

COMMISSION OF INQUIRY INTO MONEY LAUNDERING IN BRITISH COLUMBIA

The Honourable Mr. Austin F. Cullen, Commissioner

AFFIDAVIT #1 OF DOUGLAS SCOTT

I, Douglas Scott, of 1001 Douglas Street, Victoria, British Columbia, V8W 2C5, Deputy Minister,
AFFIRM THAT:

1. I am an employee of the Province of British Columbia in my role as the Deputy Minister of the Crown Agencies Secretariat in the Ministry of Finance, a witness at the Commission of Inquiry into Money Laundering in British Columbia (the "Commission"), and as such, I have personal knowledge of the facts and matters deposed to in this affidavit, save and except where based on information and belief, and where so stated, I believe it to be true.
2. I affirm this affidavit to provide evidence to the Commission pursuant to a summons issued to me under the *Public Inquiry Act*, S.B.C. 2007, c. 9.

Education

3. I hold a Masters of Business Administration from the School of Business at Queen's University, which I obtained in 1995. The focus of my MBA studies was on business and operations strategy.
4. In 2009, I obtained a Master of Public Administration from the Kennedy School of Government at Harvard University. The focus of my MPA studies were leadership and strategy.

Experience with the RCMP

5. Prior to joining the public service in 2011, I served as a member of the RCMP for 20 years from 1991 to 2011.
6. My experience as an RCMP member focused on commercial crime, though I was involved in a money laundering investigation when I was a Junior Constable. I also had some peripheral involvement in proceeds of crime and money laundering investigations later in my RCMP career, but these types of investigations were not at the core of my duties as an RCMP officer.
7. However, commercial crime investigations can be closely linked to proceeds of crime as proceeds of crime are commonly part of economic crime investigations. Proceeds of crime investigations can be difficult at times because of the need to link the proceeds to a criminal offence (the predicate offence). Investigators must establish the link between the proceeds and the predicate offence and then follow the money to determine how the money moved and who controlled it at each point. In order to support criminal charges, there cannot be any gaps in the movement or control of the money.
8. During my time with the RCMP, I also held roles that focussed on change management, and concluded my career with the RCMP as an Inspector with the Integrated Market Enforcement Team in Calgary, Alberta from 2009 to 2011.

Roles within BC Public Service

9. In June of 2011, I joined the public service as Assistant Deputy Minister and General Manager of the Gaming Policy & Enforcement Branch ("GPEB"), which was housed in the Ministry of Public Safety and Solicitor General when I started, but was later transferred to the Ministry of Energy, Mines and Natural Gas in September 2012 and then Ministry of Finance in June 2013. I held this role until September 2013.
10. In September 2013, I left GPEB and became the Assistant Deputy Minister and General Manager of the Liquor Control and Licensing Branch (LCLB) in the Ministry of Public Safety and Solicitor General. I held this position until January 2017.
11. In January 2017, I became the Assistant Deputy Minister, Negotiations and Regional Operations, in the Ministry of Indigenous Relations and Reconciliation. I held this role until January 2018, when I became the Associate Deputy Minister responsible for GPEB, BCLC,

Liquor Distribution Branch (LDB), the Insurance Corporation of BC ("ICBC"), and the Liquor and Cannabis Regulation Branch ("LCRB") in the Ministry of Attorney General.

12. I held that role until November 2020, when I assumed my current position as Deputy Minister, Crown Agency Secretariat, Ministry of Finance, responsible for ICBC, LDB, BCLC, and additional crown corporations to be determined by Cabinet.

Role as General Manager of GPEB (2011- 2013)

13. After retiring from the RCMP, I joined GPEB as General Manager in June 2011.
14. My overall responsibility as General Manager of GPEB was to ensure the effective regulation of the legal gaming industry in British Columbia, and in so doing, maintain the "integrity of gaming". I understood this to include ensuring that the right people are part of the industry, that the games are fair and gaming services were carried out in a fashion that would maintain the integrity of the industry. In this role, I oversaw GPEB's various divisions.
15. In my role as General Manager of GPEB, I reported to Deputy Minister Lori Wanamaker in the Ministry of Public Safety and Solicitor General. I continued to report to Ms. Wanamaker after GPEB was shifted to the Ministry of Energy, Mines and Natural Gas in September 2012. When responsibility for GPEB was shifted to the Ministry of Finance in June 2013, I began reporting to Associate Deputy Minister Cheryl Wenezenki-Yolland. From my perspective, Ms. Wanamaker was more involved with GPEB at a big-picture, strategic level, while Ms. Wenezenki-Yolland had a greater interest in the day-to-day operations of GPEB.
16. As General Manager of GPEB, I did not have the authority to issue directions to BCLC. Under s. 28 of the *Gaming Control Act* as it existed when I was GM, directions from the GM to BCLC required ministerial approval.
17. In November of 2011, GPEB conducted a branch wide strategic planning session. Employees from every division of GPEB participated, including all members of the Investigations Division. During this planning session GPEB set out its mission as well as its vision for the future. An assessment of the primary threats and opportunities related to our organization's execution of our mission and realization of our mission was completed. The top four risks and opportunities formed our strategic priorities, which in turn became the focus of GPEB's change efforts.
18. As a result of the session, prevention of wrongdoing, including prevention of money laundering, and responsible gambling were designated as our primary strategic priorities.

Attached hereto and marked as **Exhibit "1"** is a true copy of GPEB's Strategic Plan for 2012/2013 (GPEB3962). While progress on the problem gambling enabled this priority to be removed in the second year of my tenure, prevention of wrongdoing and specifically money laundering continued as the primary strategic priority until my departure in September, 2013.

19. I do not recall an alleged interaction with GPEB investigator Rob Barber in which Mr. Barber says that, after a meeting with the Investigations Division at the GPEB offices in Burnaby, he told me that money laundering was out of control in casinos and something needed to be done about it, but that I said nothing and walked around him. This allegation is wholly inconsistent with how I treat people in the workplace and suggests that I did not care about money laundering in casinos when in fact, prevention of suspicious cash entering casinos was not just a strategic priority of the branch, but also one of my personal goals during my tenure at GPEB.

2011 Summary Review & GPEB's Response

20. Shortly after I joined GPEB, the *Summary Review: Anti-Money Laundering Measures at BC Gaming Facilities* prepared by Robert Kroeker (the "Kroeker Report") was released. I understand that this report was commissioned by government in response to media reports published in 2010 about large amounts of cash being brought into BC casinos.
21. At the time I arrived at GPEB, I believe government had already determined to accept all recommendations in the Kroeker Report and one of my initial tasks as GM was implementation of those recommendations. The Kroeker Report made recommendations for both BCLC and GPEB, so I understood both organizations to have shared responsibility for implementing those recommendations.
22. Aside from some concerns I had regarding the first recommendation (that BCLC revise its buy-in/cash-out policy to allow for cash-outs to be paid by cheque, indicating that the funds are not from gaming winnings), I generally agreed with the recommendations made in the Kroeker Report, and believed that GPEB was to take the steps necessary to move forward in implementing the recommendations.
23. My concerns about the first recommendation arose from my past experience investigating commercial crime as an RCMP officer. I understood this recommendation was made to ensure that there was an audit trail for police to follow, but I knew that the RCMP did not

have capacity to follow the trails. Nonetheless, this recommendation was implemented through the issuance of convenience cheques in circumstances where patron safety was a concern and limited to \$8,000 in order to prevent large volume conversion of cash to cheques.

24. During my time as General Manager of GPEB, the policy was to return cash to patrons in the same form that it was received. This meant that if a buy-in was made with cash, the patron was to receive cash in the same denominations as the original buy-in at the time of cash-out. This policy was intended to prevent placement of cash and conversion to cheque as well as prevent "colouring up" to higher denominations. During my time as General Manager, I generally understood that service providers were complying with this policy.
25. Following release of the Kroeker Report, GPEB (primarily me and Bill McCrea, with the support of Investigations and other GPEB divisions) worked with BCLC (primarily Terry Towns, Michael Graydon and others) to develop policies to support the implementation of Mr. Kroeker's recommendations. GPEB and BCLC coordinated their efforts and shared information about the steps we were each taking in response. Attached hereto and marked as **Exhibit "2"** is a true copy of a document titled Progress Report of AML Actions from the Summary Review dated October 31, 2011, together with its covering email correspondence (GPEB3807). This document sets out the progress made by GPEB and BCLC in implementing Mr. Kroeker's recommendations as of October 2011.
26. The ongoing dialogue between GPEB and BCLC in working to implement the Kroeker Report recommendations is also shown through the correspondence exchanged in 2011 and 2012, examples of which are attached hereto and marked as follows:
 - a. **Exhibit "3"** – August 17, 2011 letter from me to Mr. Graydon re GPEB's support for certified cheque buy-ins and formation of GPEB's cross-divisional anti-money laundering (AML) working group (BCLC0013072);
 - b. **Exhibit "4"** – October 4, 2011 letter from Mr. McCrea to Mr. Towns re GPEB Response to BCLC's 'Methods to Reduce Reliance on Cash in BC Casinos' (BCLC0013075);
 - c. **Exhibit "5"** – November 30, 2011 letter from Terry Towns to me re Casino Cash and Payment Process Enhancement Project (BCLC0011788);

- d. **Exhibit "6"** – January 24, 2012 letter from Mr. McCrea to Mr. Towns re BCLC Casino Cash Payment Enhancement Project (BCLC0011790);
- e. **Exhibit "7"** – January 25, 2012 letter from Terry Towns to Mr. McCrea re Casino Cash and Payment Enhancement Project (BCLC0011789);
- f. **Exhibit "8"** – December 6, 2012 letter from Mr. McCrea to Mr. Towns re. BCLC Policy Proposal – Acceptance of Funds from U.S. Banks (BCLC0011793);
- g. **Exhibit "9"** – December 7, 2012 letter from Mr. McCrea to Mr. Towns re Customer Convenience (Safety) Cheque Limit Increase (BCLC0011795); and
- h. **Exhibit "10"** – September 22, 2013 letter from me to Mr. Desmarais re BCLC Request for Policy Change Regarding Casino Cheque Issuance (BCLC0012122).

GPEB's Cross-Divisional AML Working Group

- 27. Starting in the summer of 2011, I lead the establishment of GPEB's Anti-Money Laundering Cross-Divisional Working Group ("X-DWG"), in collaboration with my team. The X-DWG was established to develop AML solutions and assess proposals from BCLC and the industry. It was also the decision-making body responsible for developing and executing GPEB's AML strategy. The X-DWG was chaired by the Executive Director of Internal Compliance and Risk Management, Bill McCrea. Attached hereto and marked as **Exhibit "11"** is a true copy of a Ministry of Public Safety and Solicitor General Information Note dated August 30, 2011 titled "Regulatory Assistance for Anti-Money Laundering Initiatives" (GPEB0090). I understand that Bill McCrea drafted this document. Attached hereto and marked as **Exhibit "12"**, is a true copy of an updated version of this Information Note dated September 6, 2011 (GPEB0219).
- 28. I wanted the whole of GPEB to work creatively to address the issue of cash in casinos and in order to accomplish this, all relevant divisions within GPEB were included in X-DWG, namely the Assistant Deputy Minister's Office (my office), Audit and Compliance, Registration and Certification, Investigations, Policy/Responsible Gambling, and Internal Compliance and Risk Management ("ICRM").
- 29. The X-DWG had its first meeting in early September 2011 and by October 2011, had developed a high-level action plan and initial work had been done to provide regulatory direction for several relatively quick actions that could be taken by BCLC and service providers. Those relatively quick actions were matters that didn't require new policy to be

developed, for example, having service providers intervene with high-value customers to encourage use of non-cash options for buy-ins, including PGF accounts. X-DWG also developed actionable proposals in various areas. Attached hereto and marked as **Exhibit "13"** is a true copy of the X-DWG's Strategy for Stopping Money Laundering in BC Casinos dated October 25, 2011 (GPEB0091).

30. My view at the time, was that while implementing the Kroeker Report recommendations was a good start, more needed to be done specifically to target the high volumes of cash that our Investigations Division reported was being used to buy-in at some casinos. Indeed, both Larry Vander Graaf and Joe Schalk participated in X-DWG as representatives of the Investigation Division and would provide the X-DWG with copies of some of their Reports of Findings, for example those that I understand are found at Exhibits L and O of Mr. Vander Graaf's Affidavit #1 made November 8, 2020.
31. As part of its work in implementing the recommendations from the Kroeker Report, the X-DWG considered BCLC's proposals to reduce reliance on cash in casinos and provided feedback to BCLC, including through the correspondence attached above at Exhibits "4" (BCLC0013075), "6" (BCLC0011790), "8" (BCLC0011793) and "9" (BCLC0011795). To the best of my recollection, these letters were reviewed by the X-DWG and revised following input from the group before being sent to BCLC.
32. Attached hereto and marked as **Exhibit "14"** is a true copy GPEB's Response to BCLC's methods of reducing cash in BC casinos dated September 19, 2011 (GPEB2532). This document is illustrative of the type of work the X-DWG did in considering AML issues and formulating cross-divisional responses.
33. It also became clear through our communications between the X-DWG, BCLC and industry that there was some ambiguity around service providers' reporting obligations under the *Gaming Control Act*, particularly when it came to the circumstances in which a s. 86 report should be filed with GPEB. In an attempt to clear up any ambiguity, I sent a letter to all registered gaming and e-gaming service providers setting out GPEB's position on, among other things, the circumstances in which a s. 86 report was required to be filed with GPEB. Attached hereto and marked as **Exhibit "15"** is a true copy of my letter to service providers dated July 26, 2012 (GPEB0634).

Investigation Division's Reports of Findings

34. From time to time when I was GM, I would receive reports of findings from GPEB's Investigations division. For example, I recall receiving "Report of Findings: Money Laundering at River Rock Casino" (GPEB0612, Exhibit L to Mr. Vander Graaf's Affidavit #1) approximately six months into my tenure as GPEB General Manager.
35. Generally, my thinking with respect to reports such as this one was consistent with the views of the GPEB Investigations Division. However, I do not recall thinking at the time that the activity described in any one of these reports was definitively money laundering, but in totality, I had formed the view that there were likely proceeds of crime coming into BC casinos. I believed this was a very serious problem that we needed to address.
36. Mr. Vander Graaf also advised me that when appropriate, he would forward Investigation Division's reports to the police of jurisdiction. As such, I did not take steps to provide these reports to the police directly but instead relied on Mr. Vander Graaf to notify the police. Investigations had established relationships with law enforcement to share information as appropriate.
37. Investigation Division's reports of findings were also provided to and discussed by the X-DWG, and used to inform its work. In some instances, the Investigations Division would deliver a presentation to the X-DWG on their reports of findings.

GPEB's AML Strategy

38. I believed that the gaming industry needed an overarching strategy on money laundering, and that no organization could address the problem on its own. I did not believe that implementation of the recommendations from the Summary Review alone would solve the problem of suspicious cash transactions in casinos, but I did think that this was a good start. I believed that a comprehensive strategy was needed, which is why GPEB, through the X-DWG, began working on an AML strategy.
39. Initially, my impression of the BCLC and service provider (casinos) AML activity was that it was limited to only meeting legal obligations (specifically, reporting suspicious and large cash transactions to FINTRAC). In the absence of effective law enforcement and prosecution capability to investigate money laundering and use of proceeds of crime in BC casinos, reporting alone was, in my view, of virtually no use. I believed that GPEB, BCLC and service providers needed to work together to address the issue of suspicious cash

coming into casinos and that no one organization could solve the problem on its own. This is a primary reason I believed a comprehensive strategy that engaged the regulator (GPEB), the operator (BCLC) and service providers in a unified response was important. Until this point, the gaming industry behaved as if money laundering was exclusively a law enforcement problem.

40. At a high level, GPEB's AML strategy was set up in three overlapping phases:
 - a. Phase 1 – Cash Alternatives (Service Provider Intervention) – commencing April 2012. This phase included BCLC working with service providers to promote cash alternatives, especially to high-volume players, and contemplated incentives for player use of cash alternatives. BCLC was also to work with service providers to develop enhancements to the cash alternatives program and market them to patrons, while GPEB continued to gather more information on the nature of cash entering casinos and analyze these funds;
 - b. Phase 2 – Operator Intervention – Commencing May 2013. This phase involved BCLC and service providers becoming more actively engaged in the promotion of cash alternatives with high-volume patrons, using a customer relationship management approach. This phase also contemplated introducing enhanced customer due diligence and analysis capacity to better inform AML activity in the industry; and
 - c. Phase 3 – Regulator Intervention (GPEB) – commencing December 2013. This phase contemplated that if the issue of large amounts of suspicious cash persisted, GPEB would undertake direct regulatory action as part of the regulatory process in preventing money laundering and included GPEB conducting interviews of patrons who continued to bring suspicious cash into casinos.
41. My thinking at the time was that an incremental phased approach was necessary in order to have cash alternatives in place and give patrons time to transition to using those options. In addition, GPEB expected and encouraged BCLC intervention with high-risk players throughout implementation of the strategy.
42. To be clear, cash alternatives were never intended to be the whole solution to the issue of money laundering and suspicious cash transactions. Cash alternatives were a foundational step, but were never the core of the AML Strategy. Throughout the various phases, problematic players were to be targeted in an effort to shift as much casino play away from

cash as possible. Ultimately, by Phase 3, if there were still players bringing in large amounts of suspicious cash—i.e. service provider and BCLC's efforts to transition them to cash alternatives (or ban them in the case of BCLC) had not succeeded—then GPEB would intervene with patrons directly.

