational Board. Between 2012-2018, the Board met 5-8 times per annum. The Chair served part time.

The Chair's primary role is as the presiding Director at Board meetings and managing the affairs of Directors as a Board. The Chair also is an ex-officio member of Board committees and works with the President/CEO respecting stakeholder and government relations.

More specific responsibilities of the Chair include to:

- Act as a sounding board/counselor/confidant for the CEO.
- Assist the CEO in representing BCLC as appropriate.
- Discuss CEO awareness of Board/stakeholder/government concerns.
- Lead the Board regarding CEO succession/development/evaluation/accountability to the Board.
- Ensure the CEO provides corporate plans/performance/strategies, as appropriate, to the Board.

Within the Board, the Chair is responsible to:

- Ensure the Board is aware of obligations to BCLC/stakeholders/government.
- Focus on addressing appropriate issues at meetings.
- Assist developing criteria for potential Board candidates and director education.
- Recommend member/Chair appointments for Board committees.
- Maintain liaison/communication with members/Chairs of committees.
- Co-ordinate agenda/meeting information packages with the Corporate Secretary/CEO.
- Develop Board teamwork/consensus building.
- Review Director conflict issues as they arise.
- Ensure Director information requests are provided as needed.
- Review/assess Director attendance/performance and report to government as required.
- Enable Board to be appropriately represented at official functions.
- Act as principal interface between Board/Minister as/when/if required.

- Ensure timely Board understanding/consideration/approval/oversight of major initiatives and adequate/regular updates from the CEO about important issues.

2. Interaction with Government as BCLC Board Chair.

The Chair's interaction with senior government officials largely was in writing and in response to their requests, often made through the Assistant Corporate Secretary. The nature of those communications did not change with any change in government. In-person meetings with government officials were usually arranged by the government offices involved, such as Treasury Board (TB) meetings, Minister meetings, meetings with Assistant Deputy Ministers and Deputy Ministers, Crown review meetings, meetings with Public Sector Employer's Council (PSEC) officials, and presentations to Caucus (both government and Official Opposition).

On two occasions, the Chair initiated direct conversations with elected persons respecting BCLC: once to the Minister Responsible immediately upon learning of the pending departure of the CEO in late January 2014 and the other to arrange a one-on-one meeting with the Official Opposition critic for BCLC in October 2015.

The Chair also had contact with an official responsible to the Legislature, namely the Deputy Auditor General, to ensure their office understood that BCLC welcomed the office's attendance at, and appropriate participation in, Audit Committee meetings and/or full Board meetings, at any time of its choosing, and which attendance was frequent, if not regular.

The Chair responded to communications (typically by phone) from the Chief of Staff to the Minister Responsible, the nature of which usually involved matters that had arisen in the media or Legislature, such as: Crown Review questions; casino relocations; Provincial Health Officer report response; downtown Vancouver casino development; annual New Horizons Conference; facial recognition initiatives; and voluntary self-exclusion issues. With the CEO's concurrence, in early fall 2013, the Chair introduced the Chief of Staff to BCLC's VP, Communications and Social Responsibility in order to enable faster, more detailed, and higher quality responses to questions as they arose. That change greatly reduced the Chair's communications with the Chief of Staff.

Government directions and expectations communicated to BCLC regarding generation of revenue and BCLC efforts to prevent money laundering in BC casinos and through other BCLC lines can be found in Mandate Letters and specific written directives from the Minister(s) Responsible. For example, attached as **Exhibit A** is the 2015/16 Mandate Letter dated February 5, 2015 (BCLC0003664). The lone exception on the "revenue" side relates to officials/analysts within the Treasury Board bureaucracy, through communication with BCLC's Chief Financial Officer, who on occasion, during their pre-budget review of submissions, sought revision of revenue "projections" that had been approved by the Board. The Board declined any requests it did not agree with, on the understanding that the Board Chair was "accountable" for financial projections.

Communication/requests for information came from various Finance Ministry officials/staff referencing the implementation of Crown Review and other reports -- particularly in relation to cost control/staffing numbers/salary level measures, often in relation to the Taxpayer Accountability Principles sent to all Crown agencies. The Comprehensive Cost Ratio (CCR) measuring tool was a source of discussion as it applied to BCLC's ongoing financial reporting.

3. Awareness of LCTs and STs.

At Board meetings, the Management Reports section of the agenda provided Directors with information on tracking/quantifying AML trends. Over time, the data disclosed an increase, followed by a levelling, followed by a steady decrease in the LCT/ST numbers reported. Attached for illustration, as **Exhibits B-D**, are the Management Reports dated May 12, 2016 (BCLC0015267), July 27, 2017 (BCLC0015268), and May 15, 2018 (BCLC0015276).

Similar reports were made to the Audit Committee and Risk Committee, where discussion in greater detail often occurred. Directors (in common with every Management Report) asked questions and sought information about the data, any useful comparators with other organizations reporting LCT/ST data to FINTRAC, as well as what conclusions the Board could reasonably draw from the data.

In addition, because of the apparent potential for complexity underlying the data, senior management was asked to provide resources to help Directors more fully understand the data and issues it may be disclosing, for which BCLC was primarily responsible.

The CEO, over several Board meetings, arranged for Director education presentations from Rob Kroeker/Ross Alderson, and a lengthy tour of/presentation from River Rock security and compliance. Attached as **Exhibits E-F** are the Board of Directors AML training slides from 2016 and 2017 (BCLC0000192, BCLC0015274).

Each presentation fully engaged Directors. While helping their understanding, the presentations also highlighted potential complexities inherent in the data.

The education sessions assisted Directors in broadening their knowledge and enabled more fulsome questioning of reports/responses/initiatives being presented by management. All of which seemed to invite more frequent and deeper dialogue during subsequent meetings.

Board members also sought greater clarity about BCLC's capacity to address various issues, beyond reporting to FINTRAC. Management advised Directors of BCLC's defined role especially relating to matters that could engage enforcement of laws.

Directors sought and received updates about the utilization of data analytics designed to enhance more rapid and extensive understanding of customer's sources of wealth, including cash, to better fulfill BCLC's "know your customer" mandate. Data analytics were designed to replace manual record handling, in a business involving plus billion transactions per annum.

The Board was apprised of and supported exploring utilization of data analytics for that important "know your customer" purpose. The process pursued was recommended in part because it appeared successful with the banking industry that also reports to FINTRAC.

Ultimately the data analytics process chosen did not succeed.

Most, if not all, of the Chair's information about money laundering in BC casinos, including the extent to which significant amounts of crime proceeds may be being used to buy-in to BC casinos, would have been presented largely in the extensive management reports received by the Chair as a member of the Board.

Given the cash-only requirement for gaming in BC up to shortly before the Chair joined the Board, as well as betting limit increases, billions of dollars were cycling through casinos. It was understood inherently that, in the circumstances of that much cash flow, improprieties, including money laundering

likely could be present. For that reason the Chair, from the beginning of his tenure on the Board, listened carefully to BCLC's management, auditors, and experts about the nature/extent and response to all challenges involving cash inside casinos and community gaming facilities.

For the same reason of cash volume, the Chair, beginning at the time of joining the Board, was keenly interested in supporting management's efforts to move from a cash buy-in based business to one incorporating alternatives to cash. This interest clearly also was embraced by all Directors then serving when the Chair joined the Board. There was no quantification of the use of proceeds of crime for buy-ins. However, given customers all had been taught over the previous two decades to use only cash, it was probable some would be using buy-ins inappropriately.

The Board understood that short of stopping all cash usage on a date certain, there would need to be a deliberate, focused, dynamic, data-based process to change behaviours, and it would involve significant collaboration across agencies.

The Chair's access to independent expertise or data beyond that provided by BCLC's management/staff responsible for compliance was limited. Many BCLC personnel resumes disclosed experience in the field as former senior law enforcement personnel, some of whom who had published or had presented at specialized conferences addressing the topic(s).

Information/discussions/presentations/considerations/potential action plans the Board discussed, generally with management, included topics about:

- Understanding casinos in BC had required cash only up to the year 2011, save for a pilot project at select casino sites for PGF accounts, meant customers all had been trained to associate BC casinos with cash. Public policy underpinning a cash only regime appeared to be rooted in the concern that individuals not financially overextend themselves by being able to use credit cards or other non-cash instruments. This meant moving to cash alternatives as directed by Mandate Letters required effort to undo what previously all casino customers had been taught was the correct public policy.
- Any direct connection between LCT/ST reports and criminal behaviour.
- Customer needs/timing for additional cash, especially during evening hours.
- Matters of customer/public safety when customers leave the premises seeking cash at night.
- Use of bank drafts and similar instruments as an alternative to cash.
- Measures to reduce use of chips outside a licenced BC casino.
- Options to supply customers the money they want without having to depart the casino.
- Ways to enhance utilization of the patron gaming fund accounts.
- Law enforcement responsibility in and around casinos.
- Relationship of our Responsible Gaming initiatives and moving to cash alternatives.
- Measures required to address any Mandate Letter reporting needs.
- Communicating with our regulator to ensure clarity/support for any new initiatives.

4. **2015-2017 GPEB/BCLC/Minister correspondence.**

BCLC works closely with three Crown agencies regularly: Gaming Policy and Enforcement Branch (GPEB)/PSEC/TB. Upon becoming Chair, it appeared the working relationship between BCLC and those agencies invited a different approach, founded upon a greater understanding about each other's role and more proactive deliberate co-operation and communication to ensure few, if any, surprises about what each was doing, as well as clarity as to each's responsibility. BCLC's VP, Human Resources together with the Board's HR and Compensation Committee Chair communicated with PSEC, given the Committee Chair had access to senior PSEC leaders in Victoria; the CFO as well as the CEO and Chair communicated/presented to TB, given the Chair who previously had served as vice chair of TB

understood its purpose and procedures; and the CEO/VP Corporate Security and Compliance and VP, Casinos and Community Gaming, all of whom were experienced with casinos, and two of whom had police experience, led respecting the relationship with GPEB.

The Minister Responsible's letter of October 1, 2015 notes appreciation for the diligence and detail BCLC provided GPEB, indicating improved communication between the two agencies. Attached as **Exhibit G** is the letter dated October 1, 2015 (BCLC0000308).

Upon Mr. Mazure becoming GPEB's GM, BCLC's CEO initiated direct oral and written communication with the objective of enhancing the GPEB/BCLC relationship. That direction and purpose was discussed at the Board table and supported by all Directors.

An ongoing challenge for BCLC is that in order to advance Mandate Letter requests/directives in a timely manner, structurally, approval from GPEB is required prior to implementing certain programs and processes BCLC considers/develops/approves. Placed within context of facilitating interagency communication, the letter exchange from the BCLC perspective appears to track an objective to ensure more detailed communication about activities BCLC was considering, including their rationale, to develop more consistent understanding as to roles/regulatory requirements, and reference initiatives that needed GPEB approval.

The Chair may have been aware of the correspondence in the specific and would have been aware of the fact BCLC and GPEB were communicating about these matters as part of reports to the Board. Both the Board and the Chair would have been supportive of the tone and the fact detailed content was being provided in the letters from the CEO. It is unlikely the Chair would have proffered any specific direction to the CEO regarding content in the letters.

Respecting actions to be taken by BCLC, those discussions (if any, reference the letters) would have been part of Management Reports to the Board or its Committees and the ensuing dialogue surrounding such reports.

The Minister Responsible's October 1, 2015 letter provided direction "focused on regulator guidance and intervention ..." Inherently, that meant interagency collaboration amongst BCLC, GPEB, RCMP and local police. The penultimate sentence in the letter reflects appreciation for the communication regime adopted by BCLC, in relation to the GPEB August 7 letter, referenced in paragraph 1.

Subparagraph 2 ultimately led to JIGIT, but also supported continuing efforts by BCLC and police to share information about individuals whom it was mutually agreed ought not be in casinos.

Subparagraph 3 in speaking to "AML best practices", the Board: (a) supported Management's initiative to use data analytics as a way to more rapidly and fulsomely identify and use the considerable information being gathered in relation to customers source(s) of wealth/funds; (b) sought education about what are the referenced best practices through Management Reports and specific sessions referenced earlier about money/AML generally; and (c) continued to seek information about and support implementation of measures to move from the decades-long practice of cash only in BC casinos to one of eliminating the use of cash. The Board's strategic planning meetings included consideration of AML initiatives as an integral part of that annual planning process.

The Chair approached a former Chief Justice of BC to consider being on retainer to BCLC for the dual purposes of being available as (1) an independent external advisor to BCLC executives in respect of potential conflicts and their responsibility to BCLC, especially if they were approached by head hunters or others respecting alternative employment; and (2) (in reference to potential adverse outcomes from

paragraph 2) as counsel to BCLC for the purpose of providing advice in respect of BCLC's internal policies and procedures relating to, among other things, banned patron appeals (for example, where a person banned from casinos on recommendation of police complained about the absence of due process, or where an improper or inaccurate police report had been used for a decision to ban). It was understood this arrangement would preclude the law firm with whom the former CJBC was associated from undertaking any other BCLC assignment. The Chair asked the CEO to finalize the retainer agreement.

5. **JIGIT and June 2017 arrests**

The September 2015 meeting - I believe - related to creation of what became known as JIGIT. If so, the meeting included a wide-ranging discussion surrounding the need for greater interagency collaboration, as well as a requirement for BCLC to fund some or all of the annual cost.

During that discussion, the Chair was asked about, and opined on (also provided to the Minister Responsible in the final Reporting letter dated May 30, 2018), whether information/intelligence gathering by and amongst all agencies was strong. The Chair noted that sharing of what was gathered appeared spotty and law enforcement seemed to range from weak to non-existent. Attached as **Exhibit H** is the final reporting letter, with enclosures, dated May 30, 2018 (BCLC0008443, BCLC0008444, BCLC0008445, BCLC0008446).

The Chair expressed concerns about BCLC funding RCMP activity absent any input about the use of those funds or measures to evaluate how funds ultimately were used and sought assurance funds would be used for AML enforcement only within BC.

In addition, the Chair observed that assisting BCLC with preserving the integrity of gaming in BC included a need by law enforcement to close unlicensed casinos operating across parts of the Metro Vancouver.

It is assumed the June 2017 announcement is the one undertaken at RCMP HQ in Surrey, attended by GPEB and the media, wherein it was asserted nine people had been arrested for a multitude of offences, and where evidence of public danger involving these alleged criminals included displays of weaponry ranging from assault type guns to pistols with silencers, as well as various drugs, and piles of cash.

The response by BCLC was relentless in attempting repeatedly to get the names of people who had been described as dangerous to the public, so they could be banned from all BC casinos. When the Chair departed BCLC, the names had not been provided by either GPEB or the RCMP/CFSEU-BC (the Combined Special Forces Enforcement Unit of BC). Attached as **Exhibits I-J** are letters directed to the CFSEU-BC and GPEB.

These requests continued to be made in the context 3.5 months later when a horrific mass killing event took place in Las Vegas at a casino. The decision not to share the names put BCLC in the invidious position of being told by law enforcement dangerous people possessed of illegal arms were frequenting casinos, without BCLC and service providers being able to protect the gaming public from their potential to do harm.

The response by GPEB and RCMP was unhelpful both as to public safety, but as well in the context of building interagency collaboration, enabling BCLC to assure the public about the integrity of gaming in BC, and ensuring public safety in and around casinos.

The Chair's comments in BCLC10213 seem to speak for themselves and require no elaboration.

6. Feb 2017 GPEB allegations

The allegations attributed to the GPEB Executive Director of Compliance do not resonate and are not being recalled.

Generally, the Board and its Audit Committee discussed with management and were supportive of greater use of bank drafts and other financial instruments as one means of reducing cash coming into casinos and undertaking BCLC's AML process in the context of directives to do so within a risk-based approach, versus a more prescriptive approach of a fixed monetary limit, as apparently had been recommended by a MNP audit.

7. Response to Peter German's Report.

Generally both BCLC's Board and Management agreed the optimum response was to track the program discipline developed when the earlier Crown Review had been implemented. That meant (a) accepting the recommendations as they applied to BCLC; (b) assigning leadership to a named person, both in management and with the appropriate Board Committee to ensure oversight; (c) providing a public facing quarterly report of the implementation process on the BCLC website; and (d) having a "Closed" category wherein BCLC Audit Services validates measures identified as "Completed".

The April 18, 2018 letter to the Minister Responsible affirmed the Board's determination to implement what had been recommended and to accept the report as presented. Attached as **Exhibit K** is that letter with enclosure (BCLC0004125, BCLC0004126).

Staff at BCLC throughout this period had been subject to accusations they were "money launderers" or working for a "money laundering organization" motivated only by revenue. These assertions were made to employees at family gatherings, shouted at staff wearing BCLC labelled clothing while walking on a sidewalk, and made the subject of conversation by various of their service providers who knew where they worked.

In order to reduce that sort of behaviour for staff, it was decided not to engage in any public discourse that may engender more public dialogue and have buttressed that characterization of the role of BCLC and its employees, but also to bring to the Minister's attention what employees/management/Board believed to be an unintended outcome from the language used.

The VP, Corporate Security and Compliance email dated September 30, 2017 reflects comments made by the Chair on various occasions, which referenced the casino gaming business generally.

The email's timing may reflect content in an earlier draft report from Dr. German, rather than the final report dated March 18, 2018.

The Chair's recollection is this topic was raised generally in a meeting with the Minister that included various government people, but not in a one-on-one meeting.

The essence of the Chair's observation was that BCLC had a limited role in both enforcement and developing/implementing measures to fulfill Mandate Letter directives; but that because of BCLC's public profile it was seen to have a much larger responsibility for managing all aspects of gaming in BC; and the inherent notion of being BCLC's Minister Responsible to the legislature means the entire matter often can become subject to intense partisan dialogue.

This raised for the Chair the fundamental business risk question government may want to ask itself, which is, should government exit the day-to-day gaming business, by monetizing what had been built, and

adopting a tax authority role, plus a licence based compliance role as has been successfully done in many other jurisdictions?

In this model, for example, a customer centric in-house credit facility, properly secured for qualified players, likely would arise as is the case in casinos competing with BCLC in Vegas/Macau/elsewhere, as well as in illegal casinos across Metro Vancouver. Such a credit facility would reduce issues that see players leaving the casino in search of money. Credit facilities inevitably lead to repayment challenges, creating public explanation risk for a Minister Responsible.

If after considering options, government decided to remain in the day-to-day operating business, would it provide the required tool kit to fulfill needs/issues inherent in a very complex highly competitive internationally dynamic industry, particularly as it relates to law enforcement?

These options did not get fully explored with government by the Chair.

Moving from a cash only scenario in place for plus two decades, during a time betting limits were raised considerably, is a major transformation requiring deliberate well considered planning by all agencies and service providers. A key choice is whether to follow a risk-based “know your customer regime” as the best practice, or to move to a prescriptive dollar value regime. All the directives from Ministers Responsible through Mandate Letters and otherwise adopted the risk-based approach. In that context, BCLC was moving in the appropriate direction, as for example measured by LCT/ST data, by third party reviews of its practices, and by the EY review undertaken in response to assertions about systemic problems in a specific casino.

The phrase “properly managed” likely was not used by the Chair. Management of complex situations always evolves/invites improvement/collaborative approaches and requires continuous self-examination or challenging of the status quo in the Chair's governance experience.

Better support from government has been addressed in several parts of this question.

8. EY Cheque Audit.

Discussions during the Chair's tenure about the audit of cheques issued at the River Rock were largely at the Audit Committee. Management had advised that what was reported as being a repeating event, would require more than one person to be involved and likely others in order to circumvent the system. A decision was made to engage EY or another outside third party to audit the period defined and report the results to the Audit Chair directly. This unusual process was decided upon to ensure whatever the audit result, it would be and be seen to be independent of BCLC management responsible for casinos and/or security.

The Chair does not recall any particular discussion about the release of the audit's result, but it was understood the result would be made public given the public nature of what precipitated the audit. The Chair had no knowledge of protecting the report from FOI requests, about the conduct or results of the EY audit or any other matter involving BCLC and the EY audit.

The Chair had no meetings with the Minister Responsible respecting the EY audit.

The EY audit process extended beyond the Chair's time serving at BCLC.

9. Ross Alderson.

The Chair's role in the termination was two-fold.

The Chair took a phone message from the Deputy AG, who stated that Mr. Alderson had to be removed because internal information had been provided to the media.

The Chair discussed with the CEO how to arrange as dignified a process as possible for Mr. Alderson to leave BCLC. Mr. Alderson was held in very high regard by the Board and its Chair. A mistake had been made. Based on the Deputy AG's message it was not going to be possible to salvage any form of relationship between Mr. Alderson and BCLC.

In the circumstances, although understood it likely would be difficult, the Chair asked the CEO to seek a face-to-face meeting(s) with Mr. Alderson to try and understand why what had happened did happen, and seek a process for Mr. Alderson's exit which could have the least lasting impact on his ability to provide service to others in his field of expertise. The CEO undertook that process, and in the circumstances, concluded the best available result.

Exhibit A



341046

Bud Smith, Chair
 Board of Directors
 British Columbia Lottery Corporation
 2940 Virtual Way
 Vancouver BC V5M 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.

.../2

Ministry of Finance

Office of the Minister

[REDACTED]

[REDACTED]

BCLC0003664

- 2 -

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, <http://gov.bc.ca/crownaccountabilities>.

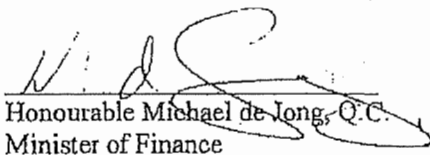
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- 3 -

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.

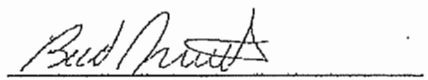
Government is committed to further strengthening accountability, improving the management of public funds and revitalizing the relationship between government and public sector organizations. This strong focus on improved two-way communication is to support and ensure a complete understanding of government 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, Q.C.
Minister of Finance

Date: FEB 05 2015

Signed By:


Bud Smith, Chair
British Columbia Lottery Corporation

16/2/2015
Date

Arthur H. Willms, Vice-Chair
Board of Directors
British Columbia Lottery Corporation

Date

Christina Anthony, Director
British Columbia Lottery Corporation

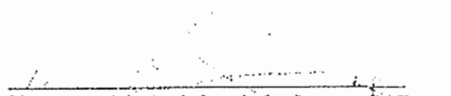
Date

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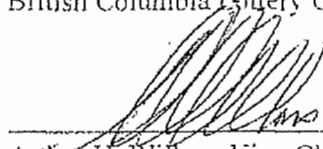

Honourable Michael de Jong, Q.C.
Minister of Finance

Date: FEB 05 2015

Signed By:

Bud Smith, Chair
British Columbia Lottery Corporation

Date



Arthur H. Willms, Vice-Chair
Board of Directors
British Columbia Lottery Corporation

Feb 12 / 2015

Date

Christina Anthony, Director
British Columbia Lottery Corporation

Date

- 3 -

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Honourable Michael de Jong, O.C.
Minister of Finance

Date: FEB 05 2015

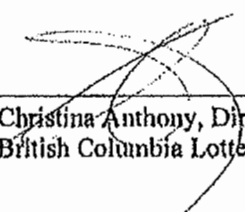
Signed By:

Bud Smith, Chair
British Columbia Lottery Corporation

Date

Arthur H. Willms, Vice-Chair
Board of Directors
British Columbia Lottery Corporation

Date



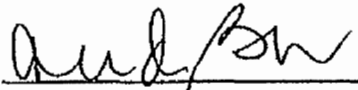
Christina Anthony, Director
British Columbia Lottery Corporation

Date

Feb 16, 2015

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- 4 -



Trudi Brown, Director
British Columbia Lottery Corporation

Feb 13/15

Date

David W. Gillespie, Director
British Columbia Lottery Corporation

Date

Robert Holden, Director
British Columbia Lottery Corporation

Date

Moray Keith, Director
British Columbia Lottery Corporation

Date

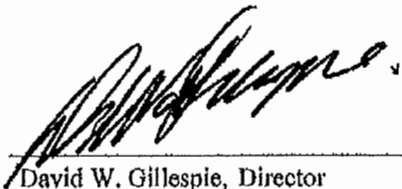
Wendy Lisogar-Cocchia, Director
British Columbia Lottery Corporation

Date

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Trudi Brown, Director
British Columbia Lottery Corporation

Date



Feb 16, 2015

David W. Gillespie, Director
British Columbia Lottery Corporation

Date

Robert Holden, Director
British Columbia Lottery Corporation

Date

Moray Keith, Director
British Columbia Lottery Corporation

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Wendy Lisogar-Cocchia, Director
British Columbia Lottery Corporation

Date

- 4 -

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Date



Robert Holden, Director
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February 13, 2015
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British Columbia Lottery Corporation

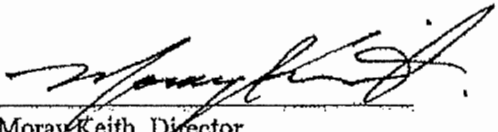
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British Columbia Lottery Corporation

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- 4 -

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British Columbia Lottery Corporation

Date

W Lisogar-Cocchia

Wendy Lisogar-Cocchia, Director
British Columbia Lottery Corporation

Feb 13/2015

Date

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- 5 -

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. Taxpayer Accountability Principles

Further information available at <http://gov.bc.ca/crownaccountabilities>

- | | |
|------------------------------------|---|
| 1. Cost Consciousness (Efficiency) | Strengthen cost management capabilities and foster a culture of cost-consciousness 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. |
| 2. Accountability | 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 will ensure actions are aligned with government’s strategic mandate. |
| 3. Appropriate Compensation | 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. |
| 4. Service | Maintain a clear focus on positive outcomes for citizens of British Columbia by delivering cost-efficient, effective, value-for-money public services and programs. |
| 5. Respect | 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. |
| 6. Integrity | 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. |

Exhibit B

Board Meeting – 12 May 2016

7.5.8. MANAGEMENT REPORT – CORPORATE SECURITY & COMPLIANCE

The Audit Committee has reviewed information for the following areas for the Quarter ended March 31, 2016:

- Operational Gaming Compliance
- Information Privacy & Security
- Material Litigation

Investigation (CASINO)

- Total number of Suspicious Financial Transaction Reports: 774*
- Total number of Consumer Complaints investigated: 131

** January 2016 contained 176 historical reports and February 2016 contained 21 historical reports.*

Redacted - Relevance

License Plate Recognition (LPR)

LPR Total Captures: 585

- VSE Patrons: 477
- Provincially Barred: 29
- Site Barred: 79

iKiosk (ID Scanner)

237,007 patrons had their ID scanned

PGF Accounts (River Rock, Edgewater, Boulevard, Starlight, Boulevard and Hard Rock)

Total Number of New Accounts Opened: 133
 Total Active PGF Account: 643
 Total Dollars held on all accounts: \$2,422,315

Reducing Reliance on Cash Figures

Convenience Cheques: 35 cheques for \$220,047
Debit at Cash Cage: \$18,941,896

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Relevance

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AML & OPERATIONAL ANALYSIS

AML Operations

As of April 21, 2016 there are currently 71 Casino Patrons who are prohibited from buying in with un-sourced funds.* Most of these players frequent River Rock Casino Resort (RRCR) and are high limit table players.

In April 2016 BCLC received the 2015 list from Law Enforcement relating to High Risk individuals. 58 individuals were found to frequent Casinos and/or have PlayNow.com accounts. These individuals were barred as undesirables, bringing the current number of proactive bans to 163.

**If concerns arise around the origin of funds being used, restrictions may be placed on the methods an individual customer is permitted to use to buy-in. For example, a customer may be restricted to using bank drafts or certified cheques.*

Audits

GPEB's AML audit of River Rock Casino Resort (RRCR) is complete and BCLC are waiting on GPEB to share the results.

BCLC met with FinTRAC on April 7, 2016. FinTRAC indicated they would be conducting an examination on BCLC's AML program in the week of June 6-10, 2016. The period for exam would include a 6 month period from September 2015 onward.

JIGIT

On April 11, 2016 the Province announced the formation of a new Joint Illegal Gaming Investigation Team (JIGIT). BCLC CS&C has met with the unit management to discuss the operational relationship and has offered gaming specific training.

Cash Alternatives

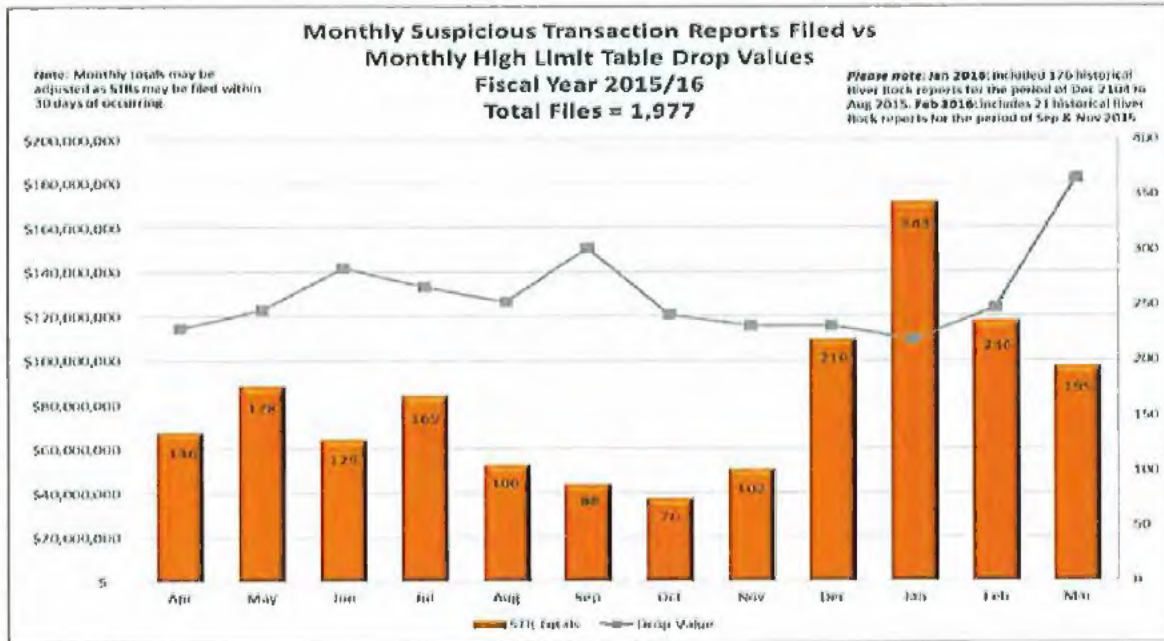
On April 20, 2016, after months of consultation with the GPEB Policy Division two detailed Cash Alternative policy documents were submitted to the General Manager of GPEB for approval.

1. Delimiting the convenience cheque
2. Allowing international Electronic Funds Transfers (EFT)

AML Enhancement Project

The SAS AML software solution is still scheduled to be operational in August 2016.

AML Trend Analysis Graph



Monthly PGF Account Openings
Fiscal Year 2015/16
Accounts Opened/Re-opened since April 1, 2015 = 326

Note: Feb 2016, the River Rock Casino held a promotion to promote use of PGF accounts.

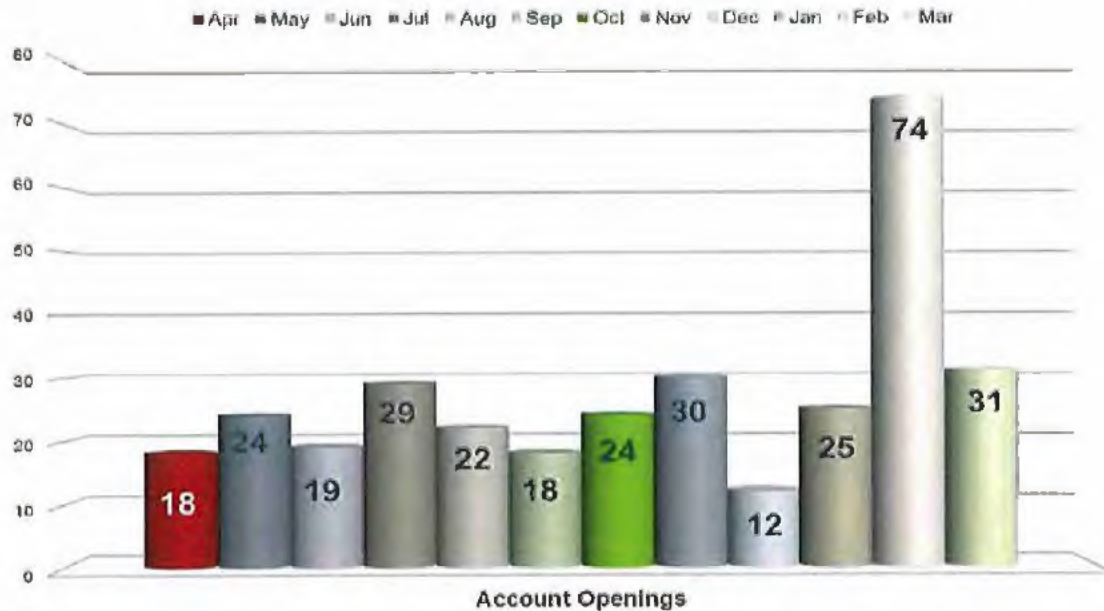


Exhibit C

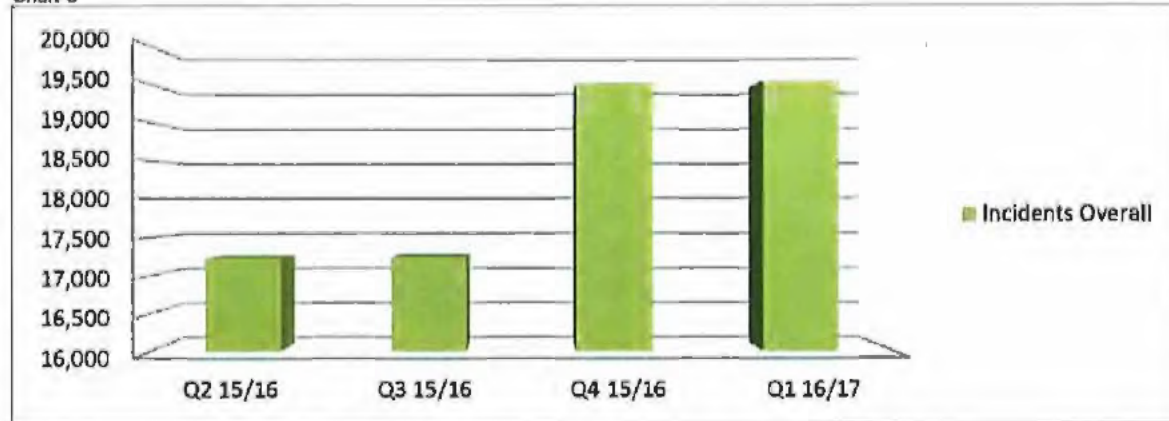
Board Meeting – 27 July 2016

8.5.8 MANAGEMENT REPORT – CORPORATE SECURITY & COMPLIANCE

Investigation (CASINO)

Incidents Reported Overall

Chart 8

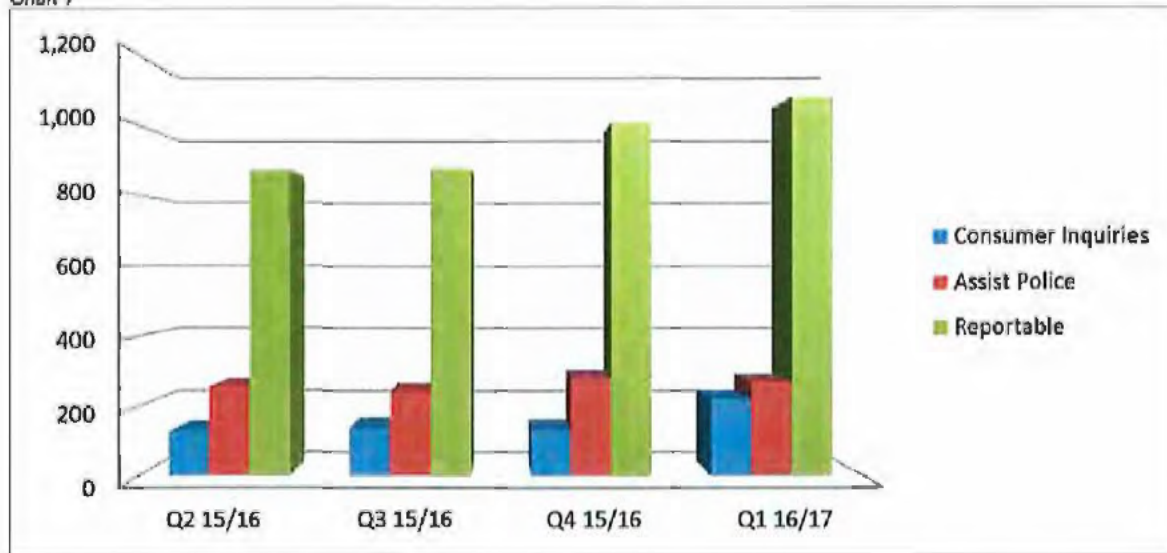


There are approximately 17,500 to 19,500 Incident Reports reported via the Casino Reporting System each quarter. Incident Reports include:

- Assistance to Police and GPEB
- Provincial, Site, and VSE Ban Applications and Violations
- Criminal Events
- Gaming incidents
- Non-Gaming incidents
- Consumer Complaints

Higher Priority Incidents

Chart 7



Although approximately 75-80% of all Incident Reports are reviewed, three of the categories are considered higher priority and take considerably more time and resources to resolve. These include:

1. Reportable

- Cheat at Play
- Criminal Activity
- Alcohol Related
- Disorderly Conduct
- Vandalism

2. Consumer Inquiries

- Provincial, Site, and VSE Ban enquiries
- Prize Disputes
- Complaints

3. Assist Police

- Theft From Auto
- Missing Persons
- Persons of Interest
- Alcohol Related

Investigation (LOTTERY)

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Relevance

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Relevance

AML & OPERATIONAL ANALYSIS

AML Operations

Through the current RCMP Information sharing agreement, 163 individuals have now been barred as undesirables.

Audits

FINTRAC conducted a comprehensive examination on BCLC's AML Program in the week of June 6-10, 2016. The exit interview was positive and the official letter was received July 14, 2016. A copy is included in the Board materials.

JIGIT

On May 12, 2016, BCLC CS&C provided a full day of training to the complete Joint Illegal Gaming Investigation Team (JIGIT) at the Vancouver Office and Grand Villa Casino.

Cash Alternatives

On April 20, 2016, after months of consultation with the GPEB Policy Division two detailed Cash Alternative policy documents were submitted to the General Manager of GPEB for approval.

1. Delimiting the convenience cheque
2. Allowing international Electronic Funds Transfers (EFT)

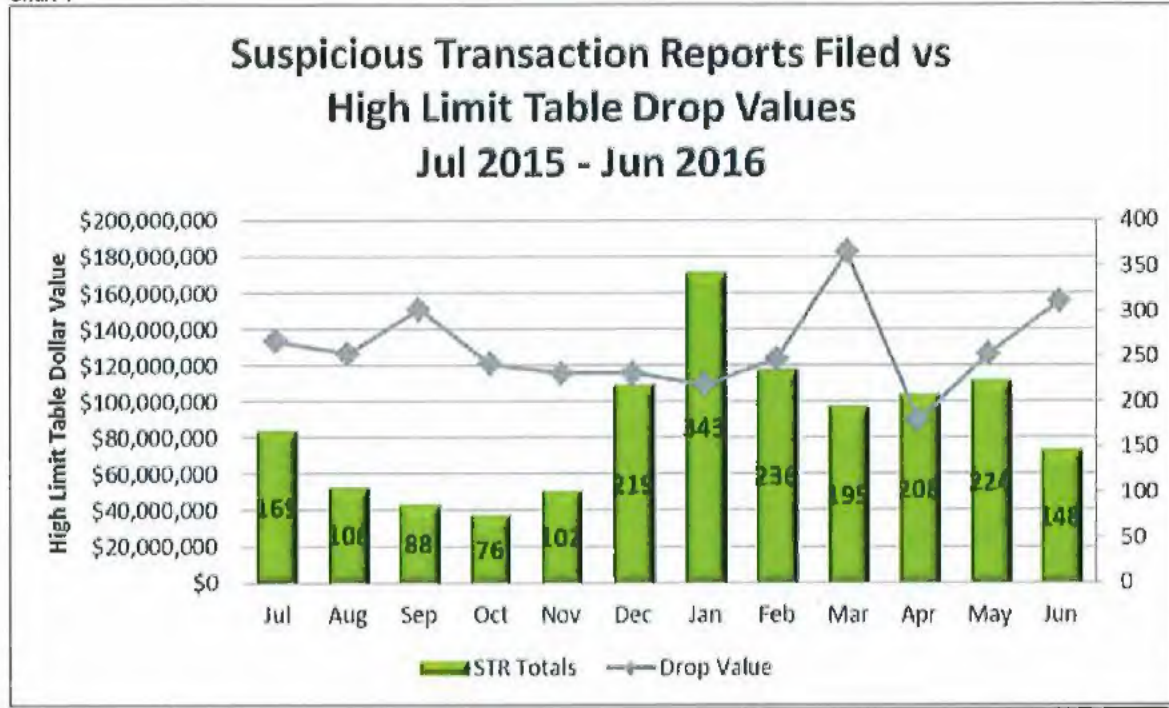
On May 26, 2016, the General Manager of GPEB informed BCLC CEO that "he has no authority over wire transfers or convenience cheques, so BCLC should proceed." Policy and Operational requirements are being finalized for both alternatives.