43. In late fall of 2011, I met with BCLC's CEO Michael Graydon and service providers, including Rod Baker of Great Canadian, to discuss the roll out of GPEB's AML Strategy. I recall describing Phase 3 of the strategy as involving direct action by GPEB and would involve the GPEB Investigations Division interviewing patrons directly. I also noted that if targeted interventions were unsuccessful, other measures such as regulatory directives may be required.
44. The key message I conveyed in this meeting and in subsequent discussions was that if BCLC and the industry were unable to stop the flow of suspicious cash into casinos, GPEB would directly intervene. Mr. Graydon communicated to me that he viewed patron interviews as properly being BCLC's role and that he was concerned about GPEB taking this kind of action. I did not share Mr. Graydon's view. While there was a lack of clarity around this issue, I understood that GPEB investigators could interview patrons when investigating regulatory offences, or at law enforcement's request if they were assisting with criminal code offences.
45. The GPEB Investigations Division also questioned whether interviewing patrons was properly their role, but I saw it as a step that might become necessary as part of Phase Three of the AML Strategy, especially if BCLC did not start taking more aggressive action to address the issue of cash coming into casinos.

AML in BC Gaming – Measuring Performance Progress

46. In mid-2012, and despite GPEB's work to implement the Kroeker Report recommendations and ongoing work through the X-DWG to implement the overarching AML Strategy, the Investigations Division continued to report on large amounts of suspicious cash being brought into casinos, primarily River Rock Casino Resort. GPEB had intended to evaluate its progress on AML initiatives starting in early 2013, but based on the information we were receiving from Investigations that the number of suspicious transaction reports (STRs) was increasing rapidly, I decided to accelerate that review and tasked Mr. McCrea with preparing a report for GPEB on the efficacy of GPEB and BCLC's AML efforts to date. Attached hereto and marked as **Exhibit "16"** is a true copy of email correspondence between me

and Mr. McCrea dated August 31, 2012 re AML Action Items (GPEB0252). To the best of my recollection, the handwriting on this document is Mr. McCrea's.

47. As I noted in my email to Mr. McCrea, I was optimistic that the cash alternatives we were working on at the time, combined with casino and BCLC efforts to move patrons to these alternatives, would reduce the number of large cash transactions (LCTs) and suspicious transaction reports (STRs) that were being generated, but I also recognized that discounted street cash was also likely making its way into casinos. I knew that it would be important for the whole of the AML Strategy to be implemented; cash alternatives were a foundational piece but not alone sufficient.
48. By March 2013, Mr. McCrea had prepared a draft report titled "Anti-Money Laundering in BC Gaming – Measuring Performance Progress" that detailed the AML initiatives that the industry (GPEB, BCLC and service providers) were currently working on (the "Progress Review"). While Mr. McCrea was the lead author of the Progress Review, he worked with the X-DWG to solicit input and information as required from all of GPEB's different divisions, and in particular, he worked with Mr. Vander Graaf from Investigations.
49. The draft Progress Review was provided to BCLC for their review. Attached hereto and marked as **Exhibit "17"** is a true copy of Mr. McCrea's email to Brad Desmarais, BCLC's VP of Corporate Security and Compliance, and Byron Hodgkin, BCLC's Director of Operational Compliance, attaching the draft Progress Review (BCLC0012092). Attached hereto and marked as **Exhibit "18"** is a true copy of email correspondence dated March 26, 2013 from Susan Dolinski, BCLC's Vice President, Communications and Public Affairs, to me and Mr. McCrea setting out BCLC's comments on the draft Progress Review (BCLC0015776).
50. In my view, BCLC's comments indicated to me that their view at the time was that there was no "proof" that money laundering was occurring or that the suspicious cash being brought into casinos was indeed proceeds of crime. For example, BCLC suggested that most of the increase in STRs that was being observed at the time was due to increased training and reporting requirements, and that in suggesting otherwise, GPEB was "basing its conclusions on its own perceptions vs. facts". BCLC also requested that a sentence that referenced loan sharks continuing to operate in creative ways by providing cash to patrons from outside gaming premises be deleted.

51. BCLC's comments on the draft Progress Review were consistent with statements made to me by Mr. Desmarais and Mr. Graydon in various calls or meetings we had to discuss AML issues while I was GM of GPEB and are illustrative of what I would describe as BCLC and GPEB's differing "world views" regarding AML issues. Generally speaking, during my time as GM, I often heard BCLC representatives express that proof or confirmation from law enforcement was required before what was happening in terms of the amount of suspicious cash being brought into BC casinos could be characterized as money laundering or the proceeds of crime.
52. My view was that regardless of whether BCLC, law enforcement, or anyone else for that matter, could definitively "prove" that the suspicious cash being brought into BC casinos was proceeds of crime or that money laundering was occurring, the evidence though imperfect, strongly suggested some significant amount of proceeds of crime was entering BC casinos. Regardless, it was undeniable in my view that this type of activity would create the perception of money laundering and therefore undermine the integrity of the gaming industry and that this perception was enough to warrant taking action. Attached hereto and marked as **Exhibit "19"** is a true copy of email correspondence that I received from Mr. Graydon that is illustrative of the differing approaches of GPEB and BCLC at the time. To the best of my recollection, the handwriting on this document is Mr. McCrea's (GPEB3846).
53. Nonetheless, GPEB incorporated many of BCLC's requested changes into the final version of the Progress Review. Attached hereto and marked as **Exhibit "20"** is a true copy of email correspondence from Mr. McCrea to me and others within GPEB dated May 9, 2013, attaching a table setting out BCLC's requested changes and GPEB's response dated May 8, 2013 and the final version of the Progress Review dated May 9, 2013 (BCLC0012142).
54. With respect to the AML Strategy, Phase 3 was supposed to begin at the end of December 2013. When I left GPEB in September 2013, GPEB had not yet started interviewing patrons, though I understood that Mr. Vander Graaf had been encouraging BCLC to be more aggressive in the steps they were taking to interview patrons. In retrospect, it may be that preparation and implementation of Phase 3 of the AML Strategy should have been accelerated in response to the absence of a law enforcement and the continued growth of suspicious cash in casinos.
55. When I asked Mr. Vander Graaf what steps he would recommend to address the issue of cash in casinos his primary recommendation was a hard cap on the amount of cash that an individual could bring into the casino in a 24-hour period. I was open to considering this idea

and I thought that if the AML Strategy we were pursuing at the time (customer interventions) was not effective in reducing the amount of suspicious cash, then we would need to move to some form of cash cap or similar broad regulatory restriction.

56. At this time I understood suspicious transactions represented a small percentage of buy-ins and the number of high risk patrons made a targeted approach viable. Therefore, I preferred first using a targeted approach over a broad policy as I saw this as having a lesser effect on other stakeholder groups. In my role as General Manager, it was my responsibility to consider all potential impacts.

Estimates Notes & Transitional Reporting

57. Estimates notes are routine notes prepared for a Minister in anticipation of questions they may be asked by the opposition critic during estimates debates. Estimates debates form part of the budget debate process and give the opposition the opportunity to question the Minister responsible about detailed aspects of the provincial budget before it is passed. Attached hereto and marked as indicated are the following estimates notes:
- a. **Exhibit "21"** – Estimates Briefing note dated February 10, 2012 titled "Anti-Money Laundering Review and Mitigation" (GPEB4613);
 - b. **Exhibit "22"** – Estimates Briefing Note dated February 21, 2012 titled "FINTRAC – Reporting on suspicious and large cash transactions" (GPEB0620); and
 - c. **Exhibit "23"** – Estimates Briefing Note dated May 2, 2012 titled "Addressing Wrongdoing Related to Gaming" (GPEB0631).
58. In anticipation of needing to brief a new Minister following the May 2013 provincial election, a transition binder was prepared containing information about GPEB and BCLC. Attached hereto and marked as **Exhibit "24"** is a true copy of transition materials prepared April 30, 2013 (GPEB4330). Items 1-9 were prepared by GPEB; items 10-18 were prepared by BCLC. Attached hereto and marked as **Exhibit "25"** is a true copy of an Issue Note dated April 10, 2013 titled "Anti-Money Laundering Strategy" (GPEB4329). Attached hereto and marked as **Exhibit "26"** is a true copy of what appears to be an updated version of this briefing note (GPEB0655), though I cannot say for certain now whether this was the final version.
59. After the May 2013 election, Minister Michael de Jong replaced Minister Rich Coleman as the Minister responsible for gaming. Though I do not have a direct recollection of this

meeting, in the normal course of my duties I would have delivered a transitional briefing to Minister de Jong. A review of my calendar suggests that this meeting took place on June 18th and others in attendance were Peter Milburn, Cheryl Wenezenki-Yolland, and Michael Graydon. Attached hereto and marked as **Exhibit "27"** is a true copy of a power-point presentation for that briefing dated June 13, 2013 (GPEB4336). I did not draft this presentation, but would likely have approved it.

60. There was no change in direction or approach after Minister de Jong took over responsibility for gaming from Minister Coleman.
61. Also, in June and July 2013, GPEB was tasked with preparing various estimates notes for the new Minister. Attached hereto and marked as indicated are the following Estimates Notes:
 - a. **Exhibit "28"** – Estimates Note dated June 14, 2013 titled "Gaming in British Columbia – An Overview" (GPEB4339);
 - b. **Exhibit "29"** – Estimates Note dated June 14, 2013 titled "Anti Money-Laundering and FINTRAC Compliance" (GPEB0662);
 - c. **Exhibit "30"** – Estimates Note dated July 9, 2013 titled "Gaming Policy and Enforcement Branch (GPEB) Budget and FTEs (GPEB4342).

Communication with Superiors during Tenure as General Manager of GPEB

62. As I noted above, the Investigations Division's reports of findings were provided to me as GM and were also discussed through the X-DWG. It was not, however, my practice to forward those reports to my Deputy Ministers and I do not recall forwarding them to Deputy Minister Wanamaker or Associate Deputy Minister Wenezenki-Yolland.
63. Rather, my practice as GM was to report to Ms. Wanamaker and Ms. Wenezenki-Yolland through oral briefings. My briefings with Ms. Wanamaker typically occurred monthly or bi-monthly. My briefings with Ms. Wenezenki-Yolland were more frequent and regular. I would also occasionally send briefing notes to them or to the Minister on various issues, some of which included AML issues. Attached hereto and marked as **Exhibit "31"** is a briefing note to Minister Coleman dated February 23, 2012 titled "Anti-money laundering Strategy Update" (GPEB0623).

64. Throughout my tenure with GPEB, I felt empowered to do what I thought GPEB needed to do, within the constraints of the *Gaming Control Act*. There was some ambiguity around the division of responsibilities between BCLC and GPEB under that Act, and GPEB did not have all of the powers I would like to have had. Specifically, I would have liked to have had the authority to issue directives to BCLC on operational matters and was interested in expanding the authority of the Investigations Division to allow GPEB investigators to interview patrons about their source of wealth and source of funds, as contemplated in Phase 3 of the AML Strategy. I hoped to address the issue of the authority of the Investigations Division, but left GPEB before I was able to do so.
65. Nonetheless, I did not feel that not having these powers inhibited GPEB from taking the steps I felt we needed to at the time to implement the recommendations from the Kroeker Report and move forward with the AML Strategy.

Relationship between GPEB and BCLC

66. At the time that I joined GPEB, I perceived there to be friction between the GPEB Investigations Division and other divisions within GPEB, and also between representatives of the British Columbia Lottery Corporation ("BCLC"), primarily Terry Towns, Michael Graydon and members of the BCLC corporate security group, and the GPEB Investigations Division. I did not, however perceive this friction to be to the extremes suggested by Peter German in his March 2018 report "Dirty Money: An Independent Review of Money Laundering in Lower Mainland Casinos conducted for the Attorney General of British Columbia" ("German Report").
67. In some ways there were good working relationships between the Investigations Division and others within GPEB, but in others there were difficulties. Some of these difficulties were the result of differences between individuals. In my view, much of the friction within GPEB was connected to Larry Vander Graaf and Joe Schalk. Mr. Vander Graaf and Mr. Schalk both had the best of intentions, but I felt that they could come across in an overly aggressive way at times. My perception is that much of the friction between GPEB's Investigations Division and BCLC was also connected with Mr. Vander Graaf and Mr. Schalk.
68. I did not review all of GPEB's correspondence with BCLC generally, or the Investigation Division's correspondence specifically. However, in light of the friction that I observed between GPEB's Investigations Division and BCLC, in about the Fall of 2012, I asked that any formal communications from Investigations to BCLC be directed through my office. I did

this because while I recognized the importance of Investigations sharing their findings and analysis with BCLC, I wanted that to be done in a way that fostered a better relationship between our two organizations, not one that exacerbated the existing tensions. My concern was focused on the personalities involved and the tone of the correspondence, not on the substance of what was being communicated.

69. I first learned of Mr. Schalk's December 27, 2012 letter to Mr. Graydon on January 7, 2013 when Mr. Graydon sent me an email taking issue with that letter and called me shortly thereafter. Attached hereto and marked as **Exhibit "32"** is a true copy of Mr. Graydon's January 7, 2013 email to me, and my response to him dated January 18, 2013 (BCLC0015775). My comment to Mr. Graydon that BCLC had "undertaken everything we have asked and agreed as part of the comprehensive AML strategy" was with reference to the AML strategy I describe above, which at the time was in Phase 1.
70. Mr. Graydon's email is another illustration of the differences that I perceived existed at the time between GPEB and BCLC in terms of acknowledging the seriousness of the issue with suspicious cash in casinos. By way of example, Mr. Graydon asserted that the conclusions drawn by Mr. Schalk were "without foundation" and not "supported by fact or proper analysis", reiterated a position often taken by BCLC during this time frame that it was sufficient from an AML perspective that BCLC was complying with its FINTRAC reporting requirements, and suggested that the increase in STRs reflected changes in reporting requirements and additional training.
71. The differing views of BCLC and GPEB on the subject of proceeds of crime and money laundering were another source of friction between our organizations during my tenure as GM. Generally speaking, it was my view at the time that BCLC perceived their role to be primarily to observe and report suspicious transactions and so they appeared to me to rely heavily on compliance with their FINTRAC reporting requirements as indicative that money laundering was not occurring in BC casinos.
72. When I first started with GPEB, BCLC had a strong view that suspicious transactions were not the proceeds of crime, and commonly expressed the view that the preference of certain patrons to deal in cash was a cultural preference, that the volume of cash could be explained by the money being brought into Canada from overseas, and that these patrons were legitimately wealthy individuals. While I agreed that there was some merit to these ideas, I did not agree that this was a complete explanation for the significant amounts of suspicious cash that the Investigations Division was reporting coming into BC casinos.

73. Later, through my dealings with Brad Desmarais, I continued to encourage BCLC to begin interviewing patrons to assist in identifying the source of funds. In response, Mr. Desmarais told me that BCLC knew their customers, had done due diligence on them and confirmed they had the wealth to play at the levels they were. During this time I was concerned that inquiring about a patron's source of wealth did not fully address the issue as, based on my past experience in the RCMP, I shared Mr. Vander Graaf's view that that these players were likely buying street cash and so I wanted BCLC to make source of funds part of BCLC's due diligence process. Mr. Desmarais expressed his view that a lot of the cash reported in STRs was legitimate, and that only a small proportion was proceeds of crime. Mr. Desmarais also expressed the view that that patrons were transporting physical cash from China. While I respected Mr. Desmarais and his experience this explanation did not seem logical to me.
74. My conversations with Mr. Desmarais on this issue were very direct but professional. I was adamant in telling him that BCLC should be interviewing patrons about their source of funds immediately, rather wait to build an intelligence unit over time, as I understood was his plan. I suggested that BCLC should reverse the onus and require proof of the source of funds. I did not believe that BCLC needed to prove any wrongdoing to refuse cash. In my view, I was very direct in delivering this message to Mr. Desmarais, but I feel we had a professional disagreement about this issue.