AML Enhancement Project

The SAS AML software solution is tentatively scheduled to be operational Fall 2016.

AML Trend Analysis Graph

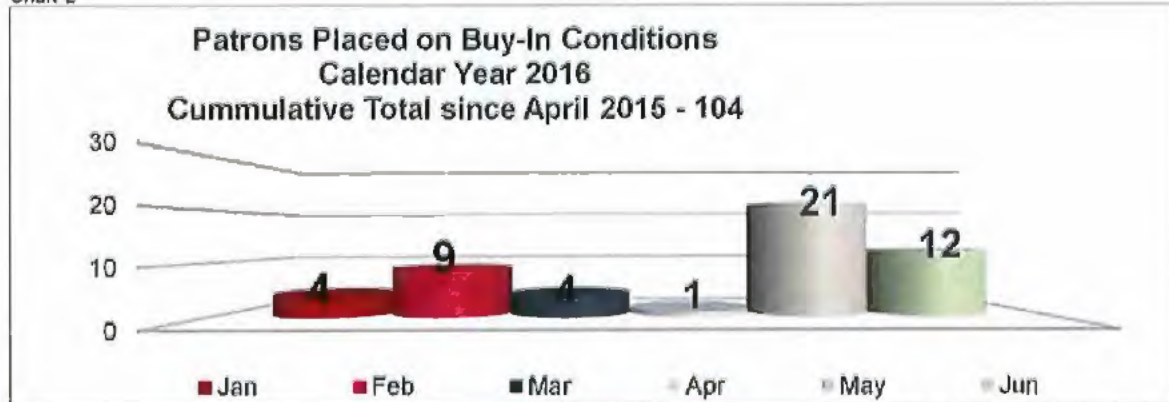
Chart 1



Notes:

- Jan 2016 included 176 historical River Rock reports for the period of Dec 2014 to Aug 2015
- Feb 2016 included 21 historical River Rock reports for the period of Sept and Nov 2015

Chart 2



Note: If concerns arise around the origin of funds being used, restrictions may be placed on the methods an individual customer is permitted to use to buy-in. For example, a customer may be restricted to using bank drafts or certified cheques.

Chart 3

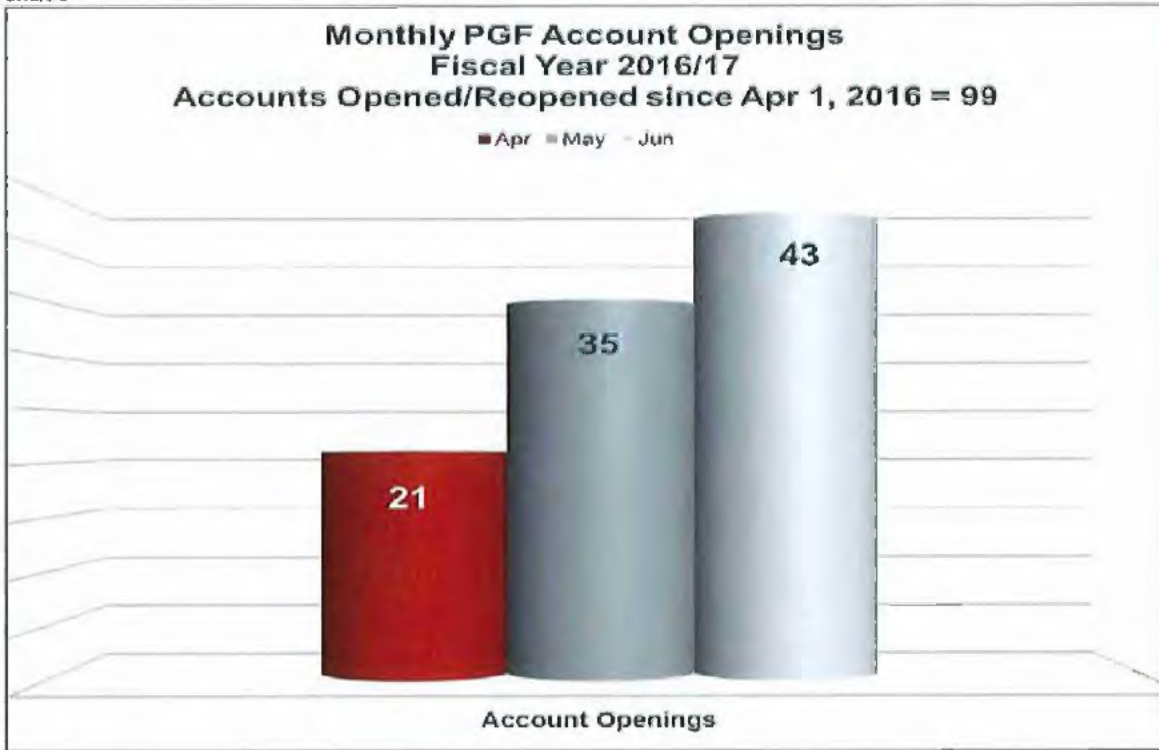
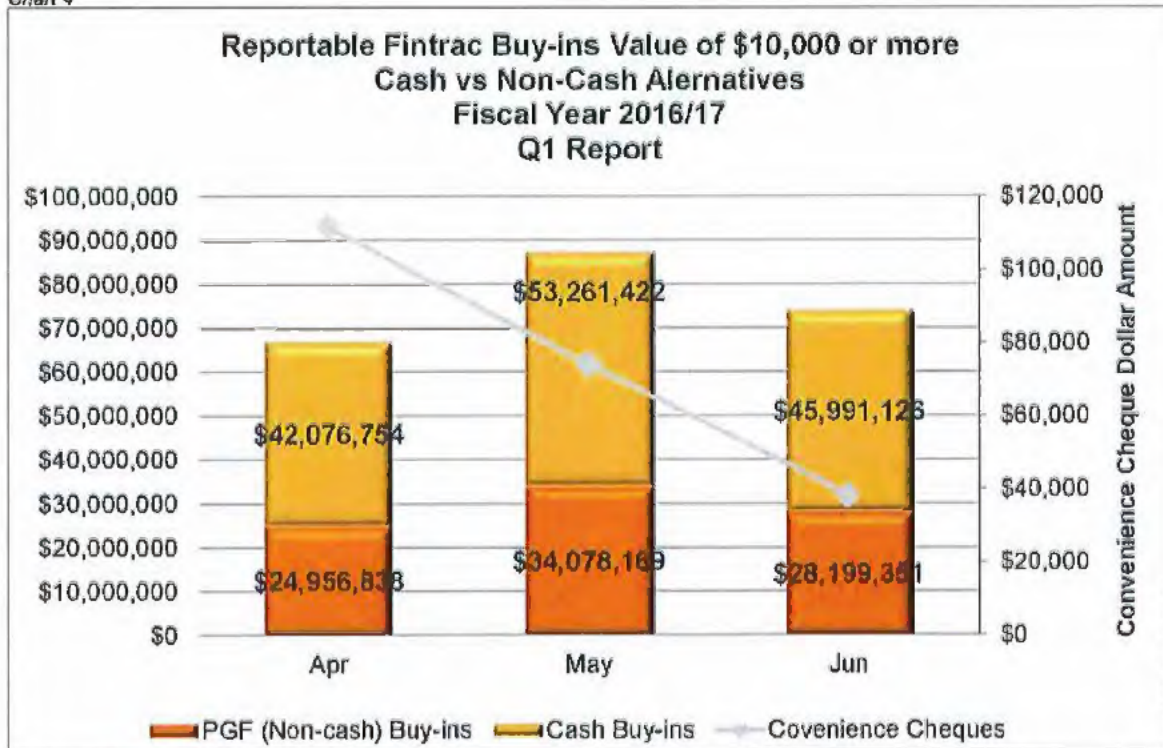


Chart 4



Note: The cash alternatives do not include debit at the cash cage amounts. The total for debit at the cash cage for Q1=\$21,099,846; Line indicates Convenience Cheque disbursement only.

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Relevance

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Relevance

Exhibit D

Board Meeting – 15 May 2018

5.16.8. MANAGEMENT REPORT – LEGAL, COMPLIANCE, SECURITY

I. INFORMATION MANAGEMENT (FOI)



II. INVESTIGATIONS

Investigations Incidents



Total Investigations Incidents include occurrences from Casino¹, eGaming, and Lottery.

In Quarter 4, one Community Gaming case, one Corporate case, two eGaming cases, 39 Lottery cases, 290 Casino cases involved referral to the police.

BCLC Investigations continues to work closely with BCLC Lottery Sales, our Retail Partners, and various law enforcement agencies to identify and prosecute those individuals responsible for criminal activity involving lottery products.

Redacted - Relevance

¹ AML related cases are documented separately from Casino Incidents.

Redacted - Relevance

III. AML

AML Operations

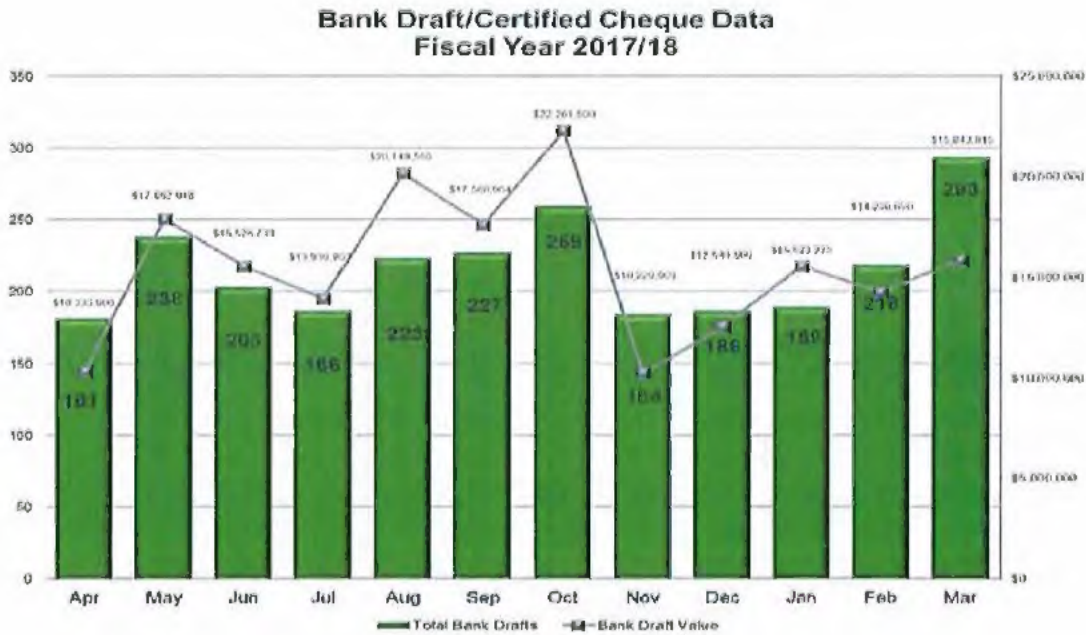
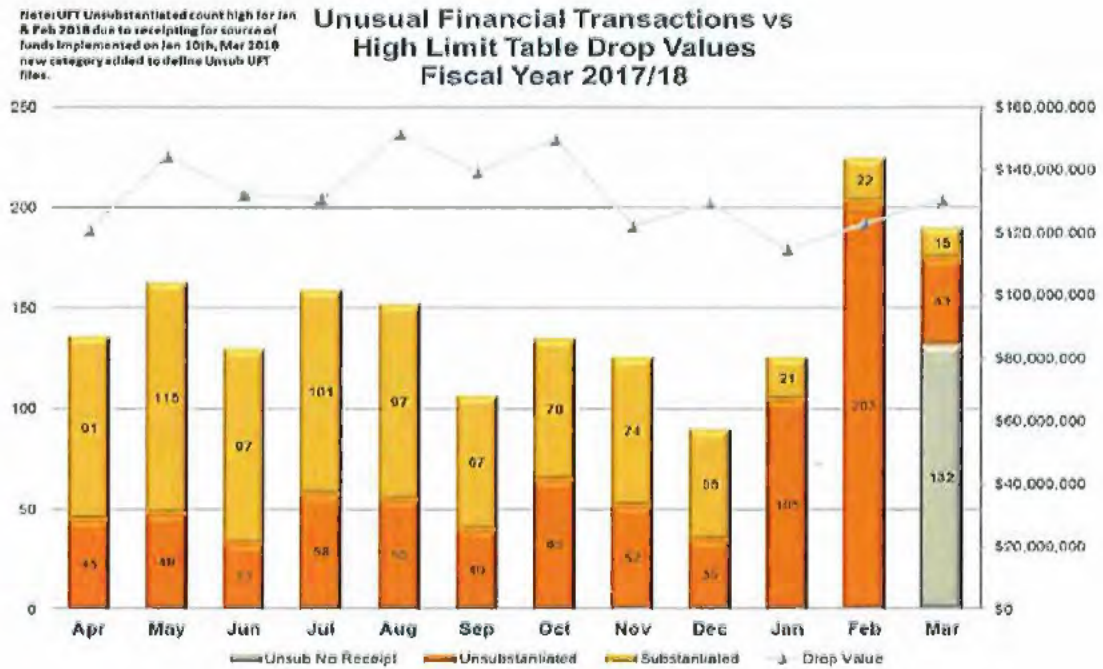
Currently, there are 299 patrons barred under the extreme risk program.

Substantiated Unusual Financial Transactions reports from service providers have decreased since January 10, 2018, when source of funds declaration requirements moved from a risk based approach to a prescriptive approach (German Recommendation #1) where source of funds declarations must be completed by every customer for every transaction involving cash or monetary instruments (i.e. bank drafts) of \$10,000 or more. This decrease was anticipated because it is far less likely to have a transaction that raises concerns where all transactions come with proof of source.

Unsubstantiated Unusual Financial Transaction reports have increased markedly. Further analysis is required, but this is believed to be due to customers shifting to transactions slightly under \$10,000 to avoid having to turn over confidential banking and other personal information for transactions of \$10,000 or more. These transactions give the appearance of "structuring"; a money laundering typology, but this behaviour appears to be driven largely by privacy and convenience concerns rather than money laundering. BCLC is monitoring this trend closely and is consulting both the regulator and police.

AML Trend Analysis

As per the table below, bank draft usage remains consistent with a slight upward trend since January 2018.



IV. OPERATIONAL GAMING COMPLIANCE

Risk Scoring of Sites

Risk Ratings were produced for all sites based on findings from each quarter. Ratings are determined upon four factors; the Policy Control Level Allocation (PCLA)² of the site, the number of new issues identified during the quarter, the severity of new and outstanding issues, and the length of time that open issues have been unresolved. The results of FY 2017/2018 Q4 are as follows:

Compliance Risk Rating Summary for All Sites (excluding Bingo)

Facility	PCLA	Risk Score	Facility	PCLA	Risk Score	Facility	PCLA	Risk Score
Chances Abbotsford*	4	3	Nanaimo Casino	2	8	Chances Terrace	5	26
Chances RimRock	6	3	Chances Prince Rupert	2	8	Chances Mission	5	27
Chances Courtenay	4	3	Hastings Park	5	8	Starlight Casino	1	31
Chances Maple Ridge*	4	3	Chances Campbell River	4	8	River Rock Casino	1	32
Chances Squamish*	5	3	Chances Dawson Creek	4	8	Vernon Casino	2	35
Chances Signal Point	5	3	Chances Kelowna	3	12	Grand Villa Casino	1	37
Hard Rock Casino*	1	4	Chances Chilliwack	4	14	Langley Casino	2	38
Chances Ft. St. John*	2/4**	4	Treasure Cove Casino	2	15	Kelowna Casino	2	38
Billy Barker Casino	2/5**	4	Chances Kamloops	4	16	Casino of the Rockies	2/4**	46
Elements Casino*	1	4	Chances Cowichan	4	16	Penticton Casino	2	58
Chances Salmon Arm	5	6	View Royal Casino	2	20	Parq Casino	1	69
Chances Castlegar	5	7	Kamloops Casino	2	24			

Risk Level Very Low Low Medium High Very High

* No compliance reviews completed at these sites for Q4 due to staffing shortages.

** Hybrid policy control level sites - these sites have gaming tables that are open for limited times and are held to PCL2 standards at those times.

V. TECHNICAL COMPLIANCE

Redacted - Relevance

² Each gaming facility is assigned a Policy Control Level (PCL) used to evaluate risk at the site. The criteria include types, number and maximum monetary limits of table games, number of slot machines and/or electronic table games, size of facility and geographical location.

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Relevance

VI. INFORMATION SECURITY

Redacted -
Relevance

VII. PRIVACY

Redacted - Relevance

Exhibit E

BCLC Board of Directors Anti-Money Laundering Training 2016



Ross Alderson
Director, AML & Investigations

Dec 5, 2016



BCLC0000192

What is Money Laundering?



- 462.31(1) of the *Criminal Code of Canada* defines “laundering proceeds of crime” as anyone who:
 - “uses, transfers the possession of, sends, or delivers to any person or place, in any manner and by any means, any property or any proceeds of any property *with the intent to conceal or convert* that property or those proceeds, knowing or believing that all or part of that property or of *those proceeds was obtained or derived* directly or indirectly as a result of crime.”

Money Laundering Stages

A TYPICAL MONEY LAUNDERING SCHEME



Money Laundering vs. Terrorist Financing



Canadian Money laundering Framework



- 1989 - the Criminal Code amended
- 1991 - Canada's first legislation dealing specifically with the proceeds of crime was enacted: Proceeds of Crime (money laundering) Act
- 2001- the Act became the "Proceeds of Crime (Money Laundering) and Terrorist Financing Act" (PCMLTFA)
- Federal not Provincial

Proceeds of Crime, Money Laundering and Terrorist Financing Act (PCMLTFA)

- Canada's commitment in the fight against international crime, particularly money laundering and the fight against terrorist activities.
- Regulates those sectors "more vulnerable" to money laundering.
- Cornerstones of the Act are record keeping, customer/client identification requirements and reporting.

PCMLTFA requirements

- Reporting entities must implement a compliance program and include:
 - 1) Appointment of a compliance officer (CAMLO)
 - 2) AML policies and procedures
 - 3) Ongoing AML Compliance training
 - 4) Risk assessment
 - 5) Biennial comprehensive compliance review

(FINTRAC)



Financial Transactions and
Reports Analysis Centre
of Canada

- Canada's financial intelligence unit, was created in 2000.
- An independent agency, reporting to the Minister of Finance, who is accountable to Parliament for the activities of the Centre.
- Established and operates within the ambit of the *Proceeds of Crime Money Laundering and Terrorist Financing Act (PCMLTFA)* and its Regulations.
- It is not a policing agency – a regulatory agency that collects, collates, analyzes and disseminates to Law Enforcement.

February 2014-Revised FINTRAC Guidelines

- Ongoing monitoring of business relationships
- Know your customer (KYC)
- Enhanced due diligence for high risk patrons
- Record keeping and reporting



Financial Transactions and
Reports Analysis Centre
of Canada

Current versions		
1	Backgrounder	104 KB
2	Suspicious Transactions	130 KB
3A	Submitting Suspicious Transaction Reports to FINTRAC Electronically	285 KB
3B	Submitting Suspicious Transaction Reports to FINTRAC by Paper	271 KB
4	Implementation of a Compliance Regime	522 KB
5	Submitting Terrorist Property Reports	112 KB
6	Record Keeping and Client Identification	
7A	Submitting Large Cash Transaction Reports to FINTRAC Electronically	140 KB
7B	Submitting Large Cash Transaction Reports to FINTRAC by Paper	104 KB
8A	Submitting Non-SWIFT Electronic Funds Transfer Reports to FINTRAC Electronically	305 KB
8B	Submitting SWIFT Electronic Funds Transfer Reports to FINTRAC	246 KB
8C	Submitting Non-SWIFT Electronic Funds Transfer Reports to FINTRAC by Paper	259 KB
9	Alternative to Large Cash Transaction Reports to FINTRAC	187 KB
10A	Submitting Casino Disbursement Reports to FINTRAC Electronically	321 KB
10B	Submitting Casino Disbursement Reports to FINTRAC by Paper	278 KB

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BCLC0000192.09

Casino Reporting Requirements

- Large cash transactions
- Casino disbursements
- Electronic funds transfers
- Terrorist Property Reports
- Suspicious transactions

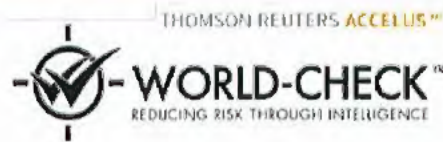
What are **Suspicious** Transactions?