Associate Deputy Minister, Ministry of the Attorney General

75. In January 2018, I became Associate Deputy Minister in the Ministry of the Attorney General, assuming responsibility for GPEB, BCLC, the Liquor Control and Licensing Branch, Liquor Distribution Branch and the Insurance Corporation of British Columbia.
76. With respect to BCLC, my role was to represent the Minister, who represented the shareholder. I interacted with the BCLC Board of Directors, primarily through the Board Chair (Peter Kappel) and the CEO (first Jim Lightbody, then Greg Moore) on issues of interest to government. I also had responsibility for GPEB, which reported to my office. In my role as Associate DM, I attended BCLC board meetings and was an *ex officio* member of the board. I did not attend every meeting but did so when my schedule allowed.
77. I was pleased when I learned of the results of Ernst & Young's analysis of cheques issued by the River Rock Casino Resort from 2014 to 2016 as it demonstrated that the policy in place when I was General Manager of GPEB continued to be followed and that placement of illicit funds was not happening through the issuance of cheques at BC casinos. In my

view, this was a different issue than what Dr. German was looking at in terms of the Vancouver Model typology of money laundering and so I was not concerned about whether EY's findings were consistent Dr. German's. I viewed the EY audit as another data point that looked at the potential for money laundering from a different perspective than Dr. German.

78. I recall discussion of the EY report at two BCLC board meetings, one of which I attended in person, the other I attended by phone. I disagree with any suggestion that I believed the results of the EY audit were "not good" for government. What I was concerned about was the potential for public communications challenges to arise from that audit as if taken in isolation, it could have been construed by the media as suggesting that there were no proceeds of crime coming into casinos. As I understood it, the EY audit indicated that placement was not occurring through the issuance of casino cheques, but that did not mean that there was not a large volume of proceeds of crime entering casinos.
79. I did not engage in any discussion about "burying" the EY Report and have no recollection of discussions about putting the report into draft form to prevent its release through a freedom of information request. There was discussion at the second of the two BCLC board meetings at which the EY Report was discussed about whether the document should be transferred to government under common interest privilege, but this discussion emanated from BCLC, and I understood that they had initially commissioned the report through their legal counsel. Specifically, Peter Kappel, BCLC's Board Chair, asked me if the report should be provided to government with the privilege. I agreed with that suggestion, not because I wanted to "bury" the report, but because I was wary of waiving privilege without first obtaining legal advice. I am not a trained lawyer and recognized that I was not in the position to understand the implications of potentially waiving whatever privilege was attached to the report. I fully expected that at some point, the EY Report would become public, and I understand that that did in fact occur.

Anti-Money Laundering Deputy Ministers' Committee

80. The Anti Money Laundering Deputy Minister Committee ("AML DMC") was initially established to oversee implementation of the German Report recommendations, though its mandate was eventually expanded to include the AML response throughout the entire economy.

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~~DOUGLAS SCOTT~~

**Joanna Stratton
Barrister & Solicitor
Ministry of Attorney General
Legal Services Branch
PO Box 9280 Stn Prov Govt
1001 Douglas Street
Victoria, BC V8W 9J7**

This is EXHIBIT "1" referred to in the affidavit of DOUGLAS SCOTT affirmed before me at Victoria, British Columbia, this 31 day of February, 2021.

[Signature]
A Commissioner for taking affidavits for British Columbia

Gaming Policy and Enforcement Branch Strategic Plan 2012/13



Voting on vision and mission

We know the world of gaming regulation is broad and complex.

At the branch-wide planning session in November 2011, we set our vision, mission and three strategic priorities for

the 2012/13 fiscal year. In light of significant pressures to the responsible gambling program, GPEB's executive has since added this as a fourth priority.

Our strategic plan lays the framework to meet our key priorities and achieve our vision and mission.

Our vision and mission

Vision: Gaming is conducted responsibly and with integrity for the benefit of British Columbians.

Mission: Our mission is to ensure the integrity of gaming. Our programs promote compliance with and enforce public standards,

laws and regulations, support communities through charitable licensing and grants, provide public education on responsible gambling and treatment for those affected by problem gambling.

Our operating environment

There are many opportunities and risks on the road to achieving our vision.

The gaming industry continues to evolve at a rapid pace. One example is the expansion of e-gaming, including the use of handheld devices. The pace of change means we must enhance our ability to anticipate and adapt as an organization, to ensure that gaming in all its forms continues to be conducted responsibly and with integrity.



Group planning and discussions

The global economic downturn and provincial budget pressures also require us to re-think how we allocate our resources and deliver services. Accordingly, during the planning session we identified ways to improve our **operational effectiveness** by streamlining some of our business processes and leveraging opportunities for collaboration between our divisions and external stakeholders.



Movember moustache competition at the session

The B.C. gaming industry is a remarkably clean business with robust deterrents in place to prevent wrongdoing. However, this industry is unique in that it is largely cash-based, which can make it

appealing to money launderers seeking to legitimize large amounts of cash obtained from criminal activity. As well, government is committed to protecting minors, which means we must ensure minors do not have access to provincial gaming, or gain entrance into gaming facilities. We must continue to adapt and strengthen our efforts in **preventing wrongdoing** in the gaming industry.

The B.C. gaming industry generates over \$2 billion in revenue each year, and while it is entertainment for most, it can be addictive for some. This can create significant challenges for those affected by problem gambling, including financial and family issues. To highlight our commitment to preventing problem gambling and providing support services to those that need them, we have added **responsible gambling** as a branch strategic priority.

Finally, it is **people** that make the realization of our objectives possible. Effectiveness will always be about our people, which is why we have made this our only permanent strategic priority.

Government's key goals focus on putting families first, building a strong economy and maintaining open government and citizen engagement. GPEB is contributing to these goals through its responsible gambling initiatives, preventing minors from accessing facilities, and supporting responsible business practices that promote the health of the industry.

The demand for government support in areas such as policing and social services is also increasing. We can do our part by focusing on preventing wrongdoing and integrating responsible gambling principles into our day-to-day operations.

Our Strategic Priorities and the Future

We have set four strategic priorities this year: **prevention of wrongdoing, operational effectiveness, responsible gambling, and people**. While these are our most urgent priorities, we will continue with the day-to-day regulatory oversight that helps ensure the integrity of gaming in British Columbia. The following GPEB strategic priorities, objectives and key strategies form a roadmap to address these challenges and opportunities as we move forward.

Thank you to everyone who participated in this process, and for your ongoing commitment to this important work.



Presentations from branch divisions

Our Strategic Priorities:**Prevention of Wrongdoing****Responsible Gambling****Operational Effectiveness****People****Our objectives:**

- British Columbians have confidence that gaming is safe and operated with integrity.

- The program is effective in preventing problem gambling.
- The program provides effective treatment and other support services to those affected by problem gambling.

- Branch business processes are streamlined, integrated, and evidence-based.
- Resources are allocated where they will have the greatest impact.
- GPEB is able to anticipate and react quickly to changes in the gaming industry.

- Branch employees are engaged and empowered.

Our key strategies:

- Implement a comprehensive anti-money laundering strategy.
- Enhance our strategy to keep minors from gaming.

- Enhance the capacity of the program.
- Increase awareness of the program among GPEB staff.

- Develop a system to better anticipate and adapt to our changing environment.
- Foster a culture of innovation and continuous improvement.
- Conduct business process reviews where appropriate.
- Develop IT strategies to leverage existing infrastructure to plan for the future.

- Develop employees based on individual needs.
- Improve two-way communications within the branch.
- Promote a healthy work environment.

How we will measure success

To be determined by working group (TBD)

TBD

TBD

TBD

From: McCrea, Bill J SG:EX
Sent: Tuesday, November 1, 2011 1:05 PM
To: Fair, Susan P SG:EX
Cc: Scott, Douglas S SG:EX
Subject: File to Doug's iPad
Attachments: AML Review Recommendation Progress.docx


Hi Susan,

Please put this file into Doug's iPad, in his AML folder. Thanks.

Bill

Bill McCrea BES MBA FCIP
Executive Director Internal Compliance and Risk Management
Phone: [REDACTED]
Mobile: [REDACTED]
Fax: [REDACTED]
Email: [REDACTED]

This is EXHIBIT " 2 " referred to in the
affidavit of DOUGLAS SCOTT affirmed
before me at Victoria, British Columbia,
this 30 day of February, 2021.


A Commissioner for taking affidavits for British Columbia

Progress Report of AML Actions from the Summary Review

The Summary Review, Anti-Money Laundering Measures at BC Gaming Facilities (February 2011) developed recommendations for the British Columbia Lottery Corporation (BCLC), the Gaming Policy and Enforcement Branch (GPEB) and two long term recommendations. They are intended to improve anti-money laundering diligence, and oversight, in the province's gaming facilities.

This report tracks activity and progress toward developing policies, procedures and actions to address the recommendations.

Summary Review Recommendation	Progress (GPEB / BCLC / Industry)
Recommendations for BCLC	
1. <i>BCLC, in consultation with GPEB, should revise its buy-in/cash-out policy to allow for cash-outs to be paid by cheque, where cash-out cheques clearly and unequivocally indicate that the funds are not from gaming winnings.</i>	<ul style="list-style-type: none"> The October 4, 2011 letter to BCLC provides instruction for BCLC to work on policies and procedures for buy-in through broader financial instruments than have currently been allowed. Re cash-outs by cheque, BCLC have been advised that this program will require development. The GPEB AML x-dwg has this initiative on its list of solutions to research.
2. <i>BCLC should enhance training and corporate policy to help ensure gaming staff do not draw conclusions about the ultimate origin of funds based solely on the identification of a patron and his or her pattern of play. Training and business practices should result in gaming staff having a clear understanding that the duty to diligently scrutinize all buy-ins for suspicious transactions applies whether or not a patron is considered to be known to BCLC or the facility operator.</i>	<ul style="list-style-type: none"> BCLC has advised they have already undertaken this initiative. An independent assessment of BCLC's AML/ATF program is currently being conducted. We will review this with an eye to understanding the training and corporate policy as they relate to this recommendation.
3. <i>BCLC holds the view that gaming losses on the part of a patron provide evidence that the patron is not involved in money laundering or other related criminal activity. This interpretation of money laundering is not consistent with that of law enforcement or regulatory authorities. BCLC should better align its corporate view and staff training on what constitutes money laundering with that of enforcement agencies and the provisions of the relevant statutes.</i>	<ul style="list-style-type: none"> GPEB agrees and has discussed this with various executives at BCLC. See the comment, above, re the independent assessment.

Progress Report of AML Actions from the Summary Review

<p>4. <i>Gaming is almost entirely a cash business in B.C. This presents opportunities for organized crime. Transition from cash transactions to electronic funds transfer would strengthen the anti-money laundering regime. BCLC, in consultation with GPEB, should take the steps necessary to develop electronic funds transfer systems that maximize service delivery, create marketing opportunities, and are compliant with anti-money laundering requirements.</i></p>	<ul style="list-style-type: none"> • The October 4, 2011 letter to BCLC provides instruction for BCLC to immediately work on policies and procedures for buy-in through broader financial instruments than have currently been allowed. • The letter also provides instruction for BCLC and service providers to proceed with researching and developing proposals for employing other non-cash financial instruments in BC casinos. This includes credit and money transfer firms. • Other proposals will take even more research and are longer term. This includes international funds transfer. • Two GPEB senior staff (Steve Lefler, Terri Van Sleuwen and Bill McCrea) attended meetings in Las Vegas to research industry practices and regulator requirements with respect to cash handling in Nevada. • The new BCLC Gaming Management System (GMS) is in its early stages. Briefings have been provided to GPEB Executive Directors. This system will provide technology assistance in developing solutions to several of the issues identified.
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Progress Report of AML Actions from the Summary Review

Recommendations for GPEB	
1. <i>Adopting the perspective that registration, audit and enforcement/investigations lie on a compliance continuum and making sure the Branch structure, including reporting relationships, supports this integrated approach.</i>	<ul style="list-style-type: none"> GPEB has established the anti-money laundering cross-divisional working group (AML x-dwg) to accomplish this goal. The team is composed of representatives from the ADM's office, Registration & Certification, Audit & Compliance, Investigations, Policy, Responsible Gambling and Internal Compliance & Risk Management. The GPEB action plan response to the Review acknowledges that 'Changes within the Branch ... will allow us to improve our strategic overview and achieve stronger regulation of AML functions.'
2. <i>Developing an annual unified registration, audit and investigations plan that sets out and co-ordinates compliance objectives and priorities for each year.</i>	<ul style="list-style-type: none"> The Branch planning process, in 2011, will include work to achieve this goal.
3. <i>Formally involving the police agencies of jurisdiction, including those with specific anti-money laundering and organized crime mandates, in annual enforcement objective and priority planning.</i>	<ul style="list-style-type: none"> The informal network is already in place. Discussions have been held with the police Proceeds of Crime unit.
4. <i>Establishing more formal contacts and relationships with governance and enforcement agencies and associations in jurisdictions with large, long-standing gaming industries.</i>	<ul style="list-style-type: none"> The recent work done in Las Vegas is a step in this direction. The AML x-dwg is researching jurisdictional processes in North America and internationally, through established contacts and relationships. Contact has been made with Gambling Compliance, a company focussed on international research in gaming legislation and compliance standards.

Progress Report of AML Actions from the Summary Review

Long Term Recommendations	
<p>1. <i>Engaging an independent firm with expertise in establishing electronic funds transfer processes and procedures to assist with the creation of an electronic funds transfer system that delivers a high degree of service to patrons, is marketable, and is fully compliant with anti-money laundering standards found in the financial sector. This firm should also be utilized to assist with ensuring the structure and conduct of future anti-money laundering reviews not only measure conformity with anti-money laundering legislation and regulations, but also help BCLC and GPEB to go beyond regulatory compliance to meet financial sector best practices.</i></p>	<ul style="list-style-type: none"> • An information gathering meeting has been held with Global Cash Access (GCA), a firm engaged in this activity, and GPEB. BCLC is also familiar with GCA. • BCLC has been in discussion with "TrustCash", a firm that facilitates money transfer.
<p>2. <i>Creating a cross-agency task force to investigate and gather intelligence on suspicious activities and transactions at B.C. gaming facilities. The task force would report out on the types and magnitude of any criminal activity it found occurring in relation to gaming facilities in B.C. This information would help guide any additional actions that may be required.</i></p>	<ul style="list-style-type: none"> • GPEB's ADM has had preliminary discussions with the Vancouver Proceeds of Crime Unit and FINTRAC concerning the nature of this initiative.




Know your limit, play within it.

August 17, 2011

Log # 470484

Mr. Michael Graydon
President and CEO
British Columbia Lottery Corporation
2940 Virtual Way
Vancouver BC V5M 0A6

This is EXHIBIT " 3 " referred to in the affidavit of DOUGLAS SCOTT affirmed before me at Victoria, British Columbia, this 30 day of February, 2021.


A Commissioner for taking affidavits for British Columbia

Dear Mr. Graydon:

The purpose of this letter is to advise you of the Gaming Policy and Enforcement Branch's (GPEB) support for certified cheque buy-ins, and the formation of our cross-divisional anti-money laundering (AML) working group.

Since July 2010, certified cheques have been accepted for the purpose of opening and making additional deposits to Patron Gaming Fund accounts. Further to our joint meeting on July 26, 2011, I confirm GPEB supports the immediate acceptance of certified cheques from patrons to buy-in at gaming facilities. This is an appropriate measure to help reduce the cash dependency of the industry and improve patron safety.

As discussed at our July 26th meeting, addressing the recommendations in the *Summary Review: Anti-Money Laundering Measures at BC Casino Facilities* will be accomplished with additional creative measures and strategies. I know the BC Lottery Corporation (the Corporation) is working to develop several solutions to present to us. To facilitate continued improvement of the anti-money laundering regime in British Columbia, GPEB has established a cross-divisional working group, as we did prior to the launch of ePoker. The AML group looks forward to working with the Corporation to develop anti-money laundering and cash management measures that will forward our shared goal of reducing dependence on cash in British Columbia gaming facilities.

Please feel free to contact me at [REDACTED] should you wish to discuss these matters further.

Sincerely,


Douglas S. Scott
Assistant Deputy Minister

Ministry of
Public Safety and
Solicitor General

Gaming Policy and
Enforcement Branch
Assistant Deputy Minister's
Office

Mailing Address:
PO BOX 9311 STN PROV GOVT
VICTORIA BC V8W 9N1
[REDACTED]

Location:
Third Floor, 910 Government Street
Victoria, BC

Web: www.pssg.gov.bc.ca/gaming

BCLC0013072



This is EXHIBIT "4" referred to in the affidavit of DOUGLAS SCOTT affirmed before me at Victoria, British Columbia, this 31 day of February, 2021.

[Signature]
A Commissioner for taking affidavits for British Columbia

Know your limit, play within it.

October 04, 2011

Terry Towns
Vice-President Corporate Security and Compliance
British Columbia Lottery Corporation
2940 Virtual Way,
Vancouver BC V5M 0A6

re: GPEB Response to BCLC's 'Methods to Reduce Reliance on Cash in BC Casinos'

Dear Terry,

We have reviewed the document, through GPEB's Anti-Money Laundering Cross-Divisional Working Group, and have determined that the following suggestions can be worked on immediately. From the discussion below you will see that some of the 'quick wins' are fully supported. Others still have areas that are of concern. We ask that BCLC develop policies and procedures for the changes and bring these to us for review prior to implementing the enhancements at BC casinos.

The areas of change are broken out as per BCLC's proposal:

Patron Gaming Fund Accounts (PGF)

No.	BCLC Proposal and GPEB Response	Discussion
1	BCLC	Allow PGF accounts to be opened and replenished with a wider variety of financial instruments including: certified, personal and casino cheques, bank drafts and debit or credit cards. This provides an avenue to move away from the issue of patrons carrying large sums of cash into the casino to game with. In regards to the use of personal cheques, the service providers would have to establish their own cheque-clearing waiting periods as any financial institution does.
1	GPEB	<p>We generally support allowing PGF accounts to be opened with a wider variety of financial instruments from bona fide Canadian financial institutions. This will require service provider diligence in clearing cheques.</p> <p>Instruments that will require further discussion before implementing are:</p> <ul style="list-style-type: none"> • Casino cheques, until the program of casino cash-out by cheque is developed, • Credit cards, due to Responsible Gambling and other policy issues. <p>An enhancement proposal, discussed previously between GPEB and BCLC, is to allow PGF accounts to be opened at a lower level than the current \$10,000. We would ask BCLC to establish the opening limit for PGF accounts at a level that will encourage greater use of the program.</p>

Ministry of
Public Safety and
Solicitor General

Gaming Policy and
Enforcement Branch
Internal Compliance and Risk
Management

Mailing Address:
PO BOX 9311 STN PROV GOVT
VICTORIA BC V8W 9N1

Location:
Third Floor, 910 Government Street
Victoria, BC

Web: www.pssg.gov.bc.ca/gaming

BCLC0013075

No.	BCLC Proposal and GPEB Response	Discussion
3	BCLC	Allow patrons to EFT funds from their PGF account back to their own bank account at a different financial institution. This could be an account at a different financial institution, other than the one in which the EFT was originally received. For example, the patron EFTs funds from their Scotia bank account into their PGF account and later EFTs the funds from their PGF account to an account they have with the Bank of Montreal. As long as the patron is identified as the owner of both bank accounts, this should not be an issue.
3	GPEB	There is some clarification needed about this proposal. Why is this being suggested and how will it help promote the PGF accounts? That said, there is enough support to ask for policies and procedures to be built for our review. Key to this proposal is that the PGF account holder must be the owner of both bank accounts. Perhaps the two accounts should be established through the initial diligence when signing up for the PGF program.

No.	BCLC Proposal and GPEB Response	Discussion
4	BCLC	Accept EFTs from other Canadian financial institutions besides Canadian banks (such as Credit Unions).
4	GPEB	There is good consensus on accepting this proposal, subject to approval of the type of Canadian financial institutions. Please provide the full list of institutions that BCLC would deem to be acceptable.

No.	BCLC Proposal and GPEB Response	Discussion
6	BCLC	Patrons currently have the ability to deposit into their PGF accounts any verified wins on the same day the win occurs.
6	GPEB	This is already in place as part of the PGF account program.

Casino Cheques and Other Financial Instruments

GPEB has agreed that the buy-in/cash-out policy requires revision. We have asked BCLC to develop policies and procedures to manage the issuance of cash-out cheques for the \$5,000-\$8,000 range, including AML diligence. Please make this available to us once developed.

There are some other recommendations in this section that can be dealt with at this time.

No.	BCLC Proposal and GPEB Response	Discussion
3	BCLC	Accept buy-ins at the casino in a wider variety of financial instruments including certified, personal and casino cheques, bank drafts, money orders and debit or credit cards. This provides an avenue to move away from the issue of patrons carrying large sums of cash into the casino to game with. In regards to the use of personal cheques, the service providers would have to establish their own cheque-clearing waiting periods as any financial institution does.
3	GPEB	As with the PGF No. 1 suggestion there is general support for allowing casino buy-ins with a wider variety of financial instruments from bona fide Canadian financial institutions. This will require service provider diligence in clearing cheques. Instruments that will require further discussion before implementing are: <ul style="list-style-type: none"> • Casino cheques, until the program of casino cash-out by cheque is developed, • Credit cards, due to RG and other policy issues.

The above enhancements can be developed immediately, with the goal to implement policies and procedures as soon as possible. Please provide us with policies and procedures for review.

In addition to these, work can continue toward developing a couple of the other suggestions. They are:

Extend Credit or Provide Cash Advances

No.	BCLC Proposal and GPEB Response	Discussion
1	BCLC	Extend credit to patrons who qualify. The credit amount would have a minimum threshold, \$100,000 as an example and a maximum threshold. Credit amounts below \$100,000 would not be offered. Patrons would submit all necessary identification information in order to be eligible for credit. The casino service providers would have to determine how much credit they are willing to extend and thus be liable for.
1	GPEB	Note: there are three items listed under this heading. This will require research and development. Work has begun with both BCLC and GPEB researching the notion and logistics of approved gambling limits in BC casinos.

Use of Legitimate Money Transfer Companies

No.	BCLC Proposal and GPEB Response	Discussion
1	BCLC	A company called "TrustCash" has the potential to offer the ability for patrons to purchase casino chips on-line and pay for them in cash at their nearest banking location. The company would provide the patron with a slip or chit which would be redeemable at the casino for the chips purchased.
1	GPEB	We would like to see a report developed about how this proposal. How does it work and how will this support the anti-money laundering initiative?

There are other proposals that present different challenges. The notion of international funds transfers will need to be researched. Even transferring funds from international offices of major Canadian chartered banks presents the challenge of understanding their AML diligence, in relation to Canadian laws. We will need to research what the standards are and how is this accepted by agencies such as FINTRAC. As for transferring funds from foreign banks themselves this presents an even stronger challenge, as we truly do not know what AML diligence is conducted by banks regulated by laws outside of Canada. This would require a higher degree of scrutiny and will take some time to develop.

Terry, we are pleased to discuss these issues with you. Our mutual goal is to enact changes in BC casinos that encourage the use of electronic funds, thereby reducing the reliance on cash and lessening the risk of money laundering. We appreciate your efforts to this end.

Sincerely,

Bill

Bill McCrea
Executive Director, Internal Compliance and Risk Management

cc: Douglas S. Scott
Michael Graydon

November 30, 2011

Doug Scott
Assistant Deputy Minister
Gaming Policy Enforcement Branch
PO BOX 9311 STN GOVT
STN PROV GOVT
Victoria, BC V8W 9N1



Re: Casino Cash and Payment Process Enhancement Project

Dear Doug:

I am writing in response to Bill McCrea's letter of October 4, 2011. In that correspondence Mr. McCrea provided initial responses from GPEB on a series of proposals BCLC made to enhance anti-money laundering efforts at BC Casinos by reducing the industry's reliance on cash transactions. GPEB's positive assessment of the proposals was appreciated and provided the impetus for us to undertake the research and work needed to move the proposals from the conceptual stage to policy and procedure development.

In October 2011, BCLC established a Casino Cash and Payment Process Enhancement Project. The purpose of the project was to further assess our initial proposals in the context of GPEB's feedback and to move the viable options to policy and procedure development and then through to implementation.

Four business process enhancements have now been developed and will be ready for implementation in the first part of 2012. Those business process changes are: the expansion of PGF accounts, expanded buy-in options, use of casino cheques, and a deferred payment program. I have attached the draft policy and procedures in relation to each of these initiatives along with brief discussion papers outlining the proposals.

These changes will be of significant assistance to BCLC's anti-money laundering regime. In addition, the initiatives will improve customer service and, more importantly, provide customers with greater security as they will have a number of alternatives to arriving and departing gaming facilities with cash.

I look forward to meeting with you to discuss these important business process changes.

Yours truly,

Terry Towns
Vice President, Corporate Security and Compliance

cc: Bill McCrea
Rob Kroeker

Enclosure(s)

This is EXHIBIT " 5 " referred to in the
affidavit of DOUGLAS SCOTT affirmed
before me at Victoria, British Columbia,
this 3d day of February, 2021.


A Commissioner for taking affidavits for British Columbia

BCLC0011788



This is EXHIBIT " 6 " referred to in the affidavit of DOUGLAS SCOTT affirmed before me at Victoria, British Columbia, this 30 day of February, 2021.

[Signature]
A Commissioner for taking affidavits for British Columbia

Know your limit, play within it.

January 24, 2012

Terry Towns
Vice-President Corporate Security and Compliance
British Columbia Lottery Corporation
2940 Virtual Way,
Vancouver BC V5M 0A6

re: BCLC Casino Cash and Payment Process Enhancement Project

Dear Terry,

As you and I have discussed, and further to GPEB's October 4, 2011 letter, our Anti-Money Laundering Cross-Divisional Working Group has worked through BCLC's November 30, 2011 presentation of process enhancements for managing casino cash and payments. You have advised that you are working to develop the operational requirements for the enhancements. The four business processes are:

1. Patron Gaming Fund (PGF) Accounts.
2. Purchase of Gaming Services - Expanded Buy-In Options.
3. Issuance of Casino Cheques.
4. Deferred Settlement Program.

We support the initiatives and are reviewing the detailed Policies and Procedures. Input on the P&P's will be provided shortly. With respect to each of the four major categories we are satisfied that BCLC is developing the following solutions:

Patron Gaming Fund Accounts (PGF)

- PGF accounts can be linked to up to two financial institution accounts. Only individual bank accounts are to be used for PGF accounts. No third party, joint or business accounts can be used to manage PGF account money.
- Schedule 1 and Schedule 2 banks are acceptable, to be included in the broader list of allowed regulated financial institutions.
- Internet banking is an acceptable option to load a PGF account (casinos as payees from electronic banking systems).
- GPEB will remove the \$10,000 minimum requirement to open a PGF account.

Purchase of Gaming Services - Expanded Buy-In Options

- The use of debit cards through debit machines at the cash cage, with greater limits, is acceptable.
- Buy-in with cheques from Canadian casinos, on a first party basis, is acceptable.

Ministry of
Public Safety and
Solicitor General

Gaming Policy and
Enforcement Branch
Internal Compliance and
Risk Management

Mailing Address:
PO BOX 9311 STN PROV GOVT
VICTORIA BC V8W 9N1
[REDACTED]

Location:
Third Floor, 910 Government Street
Victoria, BC

Web: www.pssg.gov.bc.ca/gaming

Issuance of Casino Cheques

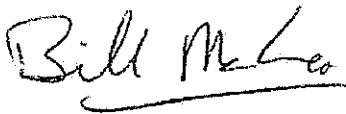
- GPEB agrees to allow the issuance of "safety cheques" at a limit of \$5,000.
- This is acceptable as a short term solution to patron safety in carrying large sums of cash away from the casino.
- Safety cheques must be recorded and monitored for patterns of potential money laundering.

Cheque Hold Payment/Marker

- This option is considered to be viable for the target patron group. We are currently reviewing the Policies and Procedures (S 3-9.5) and will provide a detailed response to the operation of this option.

Terry, in the October 4, 2011 letter we discussed other potential option solutions to reducing cash in BC gaming facilities. As you work toward policies and procedures for these could you please provide them to us for review. As stated in that letter, we are pleased to discuss these issues with you. Our mutual goal is to enact changes in BC casinos that encourage the use of electronic funds, thereby reducing the reliance on cash and diminishing the risk of money laundering. We appreciate your efforts to this end.

Sincerely,



Bill McCrea
Executive Director, Internal Compliance and Risk Management

cc: Douglas S. Scott
Michael Graydon

January 25, 2012

Mr. Bill McCrea
Executive Director, Internal Compliance and Risk Management
Gaming Policy and Enforcement Branch
PO Box 9311 Stn Prov Govt
Victoria, BC
V8W 9N1



Dear Bill:

Re: Casino Cash and Payment Enhancement Project

Thank you for your letter of January 24, 2012, providing GPEB's feedback on BCLC's Payment Enhancement Project. With the support provided in your letter for our proposals on Patron Gaming Fund Account changes, Expanded Buy-in Options, the Cheque Hold Payment/Marker program and use of Casino Cheques, we will now finalize the detailed operational procedures and move to implementation.

2940 Virtual Way
Vancouver, BC V5M 0A6

bclc.com

I provided copies of draft operational procedures in the package of materials sent November 30, 2011. No major changes to the draft versions are expected as we move to implementation. I will send final versions of the procedures to you in the next few weeks when the documents are complete.

In your letter you inquired about the remaining options that had been under consideration to reduce the reliance on cash in casinos. Those options are the use of credit cards, the use of money transfer companies, and international money transfers. The use of credit cards is not being pursued further due to responsible gaming considerations. The primary money transfer options are Trust Cash and Global Cash. As you are aware Global Cash is already made available at some properties off the gaming floor. No changes to this model are being considered. Meetings were held with Trust Cash. They have not yet established a business presence in Canada but may do so at some point in the future. BCLC will be looking in more detail at international funds transfers. Having said that, BCLC does not anticipate a business process that would see either BCLC or casino service providers engaging directly in international transfers. As more information becomes available on this option I will provide it to you.

Yours truly,

Terry Towns

Vice President, Corporate Security & Compliance

c.c. Doug Scott
Michael Graydon
Rob Kroeker

This is EXHIBIT " 7 " referred to in the affidavit of DOUGLAS SCOTT affirmed before me at Victoria, British Columbia, this 3rd day of February, 2021.

A Commissioner for taking affidavits for British Columbia



Know your limit, play within it.

December 6, 2012

Terry Towns
Vice-President Corporate Security and Compliance
British Columbia Lottery Corporation
2940 Virtual Way,
Vancouver BC V5M 0A6

re: BCLC Policy Proposal – Acceptance of Funds from U.S. Banks

Dear Terry,

The recent policy proposal, for “Acceptance of Funds from U.S. Banks and Foreign Branches of Canadian Chartered Banks”, has been reviewed and we are able to provide approval for the U.S. Bank portion of this request. Effective immediately GPEB is authorizing a change to the restriction, in the PGF Accounts and Hold Cheque Policies and Procedures, that only Canadian financial institutions may be used. This authorization allows use of U.S. bank accounts to fund these programs.

At this point would you please update the policies and procedures for these programs and provide them to me. Terry, as you and I discussed the list of acceptable U.S. banks needs to be determined. Your initial suggestion is to approve the “Top 50” U.S. banks. Please confirm that is your position, and we can go from there. Also, we would like to see separate reporting on this initiative, for the ongoing monitoring of AML initiative progress.

As stated above, this policy proposal also requested that transfers from Foreign Branches of Canadian Chartered Banks be allowed. I have advised you that this is still being investigated. Once we have completed this review I will respond to BCLC on this matter.

We hope that this current step will allow the gaming industry AML initiatives project to make further advancements. If you have any questions with respect to his authorization please let me know. Thank you for your attention to this matter

Sincerely,

Bill McCrea
Executive Director, Quality Assurance & Risk

cc: Douglas S. Scott
Michael Graydon

This is EXHIBIT “ 8 ” referred to in the affidavit of DOUGLAS SCOTT affirmed before me at Victoria, British Columbia, this 3rd day of February, 2021.


A Commissioner for taking affidavits for British Columbia

Ministry of
Energy, Mines and
Natural Gas

Gaming Policy and
Enforcement Branch
Quality Assurance & Risk
Division

Mailing Address:
PO BOX 9311 STN PROV GOVT
VICTORIA BC V8W 9N1

Location:
Third Floor, 910 Government Street
Victoria, BC

Web: www.pssg.gov.bc.ca/gaming

BCLC0011793



Know your limit, play within it.

December 7, 2012

Terry Towns
Vice-President Corporate Security and Compliance
British Columbia Lottery Corporation
2940 Virtual Way,
Vancouver BC V5M 0A6

re: Customer Convenience (Safety) Cheque Limit Increase

Dear Terry,

Further to our recent conversations we have reviewed the usage of the convenience/safety cheques since their introduction on April 1, 2012. There are now nine gaming facilities, between Casinos and Community Gaming Centres, that have issued at least one of these cheques. The upper limit is currently \$5,000 per cheque.

For the six month period of April 1 – September 30 there were 30 cheques provided to patrons for a total value of \$130,224. This is an average of 5 cheques per month at an average value of \$4,340. The past two months (October and November) had 18 cheques written for a total value of \$62,172. This averages 9 per month at an average value of \$3,454. In the eight months there have been two patrons who received more than one cheque. In both cases they have received two convenience/safety cheques and the circumstances were in compliance with the approved standards.

This program appears to be working well and we do not have concerns with the activity to date. In light of this performance GPEB is authorizing an increase in the limit of customer convenience (safety) cheques to a maximum of \$8,000 per cheque. All other policies and procedures will remain in place.

If you have any questions with respect to his authorization please let me know. Thank you for your attention to this matter

Sincerely,

Bill McCrea
Executive Director, Quality Assurance & Risk

cc: Douglas S. Scott
Michael Graydon

This is EXHIBIT " 9 " referred to in the affidavit of DOUGLAS SCOTT affirmed before me at Victoria, British Columbia, this 3rd day of February, 2021.