-reasonable grounds to suspect are related to the commission of a **money laundering offence**. This includes....the **attempted** commission of a money laundering offence.
-reasonable grounds to suspect are related to the commission of a **terrorist activity financing offence**. This includes....the **attempted** commission of a terrorist activity financing offence.

How does BCLC prevent Money laundering?

- Adhere to Regulatory requirements
- Specialized AML unit handling AML related issues
- Strong Policies and procedures
- Promote Cash alternatives
- Established relationships with Law Enforcement and an Information Sharing Agreement

Enhanced Due Diligence High Risk Patrons



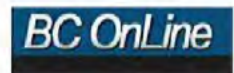
- RCMP Information Sharing Agreement

- Established February 2014



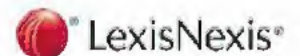
- BC Online

- BC-CSO, PPSA, Land & Title, BC Assessment, Corporate Registry



- LexisNexis-Quicklaw

- International Case Law & Global Company Data



- Increased monitoring and analysis of transactions.





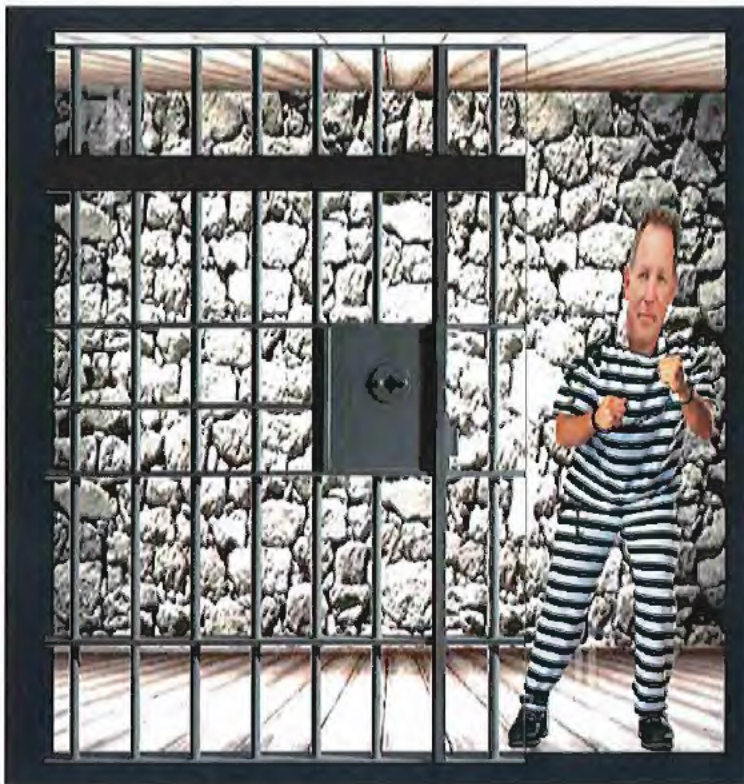
Offences for Non-Compliance

- The PCMLTFA provides for both administrative and criminal sanctions
- Admin – Minor, Serious, Very Serious Violation
- Criminal – Summary, Indictable offences

Having a Corporate Culture of Compliance

- Starts at the top
- Mitigate legal, operational and reputational risk.
- Collaboration between internal and external stakeholders.
- Supporting BCLC's AML efforts to be best-in-class.

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Financial Transactions and
Reports Analysis Centre
of Canada



bclc



Questions?



Exhibit F

ANTI-MONEY LAUNDERING PROGRAM

BOARD OF DIRECTORS TRAINING

December 2017 - Vancouver

Rob Kroeker



BCLC0015274

Training Objectives

- ⦿ Board Knowledge of AML Requirements
- ⦿ Board Knowledge of how Requirements are met
- ⦿ Fulfill Board Due Diligence
- ⦿ Meet AML Compliance Obligations

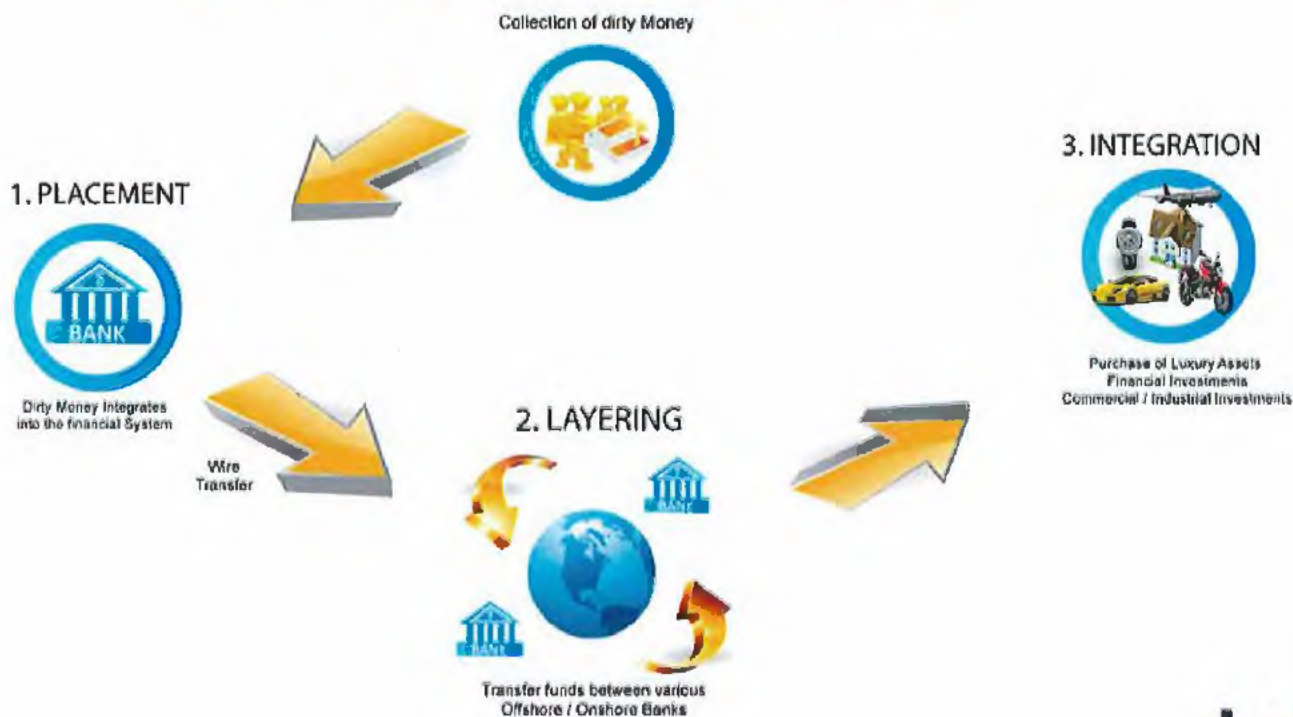
Money Laundering

Laundering proceeds of crime:

Every one commits an offence who uses, transfers the possession of, sends, or delivers to any person or place, in any manner and by any means, any property or any proceeds of any property with the intent to conceal or convert that property or those proceeds, knowing or believing that all or part of that property or of those proceeds was obtained or derived directly or indirectly as a result of crime. (CC section 462.31)

Money Laundering Stages

A TYPICAL MONEY LAUNDERING SCHEME



Money Laundering vs. Terrorist Financing



Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA)

- ◉ Federal Legislation.
- ◉ Response to Financial Action Task Force (FATF) Recommendations and international AML commitments.
- ◉ Applies to sectors seen as most vulnerable to money laundering threats (reporting entities).
- ◉ Key obligations:
 - record keeping
 - customer due diligence
 - transaction reporting
 - on-going monitoring (of clients & transactions).

FinTRAC



Financial Transactions and
Reports Analysis Centre
of Canada

- ⦿ Canada's financial intelligence unit - created in 2000.
- ⦿ An independent agency reporting to the Minister of Finance.
- ⦿ It is not a police agency – a regulatory body that collects, collates, analyzes and disseminates information to police.
- ⦿ Responsible for administration of the PCMLTFA.
- ⦿ Charged with ensuring reporting entity compliance with the Act.

PCMLTFA – Compliance Plan

- Reporting entities must implement a compliance program including:
 - 1) Appointment of a compliance officer
 - 2) Risk assessment
 - 3) Written AML policies and procedures
 - 4) Ongoing AML Compliance training
 - 5) Biennial comprehensive compliance review

Customer Due Diligence

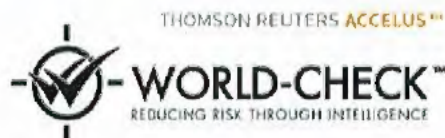
- ◉ Ascertaining customer identity.
- ◉ Confirming customer information related to a transaction(s).
- ◉ Applies to account holders, reportable transactions and some record keeping requirements.
- ◉ Extent of inquiries and level of due diligence depends on individual circumstances and risk presented.

Customer Due Diligence

IDENTIFICATION METHODS

- ◉ Single Method:
 - Gov't ID, Gov't File, Credit File (≥ 3 years)
- ◉ Dual Method: two separate and reliable sources showing:
 - customer **name** and **address**
 - customer name and **DOB**
 - name and account or credit card or loan with an FI.

Enhanced Due Diligence High Risk Customers



RCMP Information Sharing Agreement

- Established February 2014

BC Online

- BC-CSO, PPSA, Land & Title, BC Assessment, Corporate Registry



LexisNexis-Quicklaw

- International Case Law & Global Company Data



Increased monitoring and analysis of transactions.



Transaction Reporting Requirements

- ⦿ Large cash transactions (≥ \$10,000)
- ⦿ Casino disbursements (≥ \$10,000)
- ⦿ Electronic funds transfers (≥ \$10,000)
- ⦿ Terrorist Property Reports (any amount)
- ⦿ Suspicious transactions (any amount)

What constitutes **SUSPICION**?

- ⊙reasonable grounds to suspect the transaction is related to the commission of a **money laundering offence**. This includes....the **attempted** commission of a money laundering offence.
- ⊙reasonable grounds to suspect the transaction is related to the commission of a **terrorist activity financing offence**. This includes....the **attempted** commission of a terrorist activity financing offence.

On-going Monitoring

- ◉ Applies to account holders and individuals who conduct a transaction for which BCLC must ascertain their identity.
- ◉ On-going monitoring includes:
 - assessing the money laundering or terrorist financing risk posed by the customer;
 - detecting all suspicious transactions;
 - keeping client identification, and information on beneficial ownership and the purpose and nature of the relationship up to date; and,
 - determining if the transactions and activities of the customer are consistent with the information known about the customer and the assessment of the risk they pose.

Recording Keeping Obligations

BCLC has an obligation to keep records related to:

- ⦿ reportable transactions (LCT, CDR, STR)
- ⦿ customer accounts
- ⦿ the ascertaining of customer identity
- ⦿ foreign exchange transactions (any amount)
- ⦿ funds remitted or transmitted (\geq \$1000)
- ⦿ third party transactions
- ⦿ reasonable measures
- ⦿ extension of credit (\geq \$3000)

Non-Compliance: Offences & Violations

- ⦿ The PCMLTFA provides for both administrative and criminal sanctions.
- ⦿ Administrative – minor, serious, very serious violations.
- ⦿ Criminal – summary and indictable offences.

Safe Harbour & Board Liability

- ◉ Safe harbour for employees

- Employees protected from prosecution where they have reported non-compliance and the reporting entity does not take corrective action.

- ◉ Board liability

- D&O may be held liable where they **directed, authorized, assented to, acquiesced or participated** in an offence under the Act.

How does BCLC protect against money laundering?

- ⦿ Comprehensive, frequently updated Compliance Plan.
- ⦿ Dedicated AML unit with credentialed members.
- ⦿ Proactive compliance reviews.
- ⦿ Stay current on developments in AML field.
- ⦿ Information sharing agreements with police and other relevant agencies.
- ⦿ Dedication to collaborative positive relationships with Service Providers, FinTRAC, police and GPEB.

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Questions?



Exhibit G



RECEIVED
OCT 08 2015

OCT 01 2015

345904

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 Stn Prov Govt
Victoria BC V8W 9H2
Telephone: 250 387-3751
Facsimile: 250 387-5594

Location:
501 Belleville Street
Parliament Buildings, Victoria
website:
www.gov.bc.ca/fin

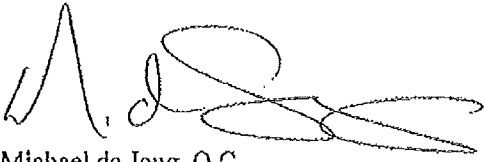
BCLC0000308

- 2 -

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,

A handwritten signature in black ink, appearing to read 'Michael de Jong', with a stylized flourish at the end.

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 Lightbody, CEO and President, BCLC
John Mazure, ADM and General Manager, GPEB

Exhibit H

May 30, 2018

Ministry of the Attorney General
PO Box 9044, Stn Prov Govt
Victoria, BC V8W 9E2

Attention: David Eby
Attorney General

Dear Minister Eby:

**Re: Anti-Money Laundering (AML) Quarterly Report for the fourth quarter of
Fiscal Year 2017/2018**

I am pleased to provide you with the enclosed update on the activities and actions BCLC has taken with respect to the direction set out in the Mandate Letter provided to the BCLC Board of Directors. Included in this update is the Quarterly Anti-money Laundering Report for the fourth quarter of fiscal 2017/2018.

As I prepared this, my final AML Quarterly Report and associated narrative, before expiration of my term as Chair of BCLC – I have sought and received various information which it is hoped you will find useful as our organization moves forward.

A central learning during my term(s) on the BCLC Board, is that our business is exceedingly dynamic. This notion applies within BCLC, but as well to external exigencies such as Responsible Gaming, security, and AML. Failure to recognize that there is, invariably, a context influencing emerging issues, which may appear solvable through simple solutions, will often result in a kind of 'water bed' effect through implementation.

Advancing AML strategy, in my opinion, has required understanding there are three streams of activity which, at some level, must operate in harmony. Those streams of activity are information and intelligence gathering; information sharing between agencies; and enforcement.

I can report to you that information/intelligence gathering is strong. Whilst undertaken largely by service providers and BCLC, it also involves enforcement agencies and regulators.

Sharing intelligence and information between agencies I would describe as 'spotty'.

Enforcement, rooted in the vast amounts of information/intelligence gathered from within or through or around gaming facilities, I must report, appears to run from weak to non-existent.

Dr. German's recommendation that a Designated Policing Unit (DPU) replace the current enforcement regime has great potential to markedly improve enforcement. Developed carefully, a DPU should be able to better use the great amounts of information/intelligence that long has been available to enforcement agencies, and enable the two way sharing of information to be more effective.

You will see in the Quarterly Anti-money Laundering Report that BCLC implemented Dr. German's interim recommendation #1 effective January 10, 2018. At the time of the Report being compiled, BCLC had the benefit of nearly three complete months of



74 West Seymour Street
Kamloops, BC V2C 1E2

T 250.828.5500
F 250.828.5631

2940 Virtual Way
Vancouver, BC V5M 0A6

T 604.215.0649
F 604.215.6494

bclc.com

experience with the recommendation in place at casinos. Staff have observed three changes in transaction trends that I think important to bring to your attention.

1. The first change in trend is in relation to the identification of possible suspicious transactions by service providers, categorized as Unusual Financial Transactions (UFTs). For the three months (October – December 2017) preceding the implementation of Dr. German's recommendation, service providers on average reported 117 potential suspicious transactions (UFTs) per month to BCLC. Since the recommendation was implemented, service providers on average have reported 180 potential suspicious transactions (UFTs) per month to BCLC; a 54% increase in reports.
2. The second change in trend is with respect to the number of potential suspicious transactions (UFTs) that, after in-depth customer due diligence being completed by BCLC, are substantiated and ultimately reported as suspicious transactions to FinTRAC and the police. For the three months preceding the implementation of the German recommendation, on average 70 potential suspicious transactions (UFTs) reported by service providers were substantiated per month and resulted in a report to FinTRAC and police. Since the implementation of the recommendation, on average 19 potential suspicious transactions reported by service providers were substantiated per month and resulted in a report. (Note: service providers report all potential suspicious transactions to both BCLC and GPEB).
3. The third change observed has been in relation to table game drop dollar values (also referred to as topline table game revenue). For the first three months of 2018, topline table game revenue has been trending stable to increasing, but with a shift from games like squeeze baccarat in high limit rooms to table games on the main floor of the casinos. This is a continuation of the overall table revenue trend for the past five years.

BCLC staff report that most of the increase in potential suspicious transaction (UFT) reports from service providers have to do with players making multiple buy-ins just under the \$10,000 threshold where proof of source of funds is required. This is concerning because this behaviour is indicative of structuring – a money laundering technique used to attempt to avoid suspicion or reporting requirements. BCLC has been monitoring these circumstances closely and have discussed the same with GPEB and the police. Structuring behaviour was relatively rarely observed prior to the implementation of the recommendation. When asked, players are reporting to service providers and BCLC that they are engaging in this behaviour for two primary reasons: 1) the players do not want to go to the added effort of requesting back up documentation from their financial institutions needed to support bank draft and cash buy-ins of \$10,000 or more; and, 2) players are concerned about the privacy implications of handing over detailed personal banking information. To date the information available suggests these are in fact the motivations behind the change in player behaviour, however caution and further inquiry is needed. BCLC is continuing to work with GPEB and the police on this recent development. On the positive side, this development demonstrates that service providers are exercising a good level of due diligence in assessing player transactions and are accurately identifying potential signs of money laundering behaviour.

On a related note, as you are no doubt aware there have been numerous media and other reports on money laundering that allege an individual by the name of [Redacted - RCMP] was central to the money laundering activities that have or are occurring. I wanted to bring to your attention that BCLC and its service providers first identified [Redacted - RCMP] as a person of concern in the [Redacted - RCMP] and reported its concerns to FinTRAC and the police at that time. [Redacted - RCMP] was barred by BCLC from all casinos in [Redacted - RCMP]. From that time up to the present, BCLC and its service providers have continued to provide information to the police on [Redacted - RCMP]. I have enclosed with this letter a timeline setting out some of the more important interactions BCLC has had with the police in regards to [Redacted - RCMP] activities and associates. In addition, I can advise that between [Redacted - RCMP] BCLC submitted 31 reports to GPEB that included circumstances involving or related to [Redacted - RCMP] that it found concerning and that 26 of those occurrences were also reported to the police.

The [Redacted - RCMP] saga speaks both to the absence of meaningful enforcement and an apparent tendency to deflect scrutiny thereof. In the attached "BCLC Chronology re: [Redacted - RCMP]" you will note that by [Redacted - RCMP] Inspector Bruce Ward was the OIC of the [Redacted - RCMP] file and was briefed fully by BCLC's Alderson about [Redacted - RCMP]

apparently and/or suspected illegal activity associated with our casinos. You will note that two years later Insp. Ward presented at an IAFCl conference, attended by media and public members. That presentation left the distinct impression that others had failed, but that the RCMP investigation he led now was riding to the rescue, with charges coming. No charges have been laid as of the date of this letter. In his 2017 presentation, Insp. Ward did not note that [Redacted - RCMP] 's activities had been brought to the RCMP's attention in late [Redacted]. Given the confidential and sensitive nature of the information contained within the attachments, we ask that you maintain the confidentiality of the material.

I wish to bring to your attention one other concerning matter. On June 13, 2017, the RCMP and GPEB held a joint press conference in Vancouver. At that event it was reported that "top tier" organized crime figures linked to money laundering, illegal gaming houses, drug trafficking, kidnappings and extortions had laundered large amounts of money through casinos. It was further reported that nine of the accused had been arrested and released. BCLC was deeply concerned to learn that potentially violent criminals had been frequenting its casinos and targeting its facilities for money laundering. Very shortly after the press conference, BCLC wrote to the RCMP asking, under our information sharing agreement, for the names of those arrested so that it could use its statutory powers under the Gaming Control Act to bar those nine individuals from all casinos in the province to protect customers and staff, and to stop any further money laundering attempts by these individuals. BCLC has not yet been provided the names of the nine individuals arrested. BCLC remains concerned that potentially violent criminals, whose identities are not known to BCLC, may be continuing to enter its facilities and BCLC remains committed to barring those who were arrested as soon as they are identified to BCLC.