A Commissioner for taking affidavits for British Columbia

Ministry of
Energy, Mines and
Natural Gas

Gaming Policy and
Enforcement Branch
Quality Assurance & Risk
Division

Mailing Address:
PO BOX 9311 STN PROV GOVT
VICTORIA BC V8W 9N1

Location:
Third Floor, 910 Government Street
Victoria, BC

Web: www.pssg.gov.bc.ca/gaming



Know your limit, play within it.

September 22, 2013

Log # 331838

Brad Desmarais
Vice President
Corporate Security and Compliance
BC Lottery Corporation
2940 Virtual Way
Vancouver BC V5M 0A6

This is EXHIBIT "10" referred to in the affidavit of DOUGLAS SCOTT affirmed before me at Victoria, British Columbia, this 3rd day of February, 2021.


A Commissioner for taking affidavits for British Columbia

Re: BCLC Request for Policy Change Regarding Casino Cheque Issuance

Dear Brad:

Thank you for your proposal of September 19, 2013. As you know, GPEB is eager to advance this proposal in order to realize increased public safety and reduce the use of cash in casinos.

However, the information and analysis contained in the proposal is not currently sufficient for approval-in-principle of the requested policy change with respect to issuance of casino cheques. There are many questions left unanswered and a compelling argument that this policy will increase the opportunity for money laundering persists. I do not make these comments to be in any way critical of your proposal. I know that I have rushed this issue with your office in hopes of finding a solution as soon as possible. I believe it is an important proposal that must continue to be considered with additional analysis.

Therefore, despite my inability to take action based on the information currently available, GPEB is committed to continuing this discussion and analysis as both our organizations work to find an appropriate solution in the public interest. Going forward, I will not be able to participate in these discussions as General Manager of GPEB and so I would like to provide brief comments on this issue before I move on to other duties with the Provincial Government on September 23rd.

To begin, in my view the core argument that criminals prefer cash for anonymity has very important limits. Large amounts of cash can be a significant challenge to organized crime groups. It is difficult to transfer, is vulnerable to interdiction, and during virtually all legitimate large modern-day commercial transactions it raises significant and unwanted suspicion, including from FinTRAC and law enforcement agencies.

Ministry of Finance

Gaming Policy and
Enforcement Branch
Assistant Deputy Minister's
Office

Mailing Address:
PO BOX 9311 STN PROV GOVT
VICTORIA BC V8W 9N1

Location:
Third Floor, 910 Government Street
Victoria, BC

Web: www.gaming.gov.bc.ca

BCLC0012122

If we accept the premise that a person wants to launder money in a casino, their goal *must* be to acquire a cheque¹. If their laundering goal is to have money returned in cash, why would they walk into a casino? The cash is already in their hands. Therefore, the suggestion that a casino is facilitating the criminal's money laundering goals in some way when returning cash in the same denominations as it was received is questionable.

If the goal of a criminal is not to launder in a common sense, but to use illicit currency to enjoy casino games, it is conceivable they would prefer to receive cash back, and this may deter this type of play (though a criminal may intend to play out their money entirely, or take casino chips home if a verified win cheque is seen by them as an attractive goal).

Future analysis of this proposal should include consideration of the potential types of money launderers. The table below is merely a starting point, however, it provides a first cut at what the potential impact of the proposed policy may be.

Launderer Type	Launderer Objectives	Potential Cheque Policy Impact
Criminal laundering their own proceeds of crime	1. Playing for enjoyment 2. Wish to acquire cheque	1. May deter play 2. Will make cheque acquisition easier (no need for verified win) and potentially encourage more laundering ²
Criminal using nominees to launder	3. Wish to acquire cheque in nominees name later to be transferred through multiple accounts – business and personal – comingled with other funds etc. – to obscure original source of funds	3. Will potentially encourage more money laundering as in #2.
Legitimately wealthy players who buy discounted currency “street cash” that is the proceeds of crime such as drug dealing	4. Wish to gamble. Enjoy the benefit of gambling at a discount due to lower cost of street cash.	4. No deterrent. May encourage more laundering as player will be able to buy more discounted street cash for the next day of play since they received no cash back from casino.

While much more analysis is warranted, I believe the table above illustrates why a decision to change this policy is not simple and could have unforeseen consequences in an environment we do not fully understand. In the four scenarios noted in the table, only one appears to have the potential to deter the money laundering, and that potential is questionable. The other three scenarios indicate potential to increase money laundering in BC Casinos.

¹ Unless the launderer's objective is to “colour up” to higher denominations (which should not be permitted with existing policy), or clean serial numbers (which would be a very rare practice).

² Notations similar to “Not from winnings” are not anticipated to act as a significant deterrent since, (as we understand) it is very challenging to prove there are not a series of small wins that can account for a payout, and sophisticated launderers will know even a verified win does not fully clean money and the laundering must continue through electronic means after the initial placement is made in a casino.

If feasible, I would like to see this policy implemented in order to achieve the other benefits you have noted in your proposal. Before that is possible a number of questions, including some presented here, must be answered to demonstrate the proposal will have the intended impact in our efforts to prevent money laundering.

In relation to the very desirable public safety benefit of this proposal, I believe it is important to note that all casino patrons are now in a position to ensure their own safety by utilizing the many non-cash options for buy-in, including debit card, bank transfer and the patron gaming accounts. This new level of patron safety is the product of GPEB and BCLC working together collaboratively on our common goal, a practice I know will continue. The additional safety of these options should be emphasized with players buying in with large amounts of cash. As you noted, customers who buy-in with smaller amounts of cash can enjoy the safety of "convenience cheques" for amounts of \$8,000 or less.

GPEB is committed to timely fact-finding and analysis with the help of expert guidance in order to form a solid and defensible base for any new policy. John Mazure, the incoming General Manager, will work with Bill McCrea and others on GPEB staff to continue this effort.

I appreciate your work on this issue and assure you that GPEB is committed to continuing the development of knowledge and policy in this area.

Sincerely,



Douglas S. Scott
Assistant Deputy Minister

cc Michael Graydon
Jim Lightbody
Bill McCrea

MINISTRY OF PUBLIC SAFETY AND SOLICITOR GENERAL INFORMATION NOTE

DATE: August 30, 2011

PREPARED FOR: GPEB Anti-Money Laundering Cross Divisional Working Group
(AML x-dwg)

ISSUE: Regulatory Assurance for Anti-Money Laundering Initiatives

BACKGROUND:

On August 24, 2011 Public Safety Minister and Solicitor General Shirley Bond released the Anti-Money Laundering Review, originally commissioned by her predecessor Rich Coleman earlier in the year. The review is generally positive, both for BCLC and for GPEB. It confirms that BCLC has strong anti-money-laundering practices in place and that GPEB has the expertise to successfully meet its responsibilities as the regulator of gaming in B.C.

GPEB's ADM noted that while we have an anti-money laundering system in place that meets all the standards – we intend on going much farther. The Review outlines a series of recommendations to strengthen current practices. GPEB has been working hard to address this issue comprehensively within our branch. We have also met with BCLC, and have prepared an action plan to address the recommendations and then continually improve our anti-money laundering regime. This will be an ongoing commitment, with the goal to make British Columbia a leader in anti-money-laundering best practices.

DISCUSSION:

Government's Summary Review of Anti-Money Laundering Measures at B.C. Gaming Facilities includes recommendations for BCLC, GPEB and two long term recommendations that are made to the Province. A high level action plan has been developed to respond to the review. GPEB will be involved in developing solutions for all three areas. Both GPEB and BCLC have begun implementing new measures and strategies to better manage cash and improve patron safety. To that end we are developing programs that result in increased use of electronic funds, thereby decreasing the dependence on cash.

As practical solutions are developed for the management of cash in gaming facilities, the AML x-dwg will be employed to ensure optimum practices. The regulatory assurance process is based on a cross-divisional working group composed from a wide variety of knowledgeable regulatory and operational perspectives. This will allow for an organized, coordinated response from GPEB to ensure that all required regulatory processes view and approve the new initiatives as a group. Under this model, regulatory assurance becomes the identification of previously unknown risks or impacts that may not have been fully communicated to all required perspectives as part of the approval of new

This is EXHIBIT "11" referred to in the affidavit of DOUGLAS SCOTT affirmed before me at Victoria, British Columbia, this 3rd day of February, 2021.


A Commissioner for taking affidavits for British Columbia

MINISTRY OF PUBLIC SAFETY AND SOLICITOR GENERAL INFORMATION NOTE

initiatives. This will surface issues impacting the successful implementation and operation of AML solutions from the regulator's perspective.

GPEB has the opportunity to demonstrate its regulatory leadership role to ensure success in meeting the AML goal. As with the ePoker x-dwg, this process also ensures all relevant parties are involved in identifying proactive solutions in developing regulatory approval of AML initiatives in the gaming industry.

IMPLEMENTATION

The first meeting is on September 2, 2011. This will allow for timely development and implementation of solutions. The working group will build on existing relationships between GPEB, BCLC, Police of Jurisdiction, and service providers, and will coordinate discussions of AML solutions between the organizations. The working group will develop their schedule of meetings according to the demand for regulatory approval of AML solutions. Outcomes include the identification and documentation of top of mind exposures or concerns, required solutions and answers as well as discussion about regulatory assurance within GPEB. The team will monitor implementation of these strategies through the launch of AML solutions. Given the ongoing scope of this work, it is expected that the AML x-dwg will be a continuing standing committee of GPEB.

CONCLUSION:

A standing working group, to satisfy regulatory assurance for anti-money laundering in B.C. gaming, will enhance the due diligence in approving new gaming industry initiatives and contribute to best practices within this area. The AML x-dwg ensures that knowledge is shared among relevant perspectives and discussion surfaces potential impacts to successful outcomes.

Enclosures/Attachments:

APPENDIX A: Working Group Members

MINISTRY OF PUBLIC SAFETY AND SOLICITOR GENERAL INFORMATION NOTE

APPENDIX A: Working Group Members

The team is made up of the following GPEB Divisions and members:

Division	Member
ADM Office	Doug Scott Sheena Ridley
ICRM	Bill McCrea Lisa Burke
Policy / Responsible Gambling	Sue Birge David Horricks
Audit and Compliance	Terri Van Sleuwen
Investigations	Larry Vander Graaf <u>DEREK DICKSON</u> Joe Schalk
Registration and Certification	Rick Saville Ron Merchant

BCLC perspectives will be brought into the discussion as needed.

Police of Jurisdiction perspectives will be brought into the discussion as needed.

Service Provider perspectives will be brought into the discussion as needed.

MINISTRY OF PUBLIC SAFETY AND SOLICITOR GENERAL INFORMATION NOTE

DATE: September 6, 2011

PREPARED FOR: GPEB Anti-Money Laundering Cross Divisional Working Group
(AML x-dwg)

ISSUE: Regulatory Assurance for Anti-Money Laundering Initiatives

BACKGROUND:

On August 24, 2011 Public Safety Minister and Solicitor General Shirley Bond released the Anti-Money Laundering Review, originally commissioned by her predecessor Rich Coleman earlier in the year. The review is generally positive, both for BCLC and for GPEB. It confirms that BCLC has strong anti-money-laundering practices in place and that GPEB has the expertise to successfully meet its responsibilities as the regulator of gaming in B.C.

GPEB's ADM noted that while we have an anti-money laundering system in place that meets all the standards – we intend on going much farther. The Review outlines a series of recommendations to strengthen current practices. GPEB has been working hard to address this issue comprehensively within our branch. We have also met with BCLC, and have prepared an action plan to address the recommendations and then continually improve our anti-money laundering regime. This will be an ongoing commitment, with the goal to make British Columbia a leader in anti-money-laundering best practices.

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As practical solutions are developed for the management of cash in gaming facilities, the AML x-dwg will be employed to ensure optimum practices. The regulatory assurance process is based on a cross-divisional working group composed from a wide variety of knowledgeable regulatory and operational perspectives. This will allow for an organized, coordinated response from GPEB to ensure that all required regulatory processes view and approve the new initiatives as a group. Under this model, regulatory assurance becomes the identification of previously unknown risks or impacts that may not have been fully communicated to all required perspectives as part of the approval of new

This is EXHIBIT "12" referred to in the
affidavit of DOUGLAS SCOTT affirmed
before me at Victoria, British Columbia,
this 3rd day of February, 2021.


A Commissioner for taking affidavits for British Columbia

MINISTRY OF PUBLIC SAFETY AND SOLICITOR GENERAL INFORMATION NOTE

initiatives. This will surface issues impacting the successful implementation and operation of AML solutions from the regulator's perspective.

GPEB has the opportunity to demonstrate its regulatory leadership role to ensure success in meeting the AML goal. As with the ePoker x-dwg, this process also ensures all relevant parties are involved in identifying proactive solutions in developing regulatory approval of AML initiatives in the gaming industry.

IMPLEMENTATION

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CONCLUSION:

A standing working group, to satisfy regulatory assurance for anti-money laundering in B.C. gaming, will enhance the due diligence in approving new gaming industry initiatives and contribute to best practices within this area. The AML x-dwg ensures that knowledge is shared among relevant perspectives and discussion surfaces potential impacts to successful outcomes.

Enclosures/Attachments:

APPENDIX A: Working Group Members

MINISTRY OF PUBLIC SAFETY AND SOLICITOR GENERAL INFORMATION NOTE

APPENDIX A: Working Group Members

The team is made up of the following GPEB Divisions and members:

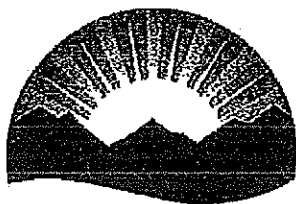
Division	Member
ADM Office	Doug Scott Sheena Ridley
ICRM	Bill McCrea Lisa Burke
Policy / Responsible Gambling	Sue Birge David Horricks
Audit and Compliance	Terri Van Sleuwen
Investigations	Larry Vander Graaf Joe Schalk Derek Dickson
Registration and Certification	Rick Saville Ron Merchant

BCLC perspectives will be brought into the discussion as needed.

Police of Jurisdiction perspectives will be brought into the discussion as needed.

Service Provider perspectives will be brought into the discussion as needed.

FINTRAC perspectives will be brought into the discussion as needed.

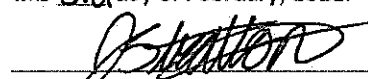


**BRITISH
COLUMBIA**

**Gaming Policy and Enforcement Branch
Anti-Money Laundering Cross Divisional
Working Group (AML x-dwg)**

**Strategy for Stopping Money
Laundering in BC Casinos**

This is EXHIBIT "13" referred to in the
affidavit of DOUGLAS SCOTT affirmed
before me at Victoria, British Columbia,
this 3rd day of February, 2021.


A Commissioner for taking affidavits for British Columbia

October 25, 2011

The GPEB Anti-Money Laundering Cross-Divisional Working Group (AML x-dwg) has been formed to develop and implement strategies to better manage cash handling in BC casinos, with the goal to stop money laundering. This work involves the regulatory role of GPEB, the operator function of the British Columbia Lottery Corporation (BCLC), casino service provider policies and procedures, and support of the RCMP and the Federal agency FINTRAC.

A high level action plan has been developed. Initial work has been done to provide regulatory direction for several quick actions that can be undertaken by BCLC and casino service providers. These are being worked on right now.

We have now undertaken the development of a regulatory strategy for the longer term initiatives to achieve our goal. During the October 14, 2011 AML x-dwg 'Innovation Workshop', our workgroup agreed on five overarching strategic themes. These are:

1. Policy / Directives
2. Compliance / Interdiction / Enforcement / Process
3. Financial
4. Technology
5. Communication

The sub-group work developed actionable proposals, which were presented to the full x-dwg. The proposals are:

Policy/Directives

1. Establish a maximum amount of small denomination bills for casino buy-in by a single patron.
2. Do not allow chips to leave or enter casinos.
3. Make policy that chips and cash cannot be passed in casinos.
4. Develop a policy that addresses the mandatory use of EFT, or non-cash, buy-in under specified circumstances.

Compliance/Interdiction/Enforcement/Process

1. Enforcement of existing Regulations (ie exchange of chips) (suspicious activity – ban ind., full disclosure LCT, Loan sharking).
2. Establish penalties for non-compliance (zero tolerance).
3. Establish on-site enforcement – compliance presence (Interviews for LCT) (pro-active interdiction).
4. Inter-divisional monitoring/working group. Re: Kroeker's report.

Financial

1. Banks, cash machines (on-site).
2. Extend credit.
3. Direct EFT.

Technology

1. Player ID and cash cards.
2. RFID chips.

Communication

1. Provide education, engage partners/stakeholders in collaborative enforcement (ie: best practices).

What do we need to do now?

- having had some time to think about the meeting we must make sure that the themes identified give us the appropriate strategic direction to achieve our goal.
- are the Initiatives under each of these themes the right ones for the AML x-dwg to work on? If these need to be adjusted (added, deleted, modified) what changes have to be made? What priority should be given to developing the proposals.
- who will form the teams to work on these Initiatives? What timeframe will we give to each of these?


A Commissioner for taking affidavits for British Columbia

GPEB Response to BCLC input: Methods to Reduce Reliance on Cash in BC Casinos

Patron Gaming Fund Accounts (PGF):

PGF accounts were introduced into the larger lower mainland casinos beginning in December 2009 as a way for the casinos to reduce their reliance on cash. Suggestions for improvements are listed below:

No.	Source of Input	Discussion
1	BCLC	Allow PGF accounts to be opened and replenished with a wider variety of financial instruments including: certified, personal and casino cheques, bank drafts and debit or credit cards. This provides an avenue to move away from the issue of patrons carrying large sums of cash into the casino to game with. In regards to the use of personal cheques, the service providers would have to establish their own cheque-clearing waiting periods as any financial institution does.
1	ADMO	Require diligence at the front end with cheques.
1	INV	Allow PGF accounts to be opened and replenished with a wider variety of financial instruments including: certified, personal and casino cheques, bank drafts and debit or credit cards. OK from AML perspective, but I believe that Problem Gambling would have a strong say (may even be resistant) to these initiatives. This provides an avenue to move away from the issue of patrons carrying large sums of cash into the casino to game with. Add (mandatory) that with this change patrons cannot bring more than 10K in \$20 bills to gamble. In regards to the use of personal cheques, the service providers would have to establish their own cheque-clearing waiting periods as any financial institution does. This Division has limited faith in the ability of Service Provider (maybe BCLC) to administer cheque cashing clearances.
1	Policy / RG	Agree that we need to be more flexible in terms of how these accounts can be topped up, but do not support the use of credit cards to do so. All other instruments noted above are based on cash or equity; credit cards are not. This could not be supported through an RG lens.
1	ICRM	On the whole, okay. Some concerns include the use of casino cheques may not meet Anti-Money Laundering needs. Also there is a concern if the use of credit cards would have any Responsible Gambling impacts.
1	Audit	We believe that this needs to be limited to Canadian financial institutions ONLY.
1	Reg / Cert	Is it intended to accept the instruments from a "recognized" Canadian financial institution only? Are we giving approval for the extension of credit within gaming facilities; ie the source of funds could be from credit cards, bank loans etc. and how would we address problem gaming issues.

No.	Source of Input	Discussion
2	BCLC	Allowing international funds transfer from a major Canadian chartered bank with an international office (e.g. RBC Shanghai). Funds would be transferred to Service Provider, head office PGF accounts. Remove the restriction that the EFT must come from a Canadian bank. The patron should also have the ability to return funds to the same international bank account it was received from.
2	ADMO	No comment made in response to this suggestion.
2	INV	Allowing international funds transfer from a major Canadian chartered bank with an international office (e.g. RBC Shanghai). (No) Funds would be transferred to Service Provider, head office PGF accounts. (No) Remove the restriction that the EFT must come from a Canadian bank. (No) The patron should also have the ability to return funds to the same international bank account it was received from. (No) However, under certain strict due diligence by BCLC and Service Provider this Division can agree with EFT from a Canadian Banking Institution to PGF account and return of funds to that same account. (only EFT, verified wins, bank drafts, and financial instruments to open PGF). (NOT value CHIPS or cash) Those conditions must be strictly enforced. This must also be in conjunction with the Mandatory 10k limit on \$20 bills.
2	Policy /RG	Inclined to agree.
2	ICRM	Okay for allowing international funds transfer from a major Canadian chartered bank with an international office, once AML diligence is confirmed. Less likely to agree to proposal to remove restriction that EFT must come from Canadian bank as we do not know what AML diligence is in place. Okay for the proposal that the patron should also have the ability to return funds to the same international bank account it was received from.
2	Audit	We find this far too risky to consider. We do not believe that you can appropriately place reliance on Canadian banks in foreign locations adhering to Canadian laws.
2	Reg / Cert	I believe this should be explored with the Canadian financial institutions to determine if there is a comfort level in accepting overseas funds.

will require BCLC to provide more details on this and whether we can accept it - GPEB will check into it w/ FINTRAC + FICOM (Shelma Siglos to carry it out)

No.	Source of Input	Discussion
3	BCLC	<p>Allow patrons to EFT funds from their PGF account back to their own bank account at a different financial institution. This could be an account at a different financial institution, other than the one in which the EFT was originally received. For example, the patron EFTs funds from their Scotia bank account into their PGF account and later EFTs the funds from their PGF account to an account they have with the Bank of Montreal. As long as the patron is identified as the owner of both bank accounts, this should not be an issue.</p> <p>The two recommendations above provide full audit trails and do not differ in nature to the current large cash transaction (LCT) procedures which require full patron identification and recording of relevant transactions separately.</p>
3	ADMO	Should this be an issue if the patron is identified as the owner of both bank accounts?
3	INV	<p>Allow patrons to EFT funds from their PGF account back to their own bank account at a different financial institution. WHY? I suggest NO back to the same account as received. The patron can move the money to any other account anywhere. This could be an account at a different financial institution, other than the one in which the EFT was originally received. For example, the patron EFTs funds from their Scotia bank account into their PGF account and later EFTs the funds from their PGF account to an account they have with the Bank of Montreal. As long as the patron is identified as the owner of both bank accounts, this should not be an issue. (No) (KIS) This Division is also of the opinion that BCLC as Conduct and Manage should be responsible for due diligence of PGF accounts.</p> <p>The two recommendations above provide full audit trails and do not differ in nature to the current large cash transaction (LCT) procedures which require full patron identification and recording of relevant transactions separately. Only under the conditions we have mentioned above.</p>
3	Policy / RG	Inclined to agree, unless someone else has a strong argument as to why this should not be permitted.
3	ICRM	Okay.
3	Audit	<p>I find it fanciful that the service providers will be able to get enough information on who the bank accounts belong to feel comfortable that it is going to the correct individual. Asian names are particularly difficult.</p> <p>Money laundering seeks to hide the true source of funds. Allowing funds to be move to and fro from various bank accounts accomplishes this.</p>
3	Reg / Cert	<p>I would recommend "back to the original account".</p> <p>Who will be responsible for auditing?</p>

No.	Source of Input	Discussion
4	BCLC	Accept EFTs from other Canadian financial institutions besides Canadian banks (such as Credit Unions).
4	ADMO	Criteria needs to be established as not all financial institutions are not alike i.e. payday companies. We need to be careful with this. Credit unions are likely.
4	INV	This Division does not have an issue with this request.
4	Policy / RG	Agree.
4	ICRM	Should be okay, as AML diligence is required of all deposit-taking institutions. Concern with some money companies (e.g. Payday Loans).
4	Audit	This seems acceptable to us.
4	Reg / Cert	Partially agree – there would need to be consensus on the legitimacy of some financial institutions.

No.	Source of Input	Discussion
5	BCLC	Allowing funds to be transferred to a PGF account from any Banking institution. The Service Provider would be allowed to file its' own 'due diligence' report, attesting to the origin of the funds, just like a Canadian bank.
5	ADMO	Question if this can be done, especially if a foreign bank.
5	INV	Allowing funds to be transferred to a PGF account from any Banking institution. (Canadian Banking Institute only to Service Provider) The Service Provider would be allowed to file its' own 'due diligence' report, attesting to the origin of the funds, just like a Canadian bank. Service Provider is not a Bank and has competing interest. Again, Canadian Banking Institute to Service Provider and return funds to the same Canadian Financial Institute.
5	Policy / RG	This one makes me nervous. Foreign banking institutions are not regulated in the same way; even the US has much less regulatory oversight of its financial institutions. And we know that proceeds of crime are laundered through offshore banks. We would have to be very cautious with this if we were to permit.
5	ICRM	If this refers to foreign banks, do not agree.
5	Audit	Banks have an ongoing relationship and detailed profile with customers they know. That is how they are able to determine whether the stated source of funds makes sense in the circumstances. Service providers have an incomplete knowledge of their clients at this time. Again once the funds are in the financial system it is on its way to being legitimate. The service provider is at the tail end of the transaction and it is fairly useless to say that funds were "received from Bank XYZ Cayman Islands" therefore it is clean. Relying on foreign based banks to handle the attestation prior to allowing funds to enter the financial system is potentially risky.
5	Reg / Cert	As above – definition required for "banking institution."

Also, the S/PS becoming 'quasi banks' and then there are other reports that they would need to meet (i.e. FICOM).

Jhelma to explore w/ FICOM in conjunction w/ the other discussions as she will be having with them.

No.	Source of Input	Discussion
6	BCLC	Patrons currently have the ability to deposit into their PGF accounts any verified wins on the same day the win occurs.
6	ADMO	No comment made in response to this suggestion.
6	INV	Patrons currently have the ability to deposit into their PGF accounts any verified wins on the same day the win occurs. "verified win", yes agree. Although this Division will always question the reliability of ensuring it is a "verified win". Restriction on moving value chips between Casinos may help but certainly is not fool proof.
6	Policy / RG	So this is in place, right?
6	ICRM	Already in place.
6	Audit	No comment made in response to this suggestion.
6	Reg / Cert	Gaming facilities don't have enough dedicated resources to verify all wins.

Casino Cheques & Other Financial Instruments

Currently, BCLC policy only permits casinos to issue cheques for verified wins. Suggestions to increase the use of cheques and still maintain AML compliance are listed below:

No.	Source of Input	Discussion
1	BCLC	For the safety and convenience of patrons, create a new type of casino cheque clearly labeled "Not a Verified Win, Return of Funds Only". These casino cheques would also be accepted as buy-ins should the patron return to play.
1	ADMO	Only under specific guidelines and circumstances.
1	INV	NO, this Division does not agree, unless bone fide financial instrument or EFT is used to buy-in. Only "verified win" cheques.
1	Policy / RG	Only to a certain limit, as has been discussed, to address the "granny" wins and help with patron safety. Limit to \$5,000 or \$8,000 – TBD.
1	ICRM	Okay, subject to AML diligence - BCLC policies and procedures.
1	Audit	This will end up being the first step in allowing cash to be converted to a negotiable instrument. "Smurfing" activities will almost certainly increase after such a policy implementation. <i>Not a starter.</i>
1	Reg / Cert	No comment made in response to this suggestion.

above to provide more details on how this can work to provide safety to smaller players who don't want to carry amounts of cash.

No.	Source of Input	Discussion
2	BCLC	If a patron is cashing out and the amount is \$10,000 or over, offer the patron the option to open a PGF account and deposit the funds there.
2	ADMO	We have not agreed to the \$10 000. The expectation was that BCLC would do research and make a proposal. Is there a risk here?
2	INV	NO, this Division does not agree, unless bone fide financial instrument, EFT, "verified win" cheque is used to buy-in. Use EFT or financial instrument to open PGF account.
2	Policy / RG	I don't see a problem with this, as long as the funds being deposited have been verified as being legit.
2	ICRM	Concern as this could be the equivalent of opening a PGF with cash.
2	Audit	We would expect that this would be for "verified wins" only.
2	Reg / Cert	This would defeat the purpose of the PGF accounts.

No

No.	Source of Input	Discussion
3	BCLC	Accept buy-ins at the casino in a wider variety of financial instruments including certified, personal and casino cheques, bank drafts, money orders and debit or credit cards. This provides an avenue to move away from the issue of patrons carrying large sums of cash into the casino to game with. In regards to the use of personal cheques, the service providers would have to establish their own cheque-clearing waiting periods as any financial institution does.
3	ADMO	These all look good to me with the exception of the credit cards, which we will have to look at closely.
3	INV	OK from an AML perspective, but I believe that Problem Gambling would have a strong say (may even be resistant) to these initiatives. This Division has limited faith in the ability of Service Provider to administer cheque cashing clearances. If Policy is changed then add "mandatory" that with this change patrons cannot bring more than 10K in \$20 bills in a 24 hour period to gamble.
3	Policy / RG	Only to a certain limit, as has been discussed, to address the "granny" wins and help with patron safety. Limit to \$5,000 or \$8,000 – TBD.
3	ICRM	Concern with the use of credit cards from an RG perspective. Concern with the vetting process of casino cheques. Otherwise, okay, subject to AML diligence - BCLC policies and procedures.
3	Audit	No comment made in response to this suggestion.
3	Reg / Cert	Credit cards bring up the issue of extension of credit (problem gaming).

Extend Credit or Provide Cash Advances

Currently, the Responsible Gambling Standards for the province of BC do not allow gaming service providers to extend credit or lend money to patrons as per provincial policy. This policy would need to be amended in order to allow the following suggestions to be implemented:

No.	Source of Input	Discussion
1	BCLC	Extend credit to patrons who qualify. The credit amount would have a minimum threshold, \$100,000 as an example and a maximum threshold. Credit amounts below \$100,000 would not be offered. Patrons would submit all necessary identification information in order to be eligible for the credit. The casino service providers would have to determine how much credit they are willing to extend and thus be liable for.
1	ADMO	How they pay back credit is of key importance. Obviously, they would not be able to pay back with cash.
1	INV	From AML perspective <u>repayment</u> for losses on extended credit must be from a Canadian Financial Institute EFT, or approved financial instrument. <u>Not cash</u> . Also, chips that are purchased cannot be comingled with chips obtained by Credit.
1	Policy / RG	As discussed with BCLC, I think this can be viable but believe \$100K is way too low as a minimum threshold. This is meant for high stakes patrons, not for people who may qualify but for whom such extension of credit could be a real problem. Service providers will want to keep the threshold low so as to reduce their exposure....we need to be vigilant about this.
1	ICRM	Support for a high-limit preapproved gambling line. Details to be developed.
1	Audit	Will the service provider be allowed to sell the debt to another party? We would be concerned about this option if government revenue is impacted. For example, if a patron defaults on the credit would the bad debt be expensed and therefore reduce revenue transferred to government. This could be seen as offloading a portion of the risk to government. It would be important to ensure that the policies around this are crafted properly.
1	Reg / Cert	No comment made in response to this suggestion.

**need patronage from BCLC on thresholds selected and more details on specifics of how this would operationalize*

No.	Source of Input	Discussion
2	BCLC	Credit would be offered to both local and international players. Credit would only be available at the larger casino properties in the lower mainland – namely River Rock, Starlight, Grand Villa and Edgewater.
2	ADMO	Why would credit be offered?
2	INV	From an AML perspective payment for losses on extended credit must be from a Bone Fide Canadian Financial Institute. <u>Not cash</u> . Also chips that are purchased <u>cannot be comingled</u> with chips obtained by Credit.
2	Policy / RG	No issue, keeping in mind comments above (No. 1 in this section).
2	ICRM	How does it get paid back?
2	Audit	No comment made in response to this suggestion.
2	Reg / Cert	No comment made in response to this suggestion.

No.	Source of Input	Discussion
3	BCLC	With credit capability extended to high limit players, offer a Casino 'VIP Card' that can be loaded with funds and utilized at the cash cage for buy ins and for disbursements to a pre-determined credit limit. To obtain a Casino card the patron would register at a Casino and reveal their banking information. This process would be administered and tracked by the Service Provider.
3	ADMO	No comment made in response to this suggestion.
3	INV	Only buy in or repayment from Canadian Financial Institute, EFT, a financial instrument or "verified win") No <u>cash</u>
3	Policy /RG	No issue, keeping in mind comments above (No. 1 in this section).
3	ICRM	No comment made in response to this suggestion.
3	Audit	Buy-ins usually occur at a table.
3	Reg / Cert	No comment made in response to this suggestion.

Use of Legitimate Money Transfer Companies

No.	Source of Input	Discussion
1	BCLC	A company called "TrustCash" has the potential to offer the ability for patrons to purchase casino chips on-line and pay for them in cash at their nearest banking location. The company would provide the patron with a slip or chit which would be redeemable at the casino for the chips purchased.
1	ADMO	No comment made for this suggestion.
1	INV	Potentially, this is off loading the due diligence to the Canadian Financial Institute. That maybe ok.....
1	Policy / RG	Would need more info before commenting fully. Lots of red flags with this proposal, from an RG perspective.
1	ICRM	Interesting possibilities. AML vetting procedures to be developed. More details required re: payment for chips at nearest banking location.
1	Audit	No comment made for this suggestion.
1	Reg / Cert	No comment made for this suggestion.

No.	Source of Input	Discussion
2	BCLC	A system called "Global Cash" is currently in use at the Edgewater, Grand Villa, Cascades and River Rock casinos. There is a "Global Cash" terminal which patrons can use their credit cards and request a cash advance. The patron then attends the "Global Cash" cage on site and they will provide the funds to the patron. Using this method the patron is not charged a daily interest fee that is common with a regular cash advance on credit cards. There are service fees involved and the fees increase as the amount of the cash advance increases. There is no limit on the amount of the cash advance – it would be based on the credit card limit.
2	ADMO	We need to discuss this. I am surprised this service is available with our policy. How did this come to be?
2	INV	Not AML issue to receive cash as long as they cannot put large amounts of cash into "Global Cash".
2	Policy /RG	Which part of "no extension of credit" does BCLC not understand? I am unaware this is being offered in Lower Mainland casinos and am surprised it has not been picked up in our audits pertaining to public interest standards. Section 5.1 of the Responsible Gambling Standards for the BC Gaming Industry states, "gaming services providers may not extend credit or lend money to patrons as per provincial policy". I suppose, technically, it could be argued the service provider is not extending credit, it is Global Cash. However, this flies in the face of the spirit of the standard and I'm surprised BCLC permitted it. I do not support from an RG perspective.
2	ICRM	What is in place right now? And what is different in this proposal? Are there RG issues associated with the use of credit, from credit cards? Need to know what is going on.
2	Audit	No comment made for this suggestion.
2	Reg / Cert	How can the source of funds be verified?