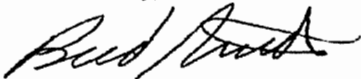
This matter speaks to a clear need for better sharing of information between agencies. These 9 "top tier" crime figures have been arrested and know, therefore, they are targets. Our service providers and BCLC do not want 'top tier' crime figures in our casinos. Nor do we want our patrons being put at any potential risk of harm, if the reason for not notifying us of their identities, is to enable police to continue observing them, as they conduct unlawful activities in or around our gaming facilities.

Harvest/Invest. This is a theme I've addressed at various meetings during my term as Chair, including at Treasury Board (TB). BCLC needs to invest if it is to continue providing the General Revenue Fund (GRF) with the harvest TB seeks. Lottery equipment. Responsible gaming. Additional compliance requirements. An orderly redevelopment of our headquarters. BCLC, as you know, has no retained earnings. It must advance 100% of what it earns to the GRF, then seek from TB what it needs for investment on a line item basis. This has resulted in an uneven business planning and execution model. Dr. German's report no doubt will cause further challenges for TB, with the Harvest/Invest balance that needs to be achieved. Our ability to address AML, Responsible Gaming initiatives, and added compliance expectations all speak to getting that Harvest/Invest balance better understood at TB.

BCLC's results for this past fiscal year, and our projections for the next period, provide well more than enough new revenue for TB to be able to accommodate all the investments required by BCLC during the next defined period of our fiscal projections.

Finally, let me say it has been my privilege to serve my Province through the Board of BCLC, and if asked I will happily support my successor as Chair, in whatever modest way I can, that would be appropriate.

Yours truly,



Bud Smith, Q.C.
Chair, BCLC Board of Directors

cc: Mr. Richard Fyfe, Q.C., Deputy Attorney General
Jim Lightbody, President & CEO, BCLC

Enclosure(s) x3

QUARTERLY REPORT TO THE ATTORNEY GENERAL OF BRITISH COLUMBIA

Pursuant to the Amended Supplemental Mandate Letter dated November 28, 2017

REPORT FOR THE FOURTH QUARTER FISCAL YEAR 2017/2018

BCLC PROVIDES THIS REPORT in accordance with Direction #3 set out in the Supplemental Mandate Letter:

German Recommendations

1. On December 18, 2017, BCLC completed the work necessary, save and except completion of consultations with GPEB, to implement German recommendation #1 expanding player source of funds declarations to all casino transactions of \$10,000 or more. Feedback from GPEB continued through to the end of the third quarter 2017/18. BCLC implemented Recommendation #1 on January 10, 2018.
2. Post implementation, as gaming service providers worked with the new requirements under German Recommendation #1 they provided additional operational feedback to BCLC. Based on that feedback and to smooth operational issues that had arisen, BCLC completed the work necessary to implement 3 procedural changes in response:
 - a. Reduce the minimum deposit required to open a player account from \$10,000 to \$0.00.
 - b. Limit the payment out to a player in cash for either winnings or return of funds to \$25,000.
 - c. Remove the limit on return of funds cheques (as every buy-in of \$10,000 or more is now subject to proof of source of funds there is no longer a need for this control on return of funds cheques).

BCLC was prepared to implement these changes January 31, 2018, however has held off at the request of the ministry until a future date that is yet to be determined.

Anti-Money Laundering/Anti-Terrorist Financing Program Normal Course Processes and Controls Changes

3. Based on police action and police information related to a money services business in Richmond, which had not been previously available, in August 2017 BCLC commenced a reassessment of the money laundering and terrorist financing risks posed to it by money services businesses. This analysis was also informed by guidance received from FinTRAC. The analysis was completed in February 2018 and resulted in the conclusion that the threat of money laundering risks posed by money services businesses could no longer be adequately and effectively mitigated by BCLC. As a result, BCLC de-risked this business sector. Gaming Service Providers and GPEB were advised of this change in anti-money laundering procedures which took effect March 15, 2018.
4. BCLC has increased its anti-money laundering capabilities. One additional AML investigator was hired effective February 19, 2018, and one additional crime analyst was hired as of March 5, 2018.
5. On January 16, 2018, BCLC's Board of Directors approved new rules regarding the issuance and redemption of chips. The new rules provide better control by making it clear that chips, at all times, remain the property of BCLC and may only be redeemed by the individual who originally acquired the chips through a *bona fide* transaction with a BCLC casino service provider. Chips remain redeemable only at the casino from which the chips were acquired.
6. In March 2018, BCLC received verbal notice from FinTRAC that it will be conducting a compliance examination of BCLC's anti-money laundering program sometime in the summer of 2018. FinTRAC has established a pattern of conducting periodic casino reviews on a biannual basis; the last FinTRAC examination of BCLC occurred in the summer of 2016.

BCLC Chronology re [Redacted - RCMP]

- 2009 (exact month not known) - Process for BCLC copying all Suspicious Transaction reports to police established. Initially all sent to IPOC and Criminal Intelligence. GPEB also received copies of all STR reports.
- [Redacted - FINTRAC]
- [Redacted] - JIN Barred for 14 days pending investigation.
- [Redacted - RCMP] - JIN Barred 1 year for inappropriate behaviour.
- [Redacted] - IPOC requested info on [Redacted - FINTRAC] received for a 'money-laundering'
- [Redacted - RCMP] barred 5 yrs for suspected ML activities.

Through late [Redacted - RCMP] while not allowed on premises, was suspected as being involved in multiple drop offs within proximity of casinos and subsequent surveillance reviews of buys ins showed this. This information was provided to RCMP, GPEB [Redacted - FINTRAC] It was believed IPOC were looking at [Redacted] but at that time IPOC was downsizing and it was known RCMP were being asked to focus more on Terrorist Activity. Locally there was also significant gang activity in Lower Mainland.

- Apr 16, 2014 - BCLC conducted meeting CFSEU at Green Timbers Surrey to discuss establishment of a working relationship and working on issues of interest. Present were Insp Marc Landry, Supt. John Grywinski, Cpl Robert Grace, Brad D. John K, Daryl T.
- May 6, 2014 - PTEP list process from CFSEU to BCLC established.
- [Redacted - RCMP] - CFSEU contacted BCLC to arrange package on [Redacted - RCMP]
- June 19, 2014 - 1st CFSEU tour and orientation of River Rock with BCLC CSC and GCGC Compliance.
- [Redacted - RCMP] List of 10 suspected cash facilitators completed and delivered to CFSEU. JIN included on list. AML Intelligence analysis including all STR and ITRAK files for JIN to date were provided.
- [Redacted - RCMP] Notice of Claim (Richmond, BC) [Redacted - RCMP]

[Redacted - RCMP]

- Oct 9, 2014 – BCLC reach out to CFSEU for an update.
- [Redacted - RCMP] Meeting at River Rock with Terry Doyle, Walter Soo, Brad D., Kevin, Rob Kroeker, Lengthy discussions on [Redacted - RCMP] problems, cash deliveries. Concerns over lack of police activity.
- March 10, 2015 - Meeting with RCMP at Green Timbers to try and establish working group and get more assistance with suspected criminal organizations targeting BCLC site.
- [Redacted - RCMP] BCLC met with RCMP (FSOC) to lodge a formal complaint re [Redacted - RCMP] Held at BCLC Vancouver Office. RCMP lead was Steve WETTER. BCLC staff present were John KARLOVCEC, Daryl TOTTENHAM Kris GADE and Bruno GATTO.
- [Redacted - RCMP] FSOC advised would start project re [Redacted - RCMP]
- [Redacted - RCMP] FSOC meeting with Richmond RCMP over Project conflicts with [Redacted - RCMP]
- [Redacted - RCMP]
- [Redacted - RCMP] - FSOC requested BCLC assist with putting a Power Point together on the social impacts of ML as per conversation between Daryl TOTTENHAM and FSOC Sergeant noted below:

Redacted - RCMP

[Redacted - RCMP] *The squad really wants to go further with this but the problem is the big bosses don't see the overall downside of having dirty money running through the casinos. I believe the quote was "so there's dirty money running through the casinos, what's the big deal with that"...*

- June 4, 2015- AML summit hosted at BCLC Vancouver office involving participants from GPEB, BCLC, FINTRAC, CFSEU, FSOC, Financial Sector, Service Providers, CRA, CFO, Police Services, CBSA.
- [Redacted - RCMP] BCLC Director ALDERSON meeting with FSOC.
- [Redacted - RCMP] BCLC Director meeting with FSOC.

- **Redacted - RCMP** - BCLC Director met with FSOC Inspector Calvin CHRUSTIE to discuss new information regarding **Redacted - RCMP**

Redacted - RCMP

Redacted - RCMP GPEB Exe Director Compliance and BCLC Executive advised.

- July 27, 2015 - Conference call conducted between BCLC, RCMP and GPEB to further discuss July 22 information.
- **Redacted - RCMP** List of **Redacted -** players believed to have recently received cash from **Redacted -** placed on conditions. Copies of intelligence interviews detailing transactions here and abroad were provided to police.

Redacted - RCMP

ALDERSON was shown preliminary analysis conducted by FSOC analysts **Redacted - RCMP** **Redacted - RCMP** FSOC confirmed they would provide BCLC with more detailed analysis.

- Aug 28, 2015 - BCLC were advised by GPEB that they would be conducting an audit into BCLC's STR and UFT reporting practices.

Redacted - RCMP

- **Redacted - RCMP** After more detailed analysis and more information from Law Enforcement condition list increased to 36.
- **Redacted - FINTRAC** ALDERSON met with Insp Bruce WARD (FSOC) who now was OIC for **Redacted - RCMP** file.

- **Redacted - FINTRAC** Notice of Civil Claim names **Redacted - RCMP**
Redacted - RCMP Approx: \$1 million seizure.
- **Redacted - RCMP** ALDERSON provided details of illegal gaming location to FSOC.
- **Redacted - RCMP**
- **Redacted - RCMP** - FSOC confirmed they had passed information from **Redacted - RCMP** onto Richmond RCMP.
- **Redacted - RCMP** BCLC conducted full day training with JIGIT at BCLC Vancouver.
Redacted - RCMP info passed on to OIC.
- **Redacted - RCMP** ALDERSON contacted FSOC who confirmed **Redacted - RCMP** file with Crown for charge approval re illegal gaming and money laundering.
- Aug 31, 2017 - Isp. Bruce WARD does hour long presentation on ePirate at IAFCI Conference in Vancouver detailing investigation and noting charges coming.
- **Redacted - RCMP** - BCLC submits impact statement for **Redacted - RCMP** file to FSOC.
- **Redacted - RCMP** - Vancouver Sun breaks story on **Redacted - RCMP**

Redacted - RCMP Trak Incidents

Date	Incident File #	Synopsis	Notification			Redacted - RCMP redaction requested (V3)
			GPEB	Law Enforcement	STR	
Redacted - RCMP redaction requested (V3)	IN20120022175	Redacted - RCMP redaction requested (V3)				
	IN20120030263		Section 86	RCMP		Indirect
	IN20120030747		Section 86	RCMP		Indirect
	IN20120031298		Section 86	RCMP		
	IN20120038179		Section 86	RCMP		
	IN20120038228					
	IN20120038903		Section 86	RCMP		
	IN20120038916		Section 86	RCMP		
	IN20120039015			RCMP		Indirect
	IN20120043708		Section 86	RCMP		
	IN20120043822		Section 86	RCMP		Indirect
	IN20120043848					
	IN20120043853		Section 86			
	IN20120044644		Section 86			
	IN20120044890		Section 86			
	IN20120044958			RCMP		Redacted - FINTRAC
	IN20120045514		Section 86			
	IN20120045789		Section 86			
	IN20120045926		Section 86			
	IN20120046146		Section 86			
	IN20120046633		Section 86			
	IN20120046809		Section 86			
	IN20120047134		Section 86			
	IN20120049710		Section 86	RCMP		Indirect
	IN20120051003		Section 86			
	IN20120051890					
	IN20120053285		Section 86			
	IN20120054574		Section 86			
IN20120054882	Section 86			Indirect		

Date	Incident File #	Synopsis	Notification			Redacted - RCMP redaction requested (V3)	
			GPEB	Law Enforcement	STR		
Redacted - RCMP redaction requested (V3)	IN20130005631	Redacted - RCMP redaction requested (V3)	Section 86		Redacted - FINTRAC		
	IN20130015811		Section 86				
	IN20130015973		Section 86				
	IN20130018217			RCMP			
	IN20130028138		Section 86	RCMP			
	IN20130037584		Section 86	RCMP			Indirect
	IN20130039105		Section 86	RCMP			Indirect
	IN20130040707		Section 86	RCMP			Indirect
	IN20130044154		Section 86	RCMP			Indirect
	IN20130046182		Section 86	RCMP			Indirect
	IN20130046437		Section 86	RCMP			Indirect
	IN20130046573		Section 86				
	IN20130046579		Section 86				
	IN20130053074		Section 86	RCMP			Indirect
	IN20130053104		Section 86	RCMP			Indirect
	IN20130053853		Section 86	RCMP			Indirect
	IN20130057372		Section 86	RCMP			Indirect
	IN20130057447		Section 86	RCMP			Indirect
	IN20130057744		Section 86	RCMP			Indirect
	IN20130058166		Section 86	RCMP			Indirect
	IN20130058197		Section 86	RCMP			Indirect
	IN20130058260		Section 86				
	IN20130058265		Section 86	RCMP			Indirect
	IN20130058432		Section 86	RCMP			Indirect
	IN20130058542		Section 86	RCMP			Indirect
	IN20130059217		Section 86	RCMP			Indirect
	IN20130059359		Section 86	RCMP			Indirect
	IN20130059623		Section 86	RCMP			
	IN20130059628		Section 86	RCMP			Indirect
	IN20130059894		Section 86	RCMP			
IN20130059895	Section 86	RCMP		Indirect			
IN20130060921	Section 86	RCMP					

Date	Incident File #	Synopsis	Notification			Redacted - RCMP redaction requests (V3)
			GPSR	Law Enforcement	BTR	
	IN20140000117					
	IN20140001043		Section 86	RCMP		indirect
	IN20140001206		Section 86	RCMP		indirect
	IN20140001214		Section 86	RCMP		indirect
	IN20140001364		Section 86	RCMP		indirect
	IN20140006366		Section 86	RCMP		indirect
	IN20140006378		Section 86	RCMP		indirect
	IN20140008390		Section 86	RCMP		indirect
	IN20140008661		Section 86	RCMP		indirect
	Redacted - RCMP					
	IN20140011821		Section 86	RCMP		indirect
	IN20140012092		Section 86	RCMP		indirect
	IN20140013590		Section 86	RCMP		indirect
	IN20140014259		Section 86	RCMP		indirect
	IN20140014294		Section 86	RCMP		indirect
	IN20140017499		Section 86	RCMP		indirect
	IN20140021766		Section 86	RCMP		indirect
	IN20140021890		Section 86	RCMP		indirect
	IN20140021891		Section 86	RCMP		indirect
	IN20140023128		Section 86	RCMP		indirect
	IN20140026798		Section 86	RCMP		indirect
	IN20140026124		Section 86	RCMP		indirect
	IN20140028597		Section 86	RCMP		indirect
	IN20140026587		Section 86	RCMP		indirect
	IN20140026820		Section 86	RCMP		indirect
	IN20140027881		Section 86	RCMP		indirect
	IN20140028368		Section 86	RCMP		indirect
	IN20140035287		Section 86	RCMP		indirect
	IN20140030713		Section 86	RCMP		indirect
	IN20140030742		Section 86	RCMP		indirect
	IN20140031472		Section 86	RCMP		indirect
	IN20140032628		Section 86	RCMP	Redacted - FINTRAC	indirect
	IN20140032528		Section 86	RCMP		indirect
	IN20140032510		Section 86	RCMP		indirect
	IN20140032583		Section 86	RCMP		indirect
	IN20140034129		Section 86	RCMP		indirect
	IN20140037167		Section 86	RCMP		indirect
	IN20140040868		Section 86	RCMP		indirect
	IN20140042527		Section 86	RCMP		indirect
	IN20140042766		Section 86	RCMP		indirect
	IN20140042762		Section 86	RCMP		indirect
	IN20140043294		Section 86	RCMP		indirect
	IN20140043835		Section 86	RCMP		indirect
	IN20140043840		Section 86	RCMP		indirect
	IN20140044267		Section 86	RCMP		indirect
	IN20140050418		Section 86	RCMP		indirect
	IN20140050763		Section 86	RCMP		indirect
	IN20140051537		Section 86	RCMP		indirect
	IN20140051660		Section 86	RCMP		indirect
	IN20140052868		Section 86	RCMP		indirect
	IN20140052893		Section 86	RCMP		indirect
	IN20140052794		Section 86	RCMP		indirect
	IN20140052812		Section 86	RCMP		indirect
	IN20140053201		Section 86	RCMP		indirect
	IN20140055218		Section 86	RCMP		indirect
	IN20140055225		Section 86	RCMP		indirect
	IN20140058469		Section 86	RCMP		indirect
	IN20140057434		Section 86	RCMP		indirect
	IN20140058673		Section 86	RCMP		indirect
	IN20140060366		Section 86	RCMP		indirect
	IN20140060597		Section 86	RCMP		indirect
	IN20140060672		Section 86	RCMP		indirect
	IN20140060771		Section 86	RCMP		indirect
	IN20140068902		Section 86	RCMP		indirect

Redacted -
RCMP
redaction
requested
(V3)

Redacted
- RCMP
redaction
requested
(V3)

Redacted -
FINTRAC

Date	Incident File #	Synopsis	Notification			Redacted - RCMP redaction requested (V3)
			GPEB	Law Enforcement	STR	
	IN20150002509		Section 86	RCMP		Indirect
	IN20150004645		Section 86	RCMP		Indirect
	IN20150004829		Section 86	RCMP		Indirect
	IN20150005342		Section 86	RCMP		Indirect
	IN20150005586		Section 86	RCMP		Indirect
	IN20150006061		Section 86	RCMP		Indirect
	IN20150007166		Section 86	RCMP		Indirect
	IN20150007446		Section 86	RCMP		Indirect
	IN20150007684		Section 86	RCMP		Indirect
	IN20150008232		Section 86	RCMP		Indirect
	IN20150010775		Section 86	RCMP		Indirect
	IN20150013008		Section 86	RCMP		Indirect
	IN20150013549		Section 86	RCMP		Indirect
	IN20150015067		Section 86	RCMP		Indirect
	IN20150015487		Section 86	RCMP		Indirect
	IN20150015651		Section 86	RCMP		Indirect
	IN20150016182		Section 86	RCMP		Indirect
	IN20150016061		Section 86	RCMP		Indirect
	IN20150017142		Section 86	RCMP		Indirect
	IN20150017636		Section 86	RCMP		Indirect
	IN20150018549		Section 86	RCMP		Indirect
	IN20150020601		Section 86	RCMP		Indirect
	IN20150021803		Section 86	RCMP		Indirect
	IN20150022503		Section 86	RCMP		Indirect
	IN20150023818		Section 86	RCMP		Indirect
	IN20150024818		Section 86	RCMP		Indirect
	IN20150024899		Section 86	RCMP		Indirect
	IN20150026735		Section 86	RCMP		Indirect
	IN20150028770		Section 86	RCMP		Indirect
	IN20150029238		Section 86	RCMP		Indirect
	IN20150029259		Section 86	RCMP		Indirect
	IN20150030338		Section 86	RCMP		Indirect
	IN20150030380		Section 86	RCMP		Indirect
	IN20150030684		Section 86	RCMP		Indirect
	IN20150032145		Section 86	RCMP		Indirect
	IN20150034358		Section 86	RCMP		Indirect
	IN20150035266		Section 86	RCMP		Indirect
	IN20150035886		Section 86	RCMP		Indirect
	IN20150035942		Section 86	RCMP		Indirect
	IN20150040185		Section 86	RCMP		Indirect
	IN20150042047		Section 86	RCMP		Indirect
	IN20150047426		Section 86	RCMP		Indirect
	IN20150047427		Section 86	RCMP		Indirect
	IN20150050368		Section 86	RCMP		Indirect
	IN20150052167		Section 86	RCMP		Indirect

Redacted - RCMP redaction requested (V3)

Redacted - RCMP redaction requested (V3)

Redacted - FINTRAC

Date	Incident File #	Synopsis	Notification			Redacted - RCMP redaction requested (V2)
			GPEB	Law Enforcement	STR	
Redacted - RCMP redaction requested (V3)	IN20160002976	Redacted - RCMP redaction requested (V3)			Redacted - FINTRAC	
	IN20160007097					
	IN20160027786					
	IN20160034418			RCMP		Indirectly
	IN20160034569			RCMP		Indirectly
	IN20160034829			RCMP		Indirectly
	IN20170009326					
	IN20170031408					
			Section 66			

Exhibit I

June 15, 2017

Combined Forces Special Enforcement Unit
 Mailstop #408/409
 14200 Green Timbers Way
 Surrey, BC V3T 6P3

Attention: Kevin Hackett
Assistant Commissioner

Dear Assistant Commissioner Hackett:

Re: Press Conference on Illegal Gaming & Casino Money Laundering

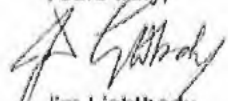
I am writing in regard to the press conference held on June 13, 2017, covering the recent activities of the Joint Illegal Gaming Investigation Team. Congratulations on the successes achieved to date. BCLC is thankful for the dedicated effort CFSEU has put into this initiative. We are also pleased with having been able to support the team operationally where appropriate and where asked to do so.

It was most encouraging to hear of the inroads JIGIT has made in addressing illegal gaming operations in the province. However, it was disturbing to hear that money laundering conducted by sophisticated organized crime groups was occurring at casinos. As you may be aware, BCLC has invested extensively in its anti-money laundering and counter terrorist financing program. Our program has recently gone through a comprehensive review by FINTRAC with no material compliance issues being identified. Having said that, we recognize that the program can never be static, our efforts must continue to evolve and improve, and we must remain ever vigilant. In that regard I would very much appreciate if you could share with us the methodology used by these organized crime groups to undermine the anti-money laundering efforts at our casinos so that we can review our program and, working with our service providers, make the adjustments necessary to prevent any further attempts at laundering at our casinos.

Even more important to us is the safety of our customers, the staff of our service providers, and our own staff working in casinos. It was alarming to hear that criminals have been frequenting our facilities exposing staff and the public to money laundering activities and putting them at risk. Under the provincial *Gaming Control Act*, BCLC has the authority to ban any person from entering any gaming site in the province. I ask that CFSEU provide us with the names of the nine individuals arrested, and any other person CFSEU has determined is involved in criminal acts that are in any way related to gaming, so that we can ban those individuals from our facilities to protect the safety of our customers and staff.

Again, congratulations on your success. I look forward to your response.

Yours truly,



Jim Lightbody
 President & CEO

cc: Rob Kroeker, VP, Corporate Security & Compliance, BCLC



74 West Seymour Street
 Kamloops, BC V2C 1E2

T 250.826.5500
 F 250.826.5631

2940 Virtual Way
 Vancouver, BC V5M 0A6

T 604.215.0649
 F 604.226.6424

www.bclbc.com

Exhibit J

June 16, 2017

Gaming Policy and Enforcement Branch
PO Box 9309 Stn Prov Govt
Victoria BC V8W 9N1

Attention: Mr. Len Meilleur
Executive Director, Compliance Division



Dear Mr. Meilleur,

Re: Press Conference on Illegal Gambling and Casino Money Laundering

I am writing about the press conference GPEB held in conjunction with the CFSEU on June 13, 2017. I wish to extend my congratulations to you on the successes GPEB has had in its partnership with the Joint Illegal Gaming Investigation Team and which you announced at the press conference. BCLC is thankful for the effort GPEB has put into the investigation.

BCLC welcomed the news that a number of illegal gambling operations in the lower mainland had been shutdown. However, it was very troubling to learn through the press materials that sophisticated international organized crime groups had laundered funds through BCLC casinos. As you know, BCLC has committed considerable resources, staff and effort to developing its anti-money laundering and counter terrorist financing program. I know you are also aware that BCLC's program has been scrutinized by GPEB audit staff and that it has recently undergone a comprehensive review by FINTRAC with no deficiencies in its anti-money laundering procedures identified. Nonetheless, BCLC's program is not static and we are committed to a course of continuous improvement. Moreover, we recognize that criminal elements will adapt and seek new ways to launder proceeds of crime in response to countermeasures and for this reason, BCLC's program must adapt and evolve on an ongoing basis. Given what we learned from the press conference, BCLC is seeking GPEB's assistance. It would seem a vulnerability in our program has been exploited by organized crime. In order to address this vulnerability and prevent further laundering attempts, I ask that you share with us the specific details of the money laundering methodology you determined was used by these organized crime groups to launder proceeds of crime through legal casinos. This information will allow us to make the changes needed to better protect our operations from money laundering threats and close any gaps.

As troubling as it was to learn of a laundering vulnerability at our casino facilities, we were even more concerned to learn of serious threats to public safety. It was deeply alarming to hear that top tier organized crime figures participating in or linked to crimes such as kidnapping and extortion were frequenting our facilities. Clearly, individuals engaged in these types of criminal activities present the highest order of risk to public safety. The safety of our customers, the staff of our service providers, and our own staff who work in casinos must be paramount. I am certain that you agree. BCLC simply cannot have these individuals exposing our customers and staff to personal safety risks through their laundering activities or any other criminal activity. The *Gaming Control Act* grants BCLC the statutory authority to ban any individual from its casinos. I ask that GPEB provide BCLC with the names of the 9 individuals arrested so far in the investigation, as well as the names of any other individual the investigation has revealed to be involved in or connected in any way to criminal acts related to gaming, so that

74 West Seymour Street
Kamloops, BC V2C 1E2

T 250.828.5500
F 250.828.5631

2940 Virtual Way
Vancouver, BC V5M 0A9

T 604.215.0649
F 604.225.6424
bclc.com

BCLC can immediately ban those individuals from our facilities to protect the safety of our customers and staff.

Given the threats to public safety, I would appreciate a response at your earliest possible convenience.

Sincerely,



Robert Kroeker
Vice President, Corporate Security and Compliance



cc. Mr. Murray Dugger, Western Regional Manager, Financial Transactions and Reports
Analysis Centre

74 West Seymour Street
Kamloops, BC V2C 1E2

T 250.828.5500
F 250.828.5031

2040 Virtual Way
Vancouver, BC V5M 0A6

T 604.215.0049
F 604.225.6424
bclcc.com

Exhibit K

April 18, 2018

Via Email

Ministry of Attorney General
PO Box 9044, Stn Prov. Govt.
Victoria, BC V8W 9E2

**Attention: David Eby
Attorney General**

Dear Minister Eby:

Re: Response to Dr. Peter German Report

Thank you for your request to provide feedback on the Independent Review of Money Laundering in Lower Mainland Casinos written by Peter M. German, QC.

BCLC's Board of Directors and Management fully support and accept the recommendations in this report and we will work to implement those we believe we are directly responsible for (Appendix 1). We stand ready to implement those, while extending our full cooperation and support to the Province of British Columbia, the Gaming Policy and Enforcement Branch and the multiple agencies, ministries and service providers at which recommendations are also directed. We will follow our standard program management discipline whereby the Board will assume an oversight role as BCLC mobilizes to implement actions responsive to the recommendations (Appendix 2). BCLC's Internal Audit team will validate the work upon completion and the corporation is committed to reporting progress on a quarterly basis to the Ministry, GPEB, and the public.

Dr. German's report provides an important road map for the multiple agencies and companies involved in combatting money laundering. The report acknowledges that despite the level and quality of information gathering, there is a need for improvement in all areas due to "a collective system failure." I am confident that the recommendations will address the need to enhance the level and quality of communication, cooperation and enforcement actions taken to date. Dr. German appropriately recognizes that BCLC and GPEB have been impaired and frustrated in their ability to address concerns both entities expressed about money laundering to date by stating that both organizations:

"...have suffered from significant disability when it comes to dealing with money laundering. Other than saying 'No' and barring a person from returning to a facility, there is little that either can do with the valuable intelligence which they possess concerning money laundering. It is essential that law enforcement be engaged in a meaningful way."

This is a critical point and I firmly believe that the recommended modernization of the *Gaming Control Act* to enable greater clarity of roles and responsibilities and that a significantly strengthened, and more independent regulator, will establish a strong foundation from which the multiple agencies and organizations involved can work to better engage law enforcement. Moving the day to day jurisdiction for policing with respect to gaming matters to a Designated Policing Unit will ensure greater clarity of roles to enable stronger enforcement. These changes are essential to ensuring the overall integrity of casino gaming and to helping rebuild public trust in this important industry in British Columbia.



74 West Seymour Street
Kamloops, BC V2C 1E9

T 250.826.5500
F 250.828.5531

2540 Virtual Way
Vancouver, BC V6M 0A6

T 604.215.0649
F 604.225.8424

1-800-735-7353

While the BCLC Board and Management fully support the recommendations in Dr. German's report, it is important to challenge one key assumption. Explicit and implicit in the report is the suggestion that BCLC was, and continues to be, motivated only by revenue. In a number of instances, BCLC's mandate, bestowed onto it by government, is to conduct and manage gambling in a socially responsible manner. The report calls into question this mandate in a way that suggests BCLC has been disingenuous with respect to its true purpose or motive and states that the organization willfully turned a blind eye and was blinded by the cash. I am challenged by this assertion for three reasons.

First, as one who served the government of the day that created BCLC in 1985, I can state with confidence that BCLC's purpose was at the time to operate gambling to generate extra funding and benefits for British Columbia and do it in a way that is accountable to communities served. As Chair of the BCLC Board of Directors for almost five years working with the leadership team, I can attest that remains the case today.

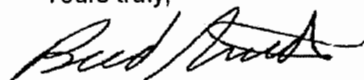
Second, I acknowledge and accept that there are varying opinions on the effectiveness of actions taken by BCLC to address concerns about money laundering. The point remains however that BCLC, as a corporate entity and our employees, as individuals, recognized the threat of money laundering and took action in the context of the information available at the time and the system within which we were working. This action had the result of a consistent decrease in the number and total value of Suspicious Transaction Reports since April 2015 (Appendix 3). The reality of money laundering, as we now understand it thanks to Dr. German's review, is the result of a system that did not keep up with the criminal element and that no single person or entity is responsible for this issue. To suggest that BCLC would encourage employees to knowingly turn a blind eye to illegal or suspicious behaviour in the name of revenue generation is wrong.

Third, this perspective is inconsistent with the tone and culture that has been established by the Board and Management at BCLC and most importantly unfair to the 900 employees who, articulate in employee engagement surveys every year, that they are motivated by working at an organization they recognize is socially responsible because it balances growth with sustainability (Appendix 4). Responsibility to British Columbians is embedded in our organization's DNA.

In the spirit of continued cooperation and support for the work of Dr. German and the Ministry of the Attorney General, we have opted not to provide comment on the editorial opinion contained in the report. Appendix 5 provides further information and clarification on specific, material issues for your consideration.

BCLC can and will improve the ways in which we are addressing money laundering. We remain steadfast in our commitment to be part of the solution by continuing to meet and exceed our responsibilities to regulators, supporting a culture that is accountable to the communities we serve, and working collaboratively and in support of all agencies to combat this insidious issue impacting our economy and our communities.

Yours truly,



Bud Smith
Chair, BCLC Board of Directors

cc: Jim Lightbody, President & CEO, BCLC
Robert Holden, Member, BCLC Board of Directors
Andrew Brown, Member, BCLC Board of Directors
Wendy Lisogar-Cocchia, Member, BCLC Board of Directors
Richard Fyfe, Deputy Attorney General
Doug Scott, Associate Deputy Minister

Enclosure(s) x1 (Appendices 1 – 5)

Appendix for BCLC Response to:

**An Independent Review of Money
Laundering in Lower Mainland Casinos
conducted for the Attorney General of
British Columbia**

Submitted April 18, 2018

Appendices 1 - 5

Appendix 1

BCLC believes we are responsible for thirteen of the recommendations by Dr. German, as follows:

Recommendations	
R3	That BCLC, in conjunction with the Regulator and Service Providers, review the present Source of Funds Declaration on at least an annual basis to determine if refinements are required.
R4	That BCLC re-enforce the importance of Service Providers not accepting cash or other reportable instruments if they are not satisfied with the source of funds declaration.
R5	That the Service Providers be responsible for completing all necessary reports to FinTRAC, including STRs.
R6	That discussions with FinTRAC take place with the purpose of designating the Service Providers as direct reports to FinTRAC, failing which that reports from Service Providers be sent in an unaltered form to FinTRAC by BCLC.
R7	That BCLC provide Corporate STRs if its files contain relevant information not contained within an STR from a Service Providers.
R10	That the Regulator/DPU be provided with access to iTRAK in its offices.
R11	That UFT and SCT reports be eliminated.
R16	That BCLC not engage in further undercover operations, except in conjunction with the Regulator and, or the police.
R17	That no further expense be incurred by BCLC with respect to the SAS AML software system.
R18	That BCLC ensure that VIP hosts do not handle cash or chips.
R21	That cash limits not be imposed on buy-ins.
R22	That PGF accounts be eliminated once responsibility for cash alternatives has been transitioned to the Service Providers.
R23	That BCLC implement a chip tracking system for Service Providers.

Appendix 2

German Independent Review

Readiness and Response Plan

OVERVIEW

The AML Response will be managed as a high priority corporate program and encompass two parts:

1. Review and assess options to address recommendations made or issues identified, including the risks and costs associated with what are assumed will be policy, people and process requirements and gaps identified.
 - Action plans across the dimensions of: policy, process, information, technology, people, budget and governance
 - Implement communication management plan for stakeholders, media and employees
2. Follow a standard project approach, which includes approval of options, planning, implementation and reporting on progress and results.

BCLC's Recommendation Reporting Summary Tracking document will provide the detailed assignments, by recommendation, of the responsible Director Leads and Vice Presidents Owners. A Board Committee (Audit, Governance, HR&C or Risk) will also be designated for oversight of each recommendation.

ROLES & MEMBERS

Roles and Responsibilities

Sponsor	Jim Lightbody	<ul style="list-style-type: none"> • Provide overall project guidance • Board updates • Ministry updates • Part of AML Response Steering Committee
Steering Committee	Jim Lightbody Brad Desmarais Jamie Callahan Rob Kroeker Susan Dolinski	<ul style="list-style-type: none"> • Provide project guidance • Assign and approve V.P. Owner and Director Leads for each Recommendation • Review and approve approach to address each Recommendation • Review and approve Recommendation Completion • Review and approve Recommendation Closure • Review and approve Board and Ministry reporting
Interim Director, AML Response	Jennifer Galloway	<ul style="list-style-type: none"> • Lead the development and coordination of BCLC's response to the German review • Oversee AML Response Steering Committee meetings including organizing agendas, meetings and supporting steering committee decisions • Provide independent assessment of the proposed implementation actions and provide recommendations to the steering committee • Lead SMEs through solution planning including leading the development of "what if" scenarios

German Independent Review

Readiness and Response Plan

		<ul style="list-style-type: none"> • Liaise with AML Team to ensure an in-depth understanding of AML matters and actions, including liaising with GPEB • Key liaison between AML, Casino and Communications teams, and any other areas affected within BCLC, to ensure a coordinated approach • Ongoing communication with government, stakeholders, and service providers • Provide direction to the AML Project Manager
Project Manager	Shirley Beveridge	<ul style="list-style-type: none"> • Project management including coordination of Leads and SMEs, schedules and reporting specific to plans and actions to implement • Liaise with Audit Services to ensure auditability of the Recommendations • Recommendation status reporting including Summary Tracking Documents and Recommendation Dashboards to Steering Committee, BCLC Executive and Board
Owners	TBD	<ul style="list-style-type: none"> • Vice Presidents will be assigned as Owners of each of the recommendations that BCLC is responsible for • Responsible for providing direction to the Lead and team implementing the actions to address the Recommendation, ensuring that completion is aligned with the approved approach • Responsible for continuous improvement once implementation is complete
Director Leads	TBD	<ul style="list-style-type: none"> • Directors will be assigned to Lead each of the recommendations that BCLC is responsible for • Responsible for analysis of options and managing the actions to address the Recommendation across areas of policy, process, information, technology, people, budget, and governance including documentation and reporting. • Overall responsibility for addressing the Recommendation, including <ul style="list-style-type: none"> ◦ Identify options to address the Recommendation ◦ Implement the approved option ◦ Documentation including monthly status reporting ◦ Resource usage tracking ◦ Confirm auditable deliverables with Audit Services

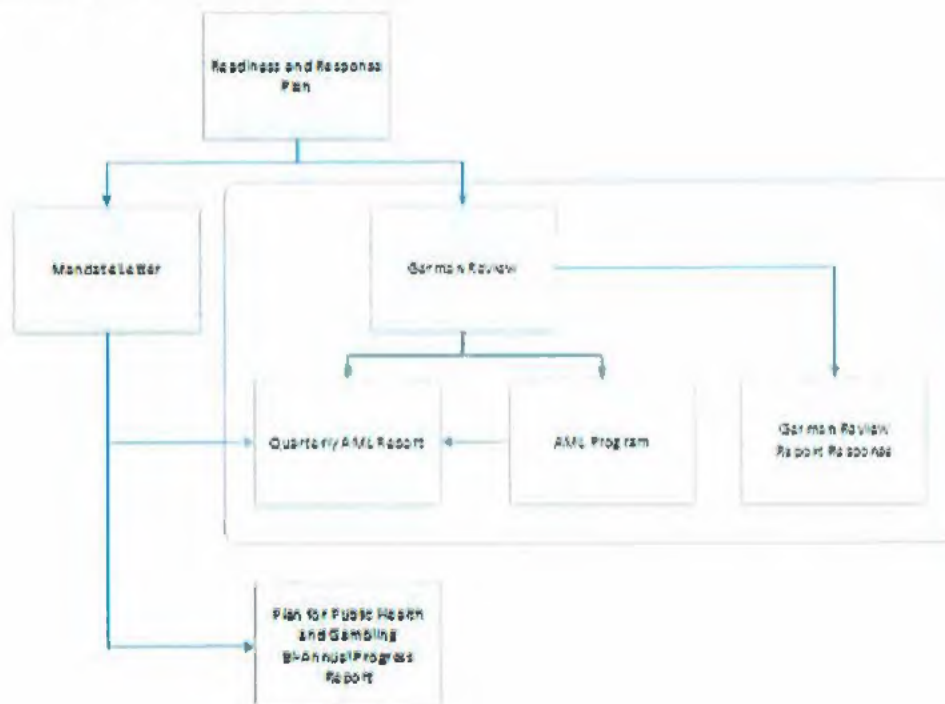
German Independent Review

Readiness and Response Plan

Board Committees	Audit, Governance, HR&C or Risk	<ul style="list-style-type: none"> • Board Committees will be assigned to each of the recommendations that BCLC is responsible for • Responsible for oversight of the implementation of each recommendation 																								
Audit Services	Gurmit Aujla	<ul style="list-style-type: none"> • Provide guidance to Leads on auditable deliverables • Maintain evidence of auditable deliverables • Review Recommendations for completion • Advise the Steering Committee on the completion of each Recommendation • Develop and present closing memos for each Recommendation 																								
Key Contacts	Engaged by Leads as necessary	<p>Key points of contact have also been identified for potential areas requiring involvement in the actions to address Recommendations, as below.</p> <table border="0"> <tbody> <tr> <td>AML</td> <td>John Karlovoce</td> </tr> <tr> <td>BT</td> <td>Tricia Warrington</td> </tr> <tr> <td>Casino Operations</td> <td>Garth Pieper</td> </tr> <tr> <td>Communications</td> <td>Laura Fiva-Babcock</td> </tr> <tr> <td>Finance</td> <td>Abigail Ma</td> </tr> <tr> <td>GPEB</td> <td>Rob Kroeker</td> </tr> <tr> <td>Government</td> <td>Susan Dolinski</td> </tr> <tr> <td>HR</td> <td>Jamie Callahan</td> </tr> <tr> <td>Legal</td> <td>Jennifer Keim</td> </tr> <tr> <td>Policy</td> <td>Kevin Sweeney</td> </tr> <tr> <td>Risk</td> <td>Jennifer Barbosa</td> </tr> <tr> <td>Service Providers</td> <td>Brad Desmarais</td> </tr> </tbody> </table>	AML	John Karlovoce	BT	Tricia Warrington	Casino Operations	Garth Pieper	Communications	Laura Fiva-Babcock	Finance	Abigail Ma	GPEB	Rob Kroeker	Government	Susan Dolinski	HR	Jamie Callahan	Legal	Jennifer Keim	Policy	Kevin Sweeney	Risk	Jennifer Barbosa	Service Providers	Brad Desmarais
AML	John Karlovoce																									
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Finance	Abigail Ma																									
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Government	Susan Dolinski																									
HR	Jamie Callahan																									
Legal	Jennifer Keim																									
Policy	Kevin Sweeney																									
Risk	Jennifer Barbosa																									
Service Providers	Brad Desmarais																									

While the response focuses primarily on the German Report, it also encompasses the 2017/18 and 2018/19 Mandate Letters that reference the government's Anti-Money Laundering (AML) Strategy and the Peter German review. The following chart shows the key areas to be addressed in the response:

German Independent Review Readiness and Response Plan



PROCESS FOR IMPLEMENTATION OF RECOMMENDATIONS

The process to address the Recommendations will follow a standard project approach. As the planning and options to address each Recommendation are identified, the Lead and Owner will be asked to present their Recommendation to the Steering Committee. Plans to address each Recommendation must be approved by the Steering Committee before actions are taken. Each Recommendation and its deliverables will be reviewed by Audit Services. Completion and closure of each Recommendation will also be presented to and approved by the Steering Committee. A diagram of the process that will be used for the implementation of the Recommendations can be found in [Appendix A](#).