This is EXHIBIT "15" referred to in the affidavit of DOUGLAS SCOTT affirmed before me at Victoria, British Columbia, this 3rd day of February, 2021.

[Signature]
A Commissioner for taking affidavits for British Columbia

Know your limit, play within it.

July 26, 2012

Log # 482987

To: All Registered Gaming and eGaming Service Providers

Re: Terms and Conditions of Registration:

Reporting by Service Providers – Section 86(2) Gaming Control Act *and*
Section 34(1)(t) Gaming Control Regulation

This Memorandum consolidates and replaces the Memoranda from the General Manager/Assistant Deputy Minister, Gaming Policy and Enforcement Branch (GPEB) dated December 16, 2002 and December 3, 2010 in relation to the legal reporting requirements for Service Providers.

GPEB is responsible for the overall integrity of gaming and horse racing in British Columbia, as outlined in Section 23 of the *Gaming Control Act*.

Section 86(2) of the *Gaming Control Act* requires a registrant to notify the General Manager, GPEB, immediately, about any conduct, activity or incident occurring in connection with a lottery scheme or horse racing that may be considered contrary to the *Criminal Code* of Canada, or British Columbia's *Gaming Control Act*, or *Gaming Control Regulation*.

Section 34(1)(t) of the *Gaming Control Regulation* requires a service provider to immediately report to the General Manager, (GPEB) any conduct or activity at or near a gaming facility that is or may be contrary to the *Criminal Code*, the *Gaming Control Act*, or any *Regulation* under the *Act*.

1. To provide guidance for the reporting/notification requirement, all registered gaming service providers must advise the General Manager, GPEB, immediately, of conduct, activity or incident at or near a gaming facility that may be contrary to the *Criminal Code*, the *Gaming Control Act* or a *Regulation* under the *Act*. This includes but is not limited to:
 - a) Cheating at play (includes collusion between players or individuals);
 - b) Thefts (includes theft affecting the integrity of the game, thefts from the house, or by a gaming worker);
 - c) Fraud (includes using or attempting to use stolen or forged credit cards, bank cards, or electronic payment);
 - d) Money laundering (including suspicious currency transactions or suspicious electronic fund transfers);

.../2

Ministry of
Energy and Mines

Gaming Policy and
Enforcement Branch
Assistant Deputy Minister's
Office

Mailing Address:
PO BOX 9311 STN PROV GOVT
VICTORIA BC V8W 9N1

Location:
Third Floor, 910 Government Street
Victoria, BC

Web: www.pssg.gov.bc.ca/gaming

- e) Suspected passing of counterfeit currency where the identity of passer is known;
 - f) Loan sharking;
 - g) Robbery;
 - h) Assault;
 - i) Threats against, or intimidation of, players or registrants;
 - j) Unauthorized lottery schemes;
 - k) Persons legally prohibited;
 - l) Unregistered gaming service providers;
 - m) Minors found in or participating in gaming in a gaming facility; and
 - n) Minors playing or attempting to play eGaming.
2. Registered gaming service providers must advise GPEB, without delay, of any real or suspected conduct, activity, or incident that affects the integrity of gaming or horse racing that involves a registered gaming service provider or registered gaming worker. Gaming service providers should follow the reporting procedures found in Appendix A.


The Investigations and Regional Operations Division, GPEB will continue to provide guidelines and procedures for reporting integrity issues.


Under Section 79 of the *Gaming Control Act* GPEB investigators and inspectors have full access to gaming facilities and premises, including but not limited to records, data and gaming supplies used in the delivery of eGaming. This access is for the purpose of conducting investigations, inspections, audits and for monitoring compliance with the *Act*.

Your obligation to report integrity issues to GPEB does not alleviate you of any contractual requirements to report to the BC Lottery Corporation.

Your understanding and cooperation is appreciated.


Sincerely,



 Douglas S. Scott
General Manager and Assistant Deputy Minister

pc: Michael Graydon, President and CEO, BCLC
Terry Towns, Vice-President, Corporate Security and Compliance, BCLC
Larry Vander Graaf, Executive Director, Investigations and Regional Operations, GPEB
Terri Van Sleuwen, Executive Director, Audit and Compliance, GPEB
Len Meilleur, Executive Director, Registration and Certification, GPEB

This is EXHIBIT "16" referred to in the affidavit of DOUGLAS SCOTT affirmed before me at Victoria, British Columbia, this 3rd day of February, 2021.


A Commissioner for taking affidavits for British Columbia

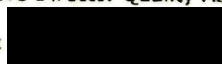

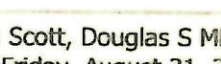
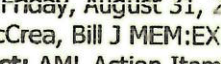
McCrea, Bill J MEM:EX

From: McCrea, Bill J MEM:EX
Sent: Friday, August 31, 2012 4:55 PM
To: Vander Graaf, Larry P MEM:EX; Schalk, Joe MEM:EX; Dickson, Derek MEM:EX; Meilleur, Len MEM:EX; Lefler, Stephen C MEM:EX; Merchant, Ron J MEM:EX; Van Sleuwen, Terri MEM:EX; Kraan, Karen MEM:EX; VanderWerf, Neil MEM:EX; Bell, Suzanne N MEM:EX; Jaggi-Smith, Michele MEM:EX; Ridley, Sheena MEM:EX; Horricks, David MEM:EX; Burke, Lisa MEM:EX
Cc: Scott, Douglas S MEM:EX
Subject: FW: AML Action Items

Good Afternoon,

Here is a message from Doug, providing his thoughts from yesterday's AML x-dwg meeting and with respect to the process of evaluation. I will be working with various people to develop the next steps of this initiative. And, we will set up the next meeting of the x-dwg to continue our work. Please let me know what your thoughts are with respect to evaluating the AML progress. Your input is appreciated. Thanks.

Bill

Bill McCrea BES MBA FCIP
 Executive Director Quality As
 Phone: 
 Mobile: 
 Fax: 
 Email: 

From: Scott, Douglas S MEM:EX
Sent: Friday, August 31, 2012 4:55 PM
To: McCrea, Bill J MEM:EX
Subject: AML Action Items

Hi Bill,

My thoughts for next steps

Terry Towns
Gateways let
10 mgs go
- Cost cutting
- performance

3 discussions w
Derek Dickson
+
Terry Towns
(Internet Banking
Change Hold)
possible

In yesterday's meeting you presented good news in relation to the increasing uptake of industry efforts regarding the transition to electronic funds. We knew that it will take time to move a multi-billion dollar industry, however, it seems that we can now see initial traction. I am confident the curve will go steeper since this is the way virtually every other entertainment industry is operating – so barriers for acceptance by customers *should* be low.

That said, Investigations also presented evidence that they believe indicates the volume of suspicious money coming into BC casinos is increasing despite industry efforts. I know that we are just now entering into a time where the changes to buy-in options should start biting into these numbers, and it is possible an evaluation at this stage may be too early. However, based on Investigation's concern, I would like to bring forward the evaluation planned for early next year and begin work on it immediately. It may be that we prepare an interim evaluation this fall and a final in the spring – but let's try and get a better understanding of the reality we are facing right now. If the history of how this industry evolved has exposed large numbers of high-value players to discounted street cash, it is possible that even with well marketed electronic funds options we will continue to struggle with high volume cash transactions and we will require other tools/techniques to address this.

As chair of this committee, please take on responsibility for:

1. Developing the information sources and metrics for the evaluation with the assistance of our AML group, BCLC and the industry committee
2. Leading the gathering and analysis of the information
3. Leading the creation of an interim report for consideration by our AML group

We will set timelines for these items at the next meeting of the AML group.

Please forward this email to our AML team so they are aware of this direction.

Thanks for your work on this Bill. And thanks to our AML team.

Doug

Douglas S. Scott
Assistant Deputy Minister
Gaming Policy and Enforcement Branch
Ministry of Energy and Mines

PO Box 9311, Stn Prov Govt
Victoria, BC
V8W 9N1

Telephone: [REDACTED]

Website: www.pssg.gov.bc.ca/gaming

Know your limit, play within it.



Please consider the environment before printing this e-mail

From: [McCrea, Bill J EMNG:EX](#)
To: [Brad Desmarais](#); [Bryon Hodgkin](#)
Cc: [Scott, Douglas S EMNG:EX](#); [Fair, Susan P EMNG:EX](#)
Subject: AML Measuring Performance Progress Report
Date: Tuesday, March 12, 2013 3:44:50 PM
Attachments: [Measurement Report to Ministry FY1213 - March 12 2013.docx](#)

Hi Brad and Bryon,

Brad, further to your and my conversation today here is GPEB's draft report detailing the AML initiative that the industry has been working on during this current fiscal year. The report includes analysis of progress made and work that needs to be done. The last two pages include discussion of the planned phases for accelerating this work in the new fiscal year. This was a concept that Doug Scott had originally put forward in a meeting attended by himself, Michael Graydon and service provider CEO's. I have had similar discussions with Terry Towns.

Susan Fair will be setting up a video conference meeting with the four of us, to review the report and get your thoughts on the conclusions and the future direction. We are hoping to have this next Monday morning, March 18, 2013. Susan will organize the logistics.

Brad and Bryon, if you have any questions or comments before the meeting please let me know. That way we can make the best use of our time. Thank you for your continuing support.

Bill

Bill McCrea BES MBA FCIP
 Executive Director Quality Assurance & Risk

Province of British Columbia
 Gaming Policy and Enforcement Branch
 Location: 3rd Floor 910 Government Street V8W 1X3
 Mailing: PO Box 9311 Stn Prov Govt Victoria BC V8W 9N1

This is EXHIBIT "17" referred to in the
 affidavit of DOUGLAS SCOTT affirmed
 before me at Victoria, British Columbia,
 this 3rd day of February, 2021.


 A Commissioner for taking affidavits for British Columbia



Know your limit, play within it.

Anti-Money Laundering in BC Gaming

Measuring Performance Progress



Anti-Money Laundering in BC Gaming

Measuring Performance Progress

Executive Summary

As a result of concern that money laundering was occurring in British Columbia gaming facilities the Gaming Policy and Enforcement Branch (GPEB) and the British Columbia Lottery Corporation (BCLC) embarked on an initiative to stop this activity. The strategy statement, which has framed the anti-money laundering (AML) activities, is that:

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

Both GPEB and BCLC have initiated working groups to create solutions for this industry challenge. Alternatives to carrying cash into gaming facilities have been developed and implemented, in this current fiscal year. Progress has been made with new enhancements being introduced to the industry that allow patrons to safely obtain gaming funds inside the facilities. These funds are already vetted through financial services industry AML diligence. At this point approximately 70% of all gaming funds are obtained from within the casino and Community Gaming Centre facilities.

Even with the progress that has been made, through alternative cash initiatives, there have been increased levels of suspicious currency transactions during the same time period. These buy-ins, with cash from outside of gaming facilities, challenge the AML goal.

This report provides discussion of the existing success in AML initiatives and the challenges of outside cash that continues to enter gaming facilities. It describes the next planned enhancements for availability of funds inside facilities. And, it sets out a phased approach to accelerate the strategy through the next fiscal year.

BACKGROUND

In 2011, the Province conducted a review "Anti-Money Laundering Efforts at BC Gaming Facilities" to determine what anti-money laundering (AML) policies, practices and strategies were currently in place and to identify opportunities to strengthen the existing anti-money laundering regime. The published review included recommendations to both the British Columbia Lottery Corporation (BCLC) and the Gaming Policy and Enforcement Branch (GPEB) for opportunities to further strengthen anti-money laundering efforts.

Following this report, GPEB and BCLC developed a comprehensive anti-money laundering strategy to implement changes in the cash based business. Prior to establishing the new AML strategy funds for gaming have been available inside the facilities, through limited options. Beyond those options cash has to be brought into gaming venues from outside the facilities. The focus of the AML strategy is a phased approach of prevention, through providing alternatives to bringing in cash from outside gaming facilities, and, working to bring about a decline in suspicious transactions that are typical of money laundering.

An anti-money laundering cross-divisional working group (AML x-dwg) was established in GPEB to develop AML solutions and assess proposals from BCLC and the industry. At the outset GPEB's Assistant Deputy Minister met with Service Provider CEO's and the President & CEO of the BC Lottery Corporation to set an approach for this initiative. BCLC established an industry working group, which included themselves as the operator of gaming, service providers who manage and run the gaming facilities and GPEB as the regulator of gaming. The industry AML working group meets regularly to review progress and develop new strategies.

GPEB's strategy statement was developed, which has framed activities of the AML x-dwg and the industry working group.

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

This anti-money laundering strategy provides a framework for stakeholders in the gaming industry to align with each other in achieving mutual objectives to stop money laundering in the British Columbia gaming industry. Through creating innovative solutions and implementing these with rigorous policies and procedures the goal will be achieved.

AML PERFORMANCE MEASURES

The performance measure established for the Ministry of Energy, Mines and Natural Gas 2013/14 - 2015/16 Service Plan is to "Enhance access to funds in gaming facilities." The measure tracks the strategy of providing a suite of options to access funds in casinos and Community Gaming Centers. This has a baseline of two options in 2011/12, to obtain funds inside gaming facilities, and expands on that in future years. The performance measure also commits to producing this AML evaluation report and to adjust the strategy/implementation as appropriate.

The other element for measuring performance of the AML initiative is tracking the change in suspicious currency transactions (SCT) in gaming facilities. Especially those SCT's that can be associated with understood money laundering typologies.

This report provides discussion and measurements of the progress being made to achieve the goals set out in the Service Plan and in examining trends in SCT's. The baseline for the new options began April 1, 2012.

FINANCIAL BACKGROUND

The context for conducting financial analysis is the gross revenue of casinos and community gaming centres, and total gaming industry revenue in the province. The revenue figures for the past two fiscal years are.

	FY 2010/11	FY 2011/12
Casino	\$1,339,272,000	\$1,350,749,000
Community Gaming	\$277,036,000	\$289,286,000
CASINO & COMMUNITY REVENUE	\$1,616,308,000	\$1,640,035,000
TOTAL GAMING REVENUE	\$2,678,700,000	\$2,701,400,000

2011/12 AML Measures Baseline

Before engaging in new initiatives the two options available to obtain funds inside gaming facilities were Automated Teller Machines (ATM's) and the Patron Gaming Fund account.

ATM's have been utilized in gaming facilities for many years. They are widely used by patrons to obtain funds but are limited in the amount of money that a player can obtain on any given day. Even with this limitation ATM's continue to be utilized by gaming patrons who withdraw hundreds of millions of dollars each year inside BC gaming locations.

The Patron Gaming Fund account (PGF) was introduced to BC gaming players late in December 2009. This option allows patrons to transfer funds electronically from approved deposit-taking institutions into a PGF account, held at a BC casino, for play while at the facility. The PGF account was established to provide an option to players having to carry large amounts of cash into gaming facilities. It also ensured that AML diligence had already been done for these funds. GPEB initially approved this innovative option with relatively strict controls, to conduct a pilot program that would allow us to manage the money laundering risk. With the controls in place, and the PGF account being a pilot program it received limited acceptance through the first two years.

2012/13 AML Enhancements

The new emphasis on AML opened up expanded options for increased use of the PGF by a larger number of players, and for larger volumes of gaming funds. The commitment for Fiscal Year 2012/13 is to introduce three new options to either enhance existing AML strategies or to develop new strategies. Working with BCLC and casino service providers GPEB has approved new options, with resulting increases in funds being available inside gaming facilities. These new options have required new BCLC policies and procedures and the necessary changes in gaming facility operations. Thus adoption has been staggered throughout the year.

The following describes the 2012/13 enhancements and new strategies.

Patron Gaming Fund

Through this current fiscal year, several enhancements have been made to the PGF accounts program. There has been a very positive increase in funds being deposited into PGF accounts and used for gaming in the casinos. The enhancements are:

- the list of acceptable financial institutions, for transfer of funds into the PGF, has been expanded to include Schedule II Canadian deposit taking institutions.
- for customer convenience, PGF accounts can now be linked to two financial institution accounts. Only individual bank accounts are allowed, with no third party, joint or business accounts to be used in funding PGF funds.