This process will be used for implementation of the German recommendations. This process does not apply to process improvements (e.g. enhancements), unless the enhancement is directly related to a Recommendation. Enhancements will instead follow normal business unit practices. The responsible business unit(s) will, however, provide program enhancement updates to the AML Response Steering Committee and will include relevant updates in Board and Ministry reporting.

German Independent Review

Readiness and Response Plan

REPORTING

Reporting of the recommendations will be coordinated with Mandate Letter reporting. The reporting responsibilities and process are below and a diagram of the process that will be used for recommendation reporting can be found in [Appendix B](#).

Reporting Responsibilities

Responsible	Report	Audience	Frequency
Rob Kroeker	AML Report	Board Attorney General	Quarterly
Shirley Beveridge	BCLC Recommendation Reporting Summary Tracking Document	AMLR Steering Committee BCLC Executive Board Public	Quarterly
Shirley Beveridge	Recommendation Dashboard	AMLR Steering Committee BCLC Executive	Monthly
Shirley Beveridge	Implementing Government Direction	Board Minister	Quarterly
Susan Dolinski	Plan for Public Health and Gambling Progress Report	Board General Manager, GPBB	Bi-Annually
Jennifer Keim	Cover Letters	Board Chair Attorney General	Quarterly

German Independent Review

Readiness and Response Plan

APPENDIX 2: PROCESS FOR IMPLEMENTATION OF RECOMMENDATIONS

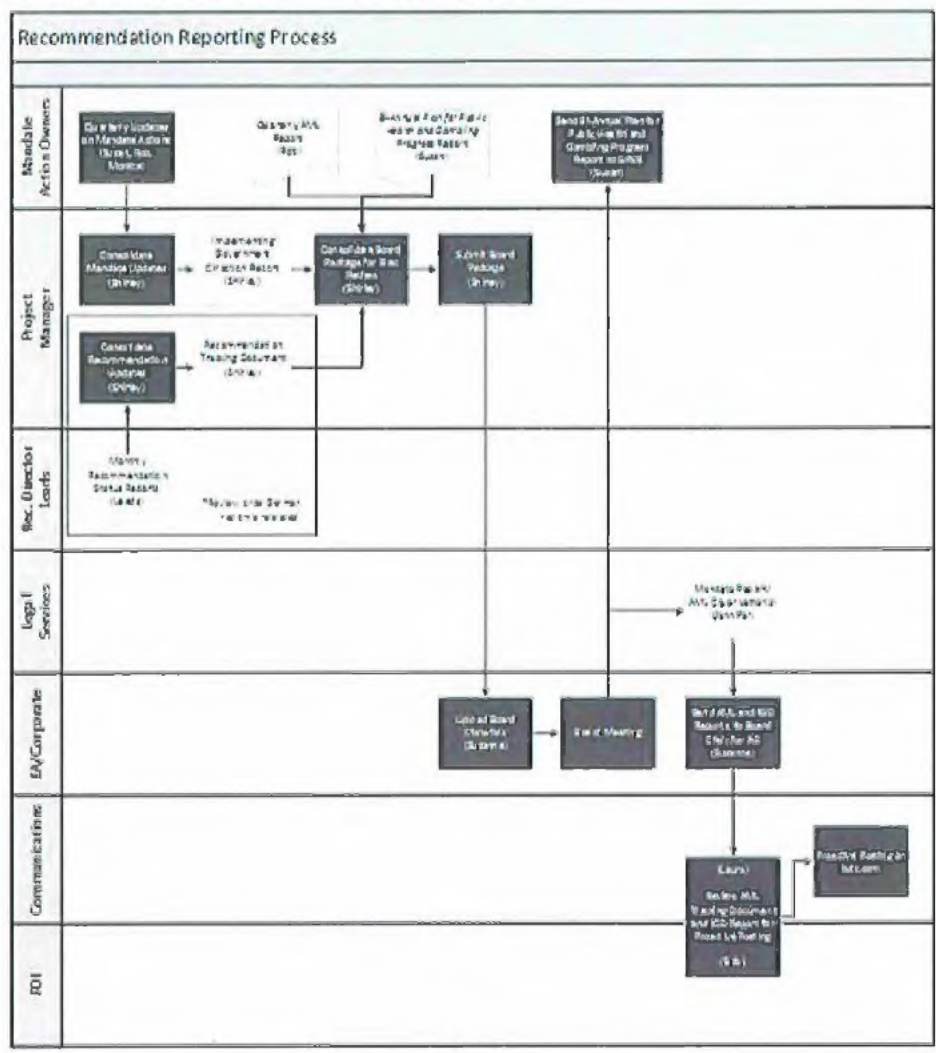


Additional Info

- ⊗ Leads submit status reports by the end of each calendar month. Content from these status reports is used for Executive Board, Ministry and public reporting. Review by V.P. Owner prior to report submission is mandatory.
- ⊗ Implementation is not authorized until AML Response Steering Committee approves Preferred Option and budget (if budget is required) has been approved.

German Independent Review
 Readiness and Response Plan

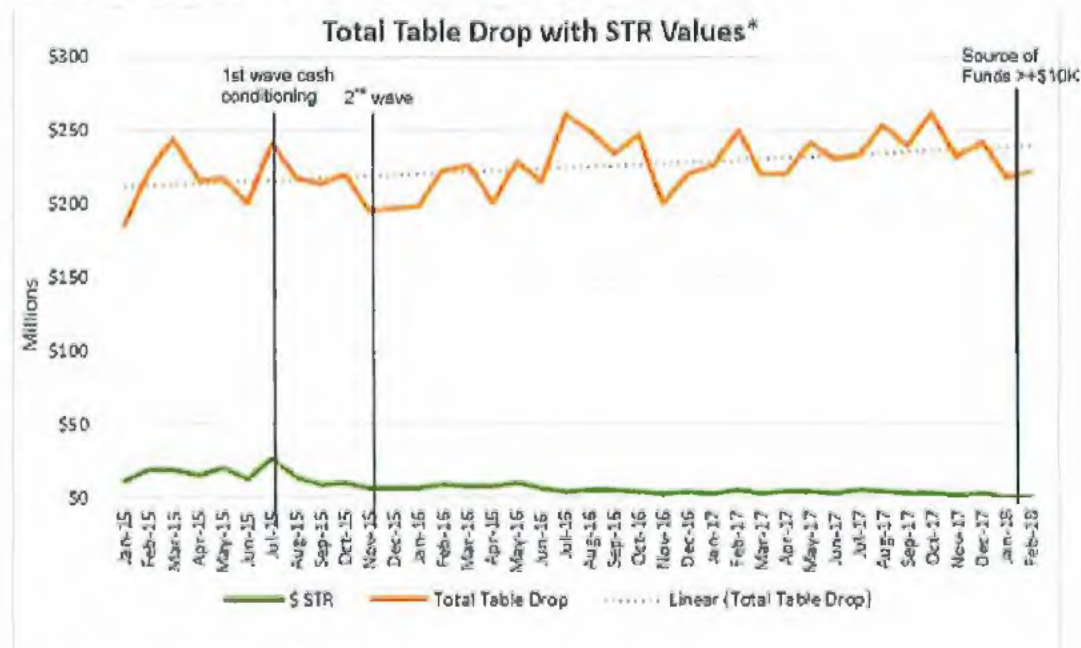
APPENDIX B. RECOMMENDATION REPORTING PROCESS



Appendix 3

Suspicious Transaction Reports (STR) and Table Performance

Since 2015, the total number, total value and average value of STR has been trending down, while total table drop has continued its upward trend.



* All data presented in table form below.

Key points:

In April 2015, BCLC initiated a sourced-cash condition program to address the unexplained increase in un-sourced cash and chips being brought into lower mainland casinos. As part of its AML due diligence screening process, BCLC Investigators interviewed certain VIP players to determine the origin of their cash and chips. If a player was unable to prove source of funds, or BCLC suspected or received information that the source of funds originated from underground banking operations, or suspected proceeds of crime, the player was immediately placed on "sourced cash conditions" and would only be allowed to buy-in if they could provide the service provider cash cage with an original receipt sourcing the funds as follows;

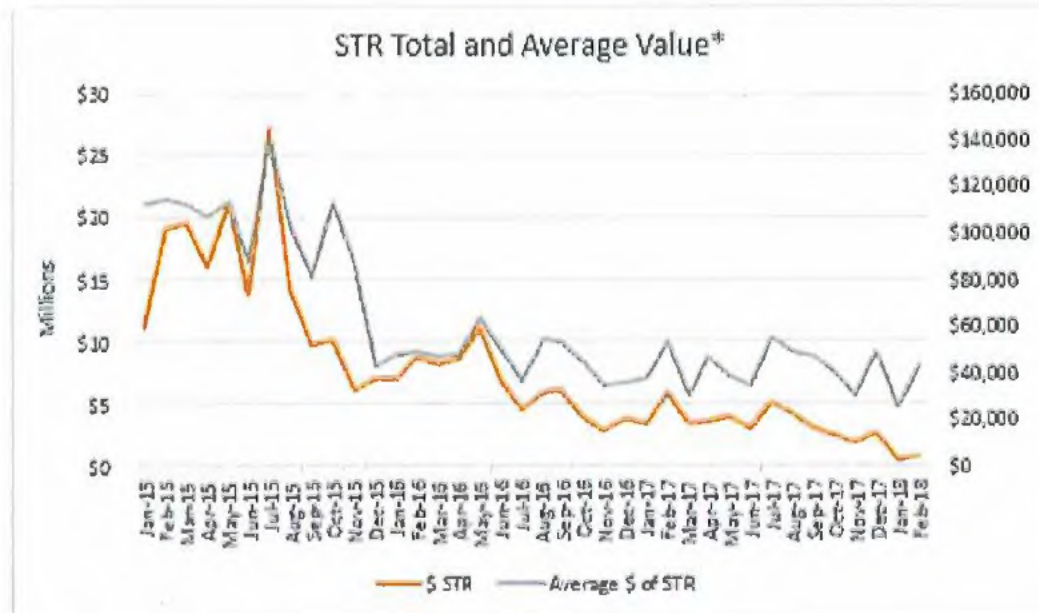
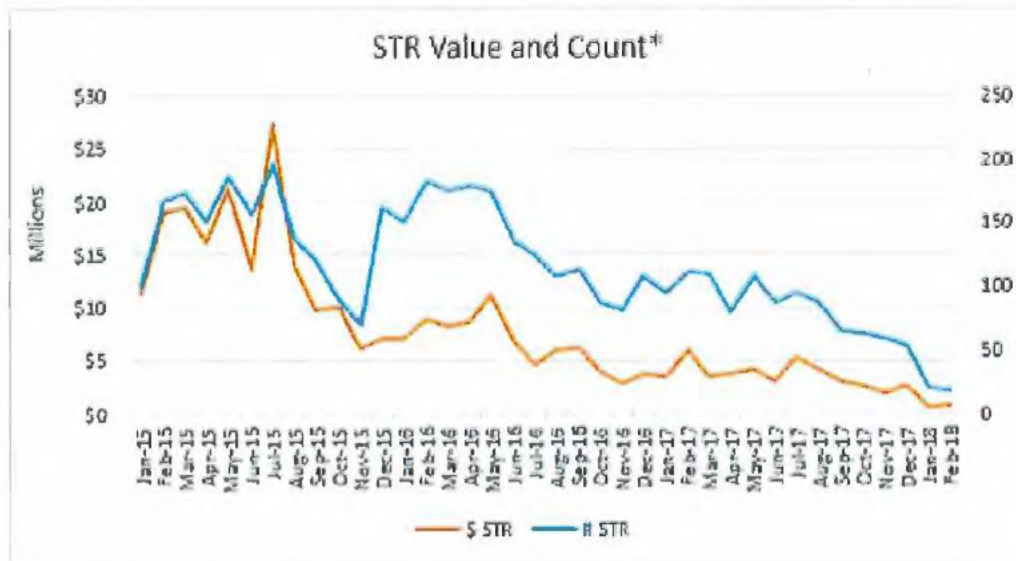
- A bank draft, EFT, certified or Casino Cheque (as defined under policy)
- Cash drawn from an accredited Financial Institution
- Cash drawn at the gaming facility using Global Cash, Debit at Cage, ATM

or that the source of funds originated from;

- Cash verified as from a recent sourced Casino Disbursement
- Chips verified as from a recent sourced Casino Disbursement

Dollar value of STR has decreased (as have counts – see next table)

Jan 10, 2018 – Implemented Source of Funds Declaration for cash deposits of \$10,000 or more as per Peter German's interim recommendation to BCLC.



* All data presented in table form below.

Key points:

- Both the count, total value and average value of STR have been decreasing since 2015, with a significant drop in the second half of the year when BCLC began cash conditioning players.
- Not only are there fewer STR, the ones that are reported are decreasing in value.

Month	# STR	\$ STR	Total Table Drop	\$ STR as a % of Total
Jan-15	101	\$11,356,965	\$185,417,014	6.1%
Feb-15	167	\$19,064,854	\$221,147,991	8.6%
Mar-15	173	\$19,462,764	\$244,375,305	8.0%
Apr-15	151	\$16,123,855	\$216,608,331	7.4%
May-15	187	\$21,201,775	\$218,186,402	9.7%
Jun-15	156	\$13,676,465	\$201,344,040	6.8%
Jul-15	195	\$27,243,150	\$241,888,750	11.3%
Aug-15	137	\$14,138,565	\$218,164,623	6.5%
Sep-15	120	\$9,825,950	\$213,405,914	4.6%
Oct-15	89	\$10,045,231	\$220,930,949	4.5%
Nov-15	71	\$6,159,039	\$195,892,062	3.1%
Dec-15	163	\$7,055,010	\$197,654,842	3.6%
Jan-16	150	\$7,149,980	\$198,290,501	3.6%
Feb-16	182	\$8,847,035	\$222,322,359	4.0%
Mar-16	176	\$8,271,680	\$228,148,655	3.7%
Apr-16	179	\$8,653,255	\$200,745,010	4.3%
May-16	175	\$11,066,690	\$228,732,469	4.8%
Jun-16	136	\$6,853,117	\$215,754,977	3.2%
Jul-16	124	\$4,601,405	\$261,176,104	1.8%
Aug-16	108	\$5,850,500	\$249,726,100	2.3%
Sep-16	114	\$6,081,832	\$234,568,408	2.6%
Oct-16	88	\$3,969,055	\$246,717,808	1.6%
Nov-16	81	\$2,838,589	\$200,837,162	1.4%
Dec-16	108	\$3,800,280	\$219,896,314	1.7%
Jan-17	94	\$3,507,455	\$226,231,338	1.6%
Feb-17	112	\$5,948,770	\$249,814,715	2.4%
Mar-17	110	\$3,410,660	\$219,979,501	1.6%
Apr-17	80	\$3,715,810	\$220,153,775	1.7%
May-17	107	\$4,095,101	\$241,729,928	1.7%
Jun-17	88	\$3,020,060	\$230,312,458	1.3%
Jul-17	94	\$5,216,080	\$233,368,368	2.2%
Aug-17	87	\$4,254,290	\$253,317,319	1.7%
Sep-17	64	\$3,000,605	\$239,804,737	1.3%
Oct-17	63	\$2,530,020	\$261,022,645	1.0%
Nov-17	59	\$1,828,050	\$231,477,380	0.8%
Dec-17	53	\$2,582,140	\$242,634,757	1.1%
Jan-18	20	\$505,199	\$217,174,414	0.2%
Feb-18	17	\$721,630	\$221,439,876	0.3%

Appendix 4

Employee Engagement Results

Statement	% Change 2017-2018	% Change 2015-2017	% Change 2014-2015	2018	2017	2015	2014
I feel that my overall compensation package (pay, bonus and benefits) is comparable with people doing a similar job with other similar organizations.	-3.2%	6.6%	-2.3%	39.2%	42.4%	35.8%	38.1%
Our team values one another's unique strengths and different abilities.	-3.1%	1.6%	5.7%	84.6%	87.7%	86.1%	80.4%
My department's objectives are realistic.	-3.0%	7.4%	10.1%	76.7%	79.7%	72.3%	62.2%
Change is widely embraced	-2.9%	-	-	61.6%	64.5%	-	-
BCLC is transforming to a player-centric company.	-2.7%	5.3%	3.2%	81.0%	83.7%	78.4%	75.2%
BCLC consistently conducts business in a fair, honest and trustworthy manner.	-2.6%	0.4%	4.7%	89.9%	92.5%	92.1%	87.4%
The way BCLC operates is in alignment with its values (Integrity, Respect & Social Responsibility).	-2.4%	4.9%	5.5%	91.5%	93.9%	89.0%	83.5%
BCLC is environmentally responsible.	-2.2%	3.1%	4.8%	82.6%	84.8%	81.7%	76.9%
The actions of the entire Senior Leadership team (CEO, VPs and Directors) of BCLC are consistent with BCLC values (Integrity, Respect & Social Responsibility).	-2.1%	7.1%	7.4%	81.0%	83.1%	76.0%	68.6%
BCLC is customer focused	-1.9%	-	-	85.4%	87.3%	-	-

Appendix 5

1. German Report Statements that indicate there was no action taken by BCLC:

"...no transaction was refused by BCLC before 2015." (paragraph 478)

"In March 2014, a former BCLC Investigator recalls telling senior management that something had to be done about the cash entering casinos. They listened but he saw no discernable action." (paragraph 504)

"Despite the police investigation, the cash kept coming into the casinos. With no direction from BCLC or GPEB to stop accepting huge amounts of unsourced cash, the head of compliance for GCGC decided to end it himself." (paragraph 536)

"Despite all the efforts described in previous chapters, prior to 2016, nobody appears to have said no in terms of accepting unsourced cash at Lower Mainland casinos. (paragraph 600)

BCLC Clarification:

Refusing cash:

BCLC's sourced cash condition initiative began April 2015 with the program being formally implemented in September 2015; however, it should be noted that cash was refused prior to the initiation of this program. As an example, Exhibit A demonstrates that a certain player would no longer be permitted to play with cash. This player continues to be limited to playing with sourced cash only to this day. Exhibit B is a redacted copy of an internal document used to track players who have been cash conditioned, from April 14, 2105 to present day.

Appendix 5 - EXHIBIT A - Email regarding patron placed on cash conditions in 2014

November 27th, 2014- As a result of the recent activity by [REDACTED] a directive was initiated at the request of [REDACTED] and [REDACTED] sent out the following directive that was posted on the profile for [REDACTED]:

From: [REDACTED]

Sent: November-27-14 7:58 AM

To: [REDACTED]

Cc: [REDACTED]

Subject: RE: ** [REDACTED] - SID [REDACTED] **

Hi [REDACTED],

The following comment has been added to [REDACTED]'s profile SID# [REDACTED]

2014-NOV-27 BCLC Corp Sec - BCLC Directive for Investigative Purposes; [REDACTED] is not permitted to buy-in at any property with "ANY" cash or un-sourced chips until he is interviewed by BCLC Corporate Security and Compliance. Provide patron with the BCLC Consumer Services number if an investigator is not available, so an appointment can be set up at the earliest convenience: 1-866-815-0222.

[REDACTED]
BCLC Casino Investigator

Conditions imposed	03/10/2016
Conditions imposed	03/10/2016
Conditions imposed	03/10/2016
Conditions imposed	2017-DEC-06
Conditions imposed	19/10/2016
Conditions imposed	26/10/2016
Conditions imposed-Updated	2017-FEB-24
Conditions imposed	07/11/2016
Conditions imposed	08/12/2016
Conditions imposed-May suspended Dec-14	14/12/2016
Conditions imposed	2017-APR-18
Conditions imposed	2017-Feb-11
Conditions imposed	2017-Feb-09
Conditions imposed	2017-Feb-20
Conditions imposed	2017-FEB-21
Conditions imposed -Pending int	2017-DEC-18
Conditions imposed	2017-MAR-14
Conditions imposed	2017-MAR-20
Conditions imposed	2017-MAR-28
Conditions imposed	2017-MAR-28
Conditions imposed	2017-MAR-29
Conditions imposed-May suspended APR-13	2017-APR-10
Conditions imposed	2017-APR-11
Conditions imposed	2017-APR-13
Conditions imposed	2017-APR-19
Conditions imposed	2017-APR-26
Conditions imposed	2017-MAY-02
Conditions imposed	2017-MAY-15
Conditions imposed	2017-MAY-15
Conditions imposed	2017-MAY-15
Conditions imposed	2017-MAY-15
Conditions imposed	2017-MAY-17
Conditions imposed	2017-MAY-17
Conditions imposed	2017-MAY-19
Conditions imposed	2017-MAY-24
Conditions imposed	2017-JUN-26
Conditions imposed	2017-JUL-04
Conditions imposed	2017-JUL-04
Conditions imposed	2017-JUL-18
Conditions imposed	2017-JUL-18
Conditions imposed	2017-JUL-19
Conditions imposed	2017-JUL-19
Conditions imposed	2017-JUL-19
Conditions imposed	2017-JUL-19
Conditions imposed	2017-JUL-24
Conditions imposed	2017-JUL-24
Conditions imposed	2017-JUL-31
Conditions imposed	2017-AUG-01
Conditions imposed	2017-AUG-01
Conditions imposed	2017-AUG-07
Conditions imposed	2017-AUG-17
Conditions imposed	2017-AUG-17
Conditions imposed	2017-AUG-17
Conditions imposed	2017-AUG-22
Conditions imposed	2017-AUG-27
Conditions imposed	2017-SEP-13
Conditions imposed	2017-SEP-13
Conditions imposed	2017-SEP-13
Conditions imposed	2017-SEP-13
Conditions imposed	2017-SEP-13
Conditions imposed	2017-SEP-21
Conditions imposed	2017-SEP-29
Conditions imposed	2017-SEP-29
Conditions imposed	2017-AUG-10
Conditions imposed	2017-OCT-10
Conditions imposed	2017-OCT-11
Conditions imposed	2017-OCT-11
Conditions imposed	2017-OCT-11
Conditions imposed	2017-OCT-11
Conditions imposed	2017-OCT-13
Conditions imposed	2017-OCT-13
Conditions imposed	2017-OCT-17
Conditions imposed	2017-OCT-17
Conditions imposed	2017-OCT-22
Conditions imposed	2017-OCT-23
Conditions imposed	2017-OCT-29
Conditions imposed	2017-OCT-30
Conditions imposed	2017-OCT-30
Conditions imposed	2017-NOV-06
Conditions imposed	2017-NOV-08
Conditions imposed	2017-NOV-09
Conditions imposed	2017-NOV-16
Conditions imposed	2017-NOV-16
Conditions imposed	2017-NOV-16
Conditions imposed	2017-NOV-20
Conditions imposed	2017-NOV-16
Conditions imposed	2017-NOV-29
Conditions imposed	2017-NOV-29
Conditions imposed	2017-DEC-01
Conditions imposed	2017-DEC-04
Conditions imposed	2017-DEC-04
Conditions imposed	2017-DEC-08
Conditions imposed	2017-DEC-08
Conditions imposed	2017-NOV-23
Conditions imposed	2017-DEC-18
Conditions imposed	2017-DEC-19
Conditions imposed	2017-DEC-19
Conditions imposed -Pending int	2017-DEC-22
Conditions imposed	2017-DEC-27
Conditions imposed	2017-DEC-27
Conditions imposed -Pending int	2017-DEC-29
Conditions imposed -Pending int	2017-DEC-29
Conditions imposed -Pending int	2017-DEC-28
Conditions imposed -Pending int	2018-JAN-03

Cond: Loss Imposed	2018-MAR-01
Cond: Loss Imposed - Pending BH	2018-MAR-01
Cond: Loss Imposed	2018-MAR-16
Cond: Loss Imposed	2018-MAR-21
Cond: Loss Imposed	2018-MAR-21
Cond: Loss Imposed	2018-MAR-24
Cond: Loss Imposed	2018-MAR-01
Cond: Loss Imposed	2018-FEB-15
Cond: Loss Imposed	2018-FEB-14
Cond: Loss Imposed	2018-FEB-20
Cond: Loss Imposed	2018-FEB-09
Cond: Loss Imposed	2018-FEB-15
Cond: Loss Imposed	2018-FEB-15
Cond: Loss Imposed - Pending BH	2017-MAR-08
Cond: Loss Imposed	2018-MAR-04
Cond: Loss Imposed	2018-MAR-06
Cond: Loss Imposed	2018-MAR-06
Cond: Loss Imposed	2018-MAR-06
Cond: Loss Imposed	2018-MAR-12
Cond: Loss Imposed	2018-MAR-12
Cond: Loss Imposed	2018-MAR-11
Cond: Loss Imposed	2018-MAR-14
Cond: Loss Imposed	2018-MAR-19
Cond: Loss Imposed	2018-MAR-21
Cond: Loss Imposed	2018-MAR-21
Cond: Loss Imposed	2018-MAR-26
Cond: Loss Imposed	2018-MAR-27
Cond: Loss Imposed	2018-MAR-27
Cond: Loss Imposed	2018-APR-01
Cond: Loss Imposed	2018-APR-01
Cond: Loss Imposed	2018-MAR-26
Cond: Loss Imposed	2018-MAR-27
Cond: Loss Imposed	2018-MAR-15
Cond: Loss Imposed	2018-MAR-07
Cond: Loss Imposed	2018-MAR-07
Cond: Loss Imposed	2018-APR-01
Cond: Loss Imposed	2018-APR-04
Cond: Loss Imposed	2018-APR-05
Cond: Loss Imposed	2018-APR-07
Cond: Loss Imposed	2018-APR-07
Cond: Loss Imposed	2018-APR-10
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Cond: Loss Imposed	2018-APR-10
Cond: Loss Imposed	2018-APR-10
Cond: Loss Imposed	2018-APR-10
Cond: Loss Imposed	2018-APR-10
Cond: Loss Imposed	2018-APR-10

Sourced Cash Conditions were having an impact as identified in Great Canadian Gaming Corporation (GCGC) financial disclosures.

Appendix - EXHIBIT C - CHART OF GCGC DISCLOSURES

MDA details	Document link	Citation re VIP conditions/financial impacts
<p>Q3 2015</p> <p>Released: Nov 4, 2015</p>	<p>https://occmimo.com/wp-content/uploads/GCGC-2015-Q3-MDA-FINAL.pdf</p>	<p>p 8: BCLC Introduced Additional Conditions for Certain VIP Players in British Columbia Late in the third quarter, BCLC introduced additional conditions for certain VIP players in British Columbia that include a requirement to demonstrate source of funds used to purchase chips. The effect of these conditions is not currently known but will likely lead to a certain amount of reduced play, and therefore revenues, at all BC casinos, especially those that have significant VIP play.</p> <p>p. 16: Recent Developments As discussed in the "Major Developments – British Columbia" section of this MD&A, late in the third quarter, BCLC introduced additional conditions for certain VIP players in British Columbia that include a requirement to demonstrate source of funds used to purchase chips. The effect of these conditions is not currently known but will likely lead to a certain amount of reduced play, and therefore revenues, at River Rock. The estimated portion of River Rock's revenues generated from the VIP players affected by these additional conditions over the past 12 months is approximately \$20 million.</p>
<p>Q4 2015</p> <p>Released: Mar 9, 2016</p>	<p>https://occmimo.com/wp-content/uploads/GCGC-2015-Q4-MDA-FINAL.pdf</p>	<p>p. 18: BCLC Introduced Additional Conditions for Certain VIP Players in British Columbia Late in the third quarter, BCLC introduced additional conditions for certain VIP players in British Columbia that include a requirement to demonstrate source of funds used to purchase chips. The effect of these conditions is not currently known, but management believes they have caused and will likely lead to a certain amount of reduced play, and therefore revenues, at all BC casinos that have significant VIP play.</p> <p>p. 29: Recent Developments As discussed in the "Major Developments – British Columbia" section of this MD&A, late in the third quarter of 2015, BCLC introduced additional conditions for certain VIP players in British Columbia that include a requirement to demonstrate source of funds used to purchase chips. The effect of these conditions is not currently known, but management believes they have caused and will likely lead to a certain amount of reduced play, and therefore revenues, at River Rock. The estimated portion of River Rock's revenues generated from the VIP players affected by these additional conditions over the 12 months ended September 30, 2015 was approximately \$20.0. While table drop levels in a period may be affected by changes in player behaviour, such as frequency and duration of visits to the property and changed levels of wagering during such visits, management believes that a significant portion of the decline in River Rock's table drop and gaming revenues during the fourth quarter of 2015 was attributed to these additional conditions required for certain VIP players. In addition, a portion of the decline in gaming revenues in the fourth quarter was due to volatility inherent in table games as evidenced by the 5.3 percentage point decrease in table hold percentage in this year's fourth quarter when compared to the prior year's fourth quarter record 25.0% table hold percentage.</p> <p>p 45:</p>

		<p>Revenues over the past eight quarters have generally trended positively during 2015 and over the prior year comparable periods. The increase in revenues in the fourth quarter of 2015 compared to the third quarter of 2015 was primarily due to the additional revenues contributed by Casino New Brunswick that was acquired on October 1, 2015. This increase was partly offset by lower table gaming revenues at River Rock, which management believes was significantly due to a decline in table drop during the fourth quarter of 2015, as a result of additional conditions that BCLC introduced late in the third quarter of 2015 for certain VIP players (refer to the "Major Developments - British Columbia" section of this MD&A). The revenue increase in the third quarter of 2015 compared to the second quarter of 2015 was primarily due to the growth in gaming revenues across most of the Company's properties.</p>
<p>Q1 2016 Released: May 9, 2016</p>	<p>https://ocqamino.com/wp-content/uploads/GC&C-Q1-2016-MDA-FINAL.pdf</p>	<p>p. 2: -risk/uncertainty = the impact of new conditions imposed on certain VIP players in British Columbia</p> <p>p. 9: BCLC Introduced Additional Conditions for Certain VIP Players in British Columbia Late in the third quarter of 2015, BCLC introduced additional conditions for certain VIP players in British Columbia that include a requirement to demonstrate source of funds used to purchase gaming chips. The effect of these conditions is not currently known, but management believes they have caused and will likely lead to a reduction in the amount of gaming chips purchased, corresponding reduction in play and therefore reduced revenues at all BC casinos that have significant VIP play.</p> <p>p. 19: Recent Developments As discussed in the "Major Developments – British Columbia" section of this MD&A, late in the third quarter of 2015, BCLC introduced additional conditions for certain VIP players in British Columbia that include a requirement to demonstrate source of funds used to purchase gaming chips. The effect of these conditions is not currently known, but management believes they have caused and will likely lead to a reduction in the amount of gaming chips purchased, as well as a corresponding reduction in play and therefore reduced revenues, at our gaming facilities in British Columbia, in particular River Rock. The estimated portion of River Rock's revenues generated from the VIP players affected by these additional conditions over the 12 months ended September 30, 2015 was approximately \$20.0. While table drop levels in a period may be affected by changes in player behaviour, such as frequency and duration of visits to the property and changed levels of wagering during such visits, management believes that a significant portion of the decline in River Rock's table drop and gaming revenues during the first quarter of 2016 was attributed to these additional conditions required for certain VIP players.</p> <p>p.35: These increases were partly offset by lower table gaming revenues at River Rock, which management believes was significantly due to a decline in table drop, as a result of additional conditions that BCLC introduced late in the third quarter of 2015 for certain VIP players (refer to the "Major Developments - British Columbia" section of this MD&A).</p>
<p>Q2 2016 Released: Aug 10, 2016</p>	<p>https://ocqamino.com/wp-content/uploads/GC&C-Q2-2016-MDA-FINAL.pdf</p>	<p>p. 1: -risk/uncertainty = the impact of new conditions imposed on certain VIP players in British Columbia</p> <p>p. 20:</p>

		<p>The increase in revenues in Q4 2015 compared to Q3 2015 was primarily due to the additional revenues contributed by Casino New Brunswick. These increases were partly offset by lower table gaming revenues at River Rock, which management believes was significantly due to a decline in table drop, as a result of additional conditions that BCLC introduced late in Q3 2015 for certain VIP players.</p>
<p>Q3 2016 Released: Nov 8, 2016</p>	<p>https://www.gaming.com/wa/content/uploads/2016/03/2016-MDA-FINAL.pdf</p>	<p>p 13: -risk/uncertainty = the impact of new conditions imposed on certain VIP players in British Columbia</p> <p>p 19: The increase in revenues in Q4 2015 compared to Q3 2015 was primarily due to the additional revenues contributed by Casino New Brunswick. These increases were partly offset by lower table gaming revenues at River Rock, which management believes was significantly due to a decline in table drop, as a result of additional conditions that BCLC introduced late in Q3 2015 for certain VIP players.</p>
<p>Q4 2016 Released: Mar 7, 2017</p>	<p>https://www.gaming.com/wa/content/uploads/2016/04/2016-MDA-FINAL-3-5-17-1.pdf</p>	<p>p 13: -risk/uncertainty = the impact of new conditions imposed on certain VIP players in British Columbia</p> <p>p 19: The increase in revenues in Q4 2015 compared to Q3 2015 was primarily due to the additional revenues contributed by Casino New Brunswick. These increases were partly offset by lower table gaming revenues at River Rock, which management believes was significantly due to a decline in table drop, as a result of additional conditions that BCLC introduced late in Q3 2015 for certain VIP players.</p> <p>P 21: Recent Developments Late in the third quarter of 2015, BCLC introduced conditions for certain high value table games players in British Columbia casinos that include a requirement to demonstrate the source of their funds. Players in British Columbia have historically relied on cash as the primary way to purchase chips. During the fourth quarter of 2016, BCLC introduced international wire transfers as a method of transferring funds for gaming. Management is continuing to ensure the Company's players understand the options available to them.</p> <p>Overview Revenues at River Rock have been negatively affected since the conditions with respect to cash were introduced late in the third quarter of 2015. The new conditions have mainly impacted the high volume of VIP play from which River Rock has benefited over recent years. The requirements to demonstrate the source of funds has resulted in lower buy ins, reduced average bets, and shorter durations of play. These dynamics led to the average hold rate declining from 20% in 2015 to 17% in 2016. In response to the decline in revenues, management has changed its promotional activities and reduced operating expenses.</p> <p>Revenues River Rock's gaming revenues declined during the twelve months of 2016, when compared to the same period in the prior year, primarily due to a decline in table drop following BCLC's new conditions with respect to cash as well as a 2.6 percentage point decrease in the table hold percentage. The decline in table drop is mainly due to decreased high limit table play volume. Gaming revenues also declined during the fourth quarter of 2016, when compared to the same period in the prior year, primarily due to a 24%</p>

		<p>decrease in table hold. The 5% increase in table drop was more than offset by a 5.4 percentage point decrease in table hold percentage.</p> <p>The decline in table revenues was partially offset by an increase in slot win of 5% and 2% during the twelve and three months ended December 31, 2016, respectively, when compared to the same periods in 2015.</p>
<p>Q1 2017</p> <p>Released: May 8, 2017</p>	<p>https://ocgaming.com/wp-content/uploads/GCGC-Q1-2017-MDA-FINAL.pdf</p>	<p>p 2: - risk/uncertainty = the impact of conditions imposed on certain VIP players in British Columbia</p> <p>- risk/uncertainty = proposed or unanticipated regulatory or policy changes (including those that may impact VIP play)</p> <p>p. 21: The increase in revenues in Q4 2015 compared to Q3 2015 was primarily due to the additional revenues contributed by Casino New Brunswick. These increases were partly offset by lower table gaming revenues at River Rock, which management believes was significantly due to a decline in table drop, as a result of additional conditions that BCLC introduced late in Q3 2015 for certain VIP players.</p>
<p>Q2 2017</p> <p>Released: Aug 10, 2017</p>	<p>https://ocgaming.com/wp-content/uploads/GCGC-Q2-2017-MDA-FINAL.pdf</p>	<p>p 2: - risk/uncertainty = the impact of conditions imposed on certain VIP players in British Columbia</p> <p>- risk/uncertainty = proposed or unanticipated regulatory or policy changes (including those that may impact VIP play)</p> <p>p. 21: The increase in revenues in Q4 2015 compared to Q3 2015 was primarily due to the additional revenues contributed by Casino New Brunswick. These increases were partly offset by lower table gaming revenues at River Rock, which management believes was significantly due to a decline in table drop, as a result of additional conditions that BCLC introduced late in Q3 2015 for certain VIP players.</p>
<p>Q3 2017</p> <p>Released: Oct 23, 2017</p>	<p>https://ocgaming.com/wp-content/uploads/GCGC-Q3-2017-MDA-FINAL.pdf</p>	<p>p 2: - risk/uncertainty = the impact of conditions imposed on certain VIP players in British Columbia</p> <p>- risk/uncertainty = proposed or unanticipated regulatory or policy changes (including those related to anti-money laundering legislation or policy that may impact VIP play)</p>
<p>Q4 2017</p> <p>Released: Mar 6, 2018</p>	<p>https://ocgaming.com/wp-content/uploads/GCGC-Q4-2017-MDA-FINAL.pdf</p>	<p>p 2: - risk/uncertainty = the impact of conditions imposed on certain VIP players in British Columbia</p> <p>- risk/uncertainty = proposed or unanticipated regulatory or policy changes (including those related to anti-money laundering legislation or policy that may impact VIP play)</p>

2. German report states: "Whether intended or not, the net effect is that there would be no paper trail in iTRAK..." (paragraph 646)

BCLC Clarification: There were already comprehensive records entered into iTrak on each of these players including full particulars on their identity, date of birth address, residence, occupation as well as documentation on the concerning transactions including suspicious transaction reports. In addition, the letter quoted and list were retained and formed part of BCLC's records in relation to these players and their transactions.

3. Reference to CEO Comments (paragraph 554)

BCLC supports the need for increased criminal enforcement and police action within casinos. The comments made by Jim Lightbody, President & CEO referencing "reservations about the police being involved in criminal enforcement within the casinos as it may 'muddy' the role of GPEB" were intended to convey BCLC's strong belief that greater role clarity and accountability is needed prior to increasing the number of agencies dedicated to enforcement at casinos. Dr. German's recommendation to create a Dedicated Policing Unit addresses this concern.

4. SAS Financials (paragraphs 717, 718)

Dr. German's report notes that BCLC acquired SAS for AML as a result of *POCMLTFA* regulation changes in 2013 requiring entities, including BCLC, to apply enhanced Customer Due Diligence requirements on its patrons. It also notes that BCLC reached out to financial institutions in search of a system and that BCLC was the first in the gambling industry to engage SAS for AML services.

BCLC's engagement with SAS for the AML project was a commercial arrangement with both parties assuming certain responsibilities under the contract.

Project budget and costs

BCLC approved the business case for the project with a budget of \$7.4 million including internal and external costs. The actual total cost of the project was \$7,294,756. The total paid to SAS within the project was \$4,560,723. This is the same amount that SAS indicated in its March 8, 2018 memo to Dr. German that it was paid by BCLC in relation to the project.

BCLC's final payment to SAS for the SAS AML project was on May 19, 2016 for \$29,446.48. BCLC has not and will not incur further expense with respect to the SAS AML software project.

The detailed project cost breakdown is contained in Exhibit D.

Appendix 5 - EXHIBIT D

Category	Total Amount	Notes
BCLC professional services	\$2,171,165	BCLC contract resources (PM/IT Lead/Business Analyst/Developers/Testers)
Hardware	\$253,088	Servers, storage, etc
Internal Labour	\$308,171	BCLC internal Employee costs
Other	\$ 1,609	Misc expenses
SAS Professional Services	\$1,581,057	SAS contractors/resources
SAS Professional Services – Travel	\$149,576	SAS travel
SAS Software License	\$2,721,570	SAS - Business Intelligence & AML
SAS Professional Services – Training	\$108,520	SAS Training
TOTAL	\$7,294,756	