- PGF accounts can now be funded with an expanded list of financial instruments. These are:
 - certified cheques
 - bank drafts
 - verified win cheques
 - cheques issued by Canadian casinos, to the PGF account holder

Through work done at the industry working group, the PGF account has been more actively promoted in BC gaming facilities. Frequent, and high volume, players are being identified. Service providers are engaging these individuals to sign more players into the program and to encourage increased use of the program.

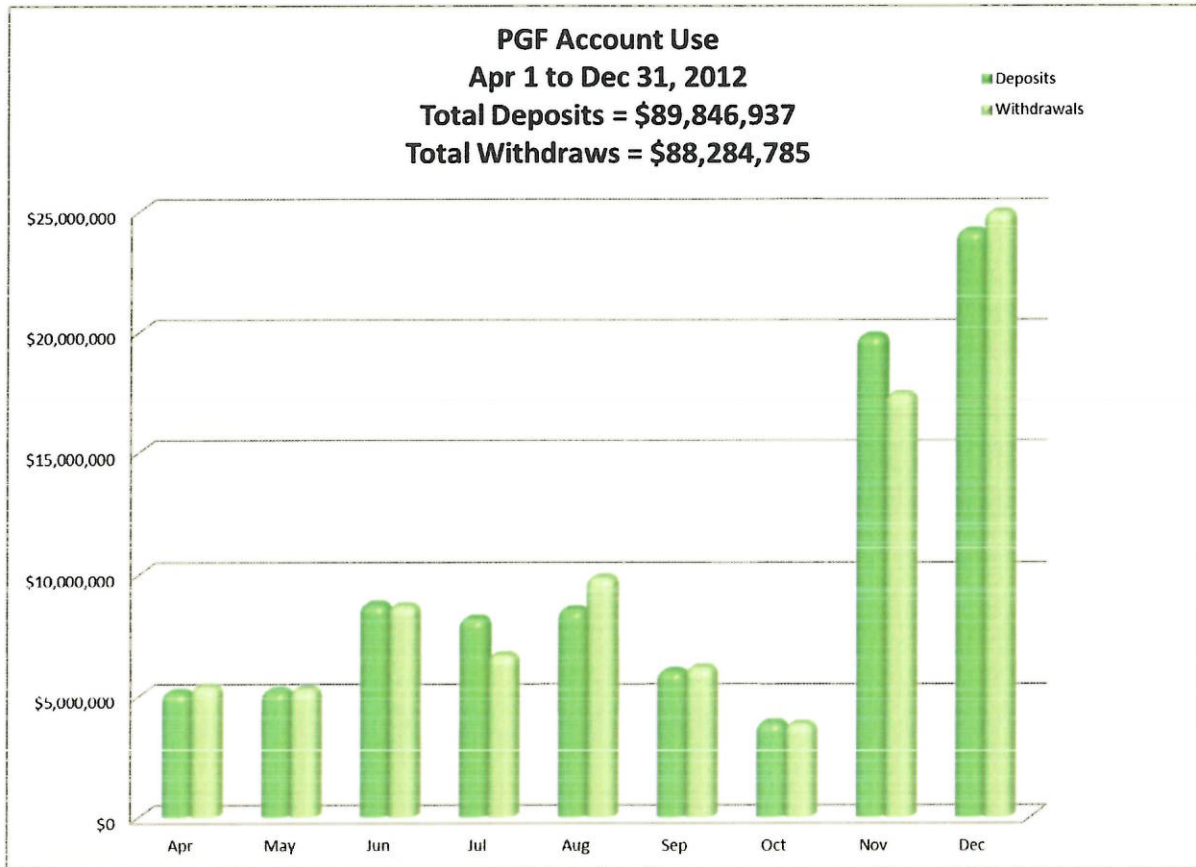
The chart below indicates the number of new PGF accounts that have been opened in the current fiscal year.



The total number of PGF accounts opened since the December 2009 inception of the program is 305. The 67 new PGF accounts, in the first nine months of the current fiscal year, is an increase of 28% over the previous total.

Although the current activity of new accounts is encouraging it should be noted that 152 of the total PGF accounts have been closed, subsequent to being opened. The primary reason for casino service providers to close accounts is due to inactivity for a 12 month period. This leaves 153 PGF accounts open as at December 31, 2012.

The chart below documents the amount of money deposited into PGF accounts and withdrawn for gaming use in the first three quarters of FY2012/13. It is significant to note the increase in usage during the third quarter, over the total usage in the prior two quarters. This measure is encouraging in that it supports the increased momentum of the AML strategy, by service providers and gaming patrons.



Analysis of PGF momentum:

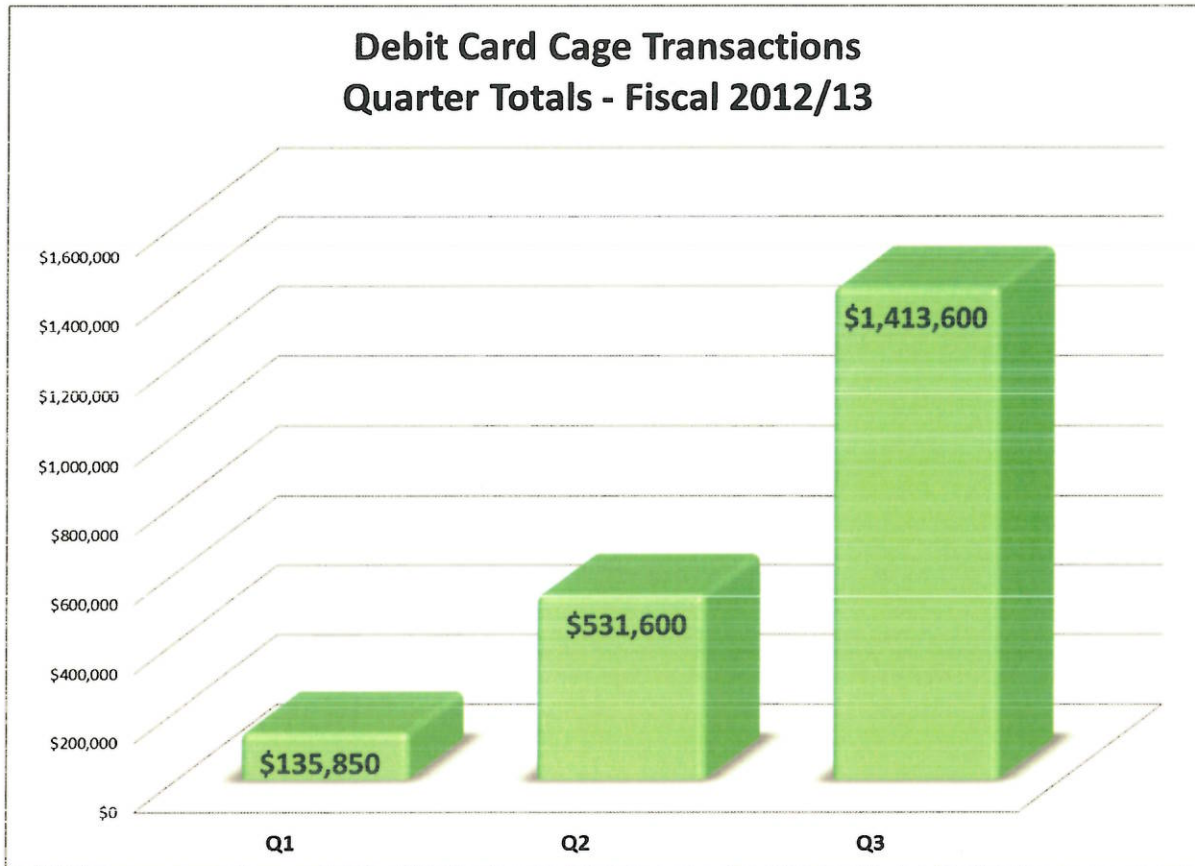
Timeframe	Total Deposits	Total Withdrawals
April 1 – September 30, 2012 (Q 1&2)	\$41,943,982	\$42,098,380
April 1 – December 31, 2012 (Q 1, 2 & 3)	\$89,846,937	\$88,284,785
Increase September 30 – December 31, 2012 (Q3 only)	\$47,902,955	\$46,186,405
% Q3 Increase over Q 1&2 Total	114%	110%

Note, there is ongoing discussion concerning tracking of the total deposits and withdrawals. Some adjustments will have to be made due to fine tuning of the accounting entries at source. The variance may represent a reduction of less than ½ of one percent, leaving the total deposits at approximately \$89.4 million. This will be sorted out for the year-end report.

Debit Card

As of April 1, 2012 gaming patrons were able to withdraw funds from their financial institutions using their debit card, at the cash cage. This new enhancement is intended for transactions in amounts above ATM limits. As the year has progressed new facilities have added this option for their patrons. There are currently nine gaming locations that offer debit withdrawal at the cash cage.

The total withdrawn, as at December 31, 2012, is \$2,080,050. With the addition of new properties the third quarter has shown a dramatic increase in use of this method for people to obtain gaming funds, within the gaming facilities.



- Total of \$2,080,050 for the current fiscal year
- This option is in use at the following properties: Boulevard, Cascades, Fraser Downs, Edgewater, Grand Villa, River Rock, Starlight, Treasure Cove, View Royal

Cheque Hold

The Cheque Hold process involves preapproving patrons to conduct casino gaming while a cheque (the security) that they have provided the casino is held uncashed. Once the patron has finished their gaming this cheque must be reconciled to either pay the amount owing, in the event of net losses, or the casino will pay out the net winnings if that is the case. This mechanism is used for high net worth patrons, who have the proven ability to cover the value of the held cheque.

Participating Casinos for the Cheque Hold Option are listed below with approval dates. As of December 31, 2012 this option has yet to be utilized at any British Columbia gaming facilities.

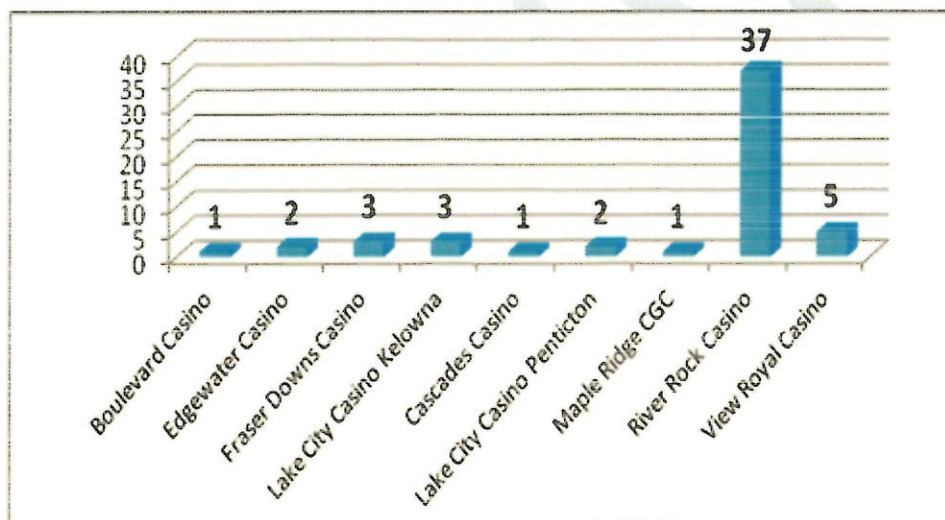
<i>Casino Property</i>	<i>Cheque Hold Approved</i>
Edgewater	April 10, 2012
Starlight	May 13, 2012
Grand Villa	May 24, 2012
River Rock	July 20, 2012

There is an element of risk to the casino in supporting Cheque Hold programs. Currently the only other Canadian gaming facility utilizing Cheque Hold is the casino in Montreal, Quebec. This has been in place there for over three years. As this is a new enhancement in British Columbia we expected a slow start to adopting the program.

Customer Convenience Cheque

Service providers are now permitted to issue cheques to patrons for the return of buy-in funds, up to one \$8,000 cheque per week. These cheques are clearly marked "Return of Funds – Not Gaming Winnings". This option enhances security for patrons who do not wish to exit the gaming facility with large quantities of cash. AML diligence is enhanced as customer information is recorded and all transactions are monitored and reported. This policy does not provide cheques to every patron, as it is limited to one \$8,000 cheque per week. Thus the AML policy dictates that large cash buy-ins are returned to the patron in the form that they were received initially at the cash cage. A large cash buy-in with small bills (\$20's) is returned with the same denomination.

For the nine month period April 1 – December 31 2012, a total of 55 convenience cheques were issued for a total amount of \$216,947. The breakdown, by gaming facility, is provided in the chart below.

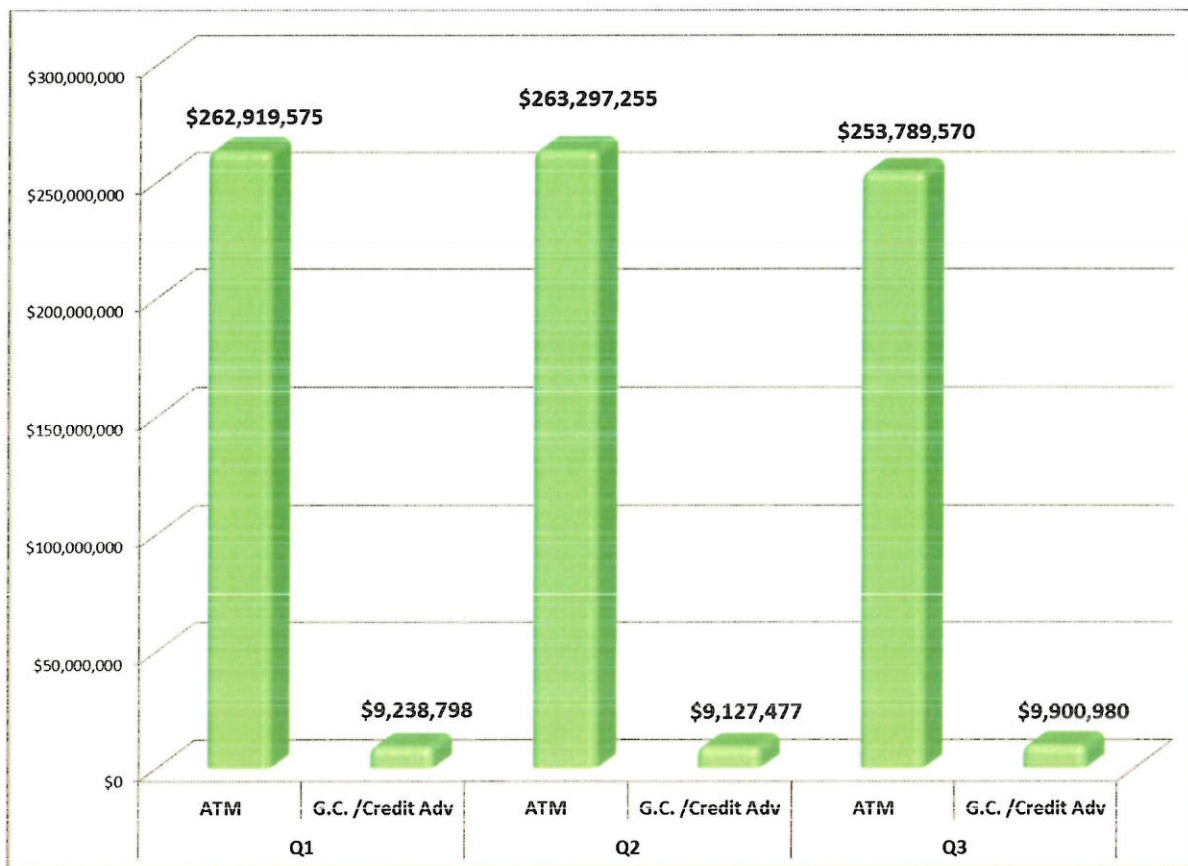


- 4 patrons have received more than one convenience cheque, provided within the policy parameters – each cheque was issued in different weeks.

Existing Methods of Reducing External Cash in Casinos

To fully understand the impact of funds obtained within gaming facilities versus those brought in from outside it is important to review methods that have already been in place. Casino service providers currently provide access to cash through ATM's and the Global Cash funds advance facility. The Global Cash Access company operates kiosks that allow patrons to make debit withdrawals or cash advance purchases for use in gaming. These kiosks are located outside of the gaming floor, usually in entertainment facility lobbies.

The table below provides the accounting for these existing methods for the first three quarters of the current fiscal year.



ATM/Global Cash/Credit Card Advances = \$808,273,655

Cash Transaction Monitoring and Reporting

Federal legislation requires casinos to report large cash transactions and suspicious transactions. In British Columbia BCLC is the legal reporting entity as a result of their role to conduct and manage gaming in the province. This reporting requirement is legally required by the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA). The reporting is provided to the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC). In the case of suspicious currency transaction reports, a Gaming Control Act Section 86 report (S.86) is provided to the Investigations and Regional Operations Division of GPEB.

Large cash transaction reports (LCT's) must be filed when reporting entities receive an amount of \$10,000 or more in cash in the course of a single transaction. An LCT must also be filed, in the case of casinos, when disbursements of \$10,000 or more are made in the course of a single transaction. As described in FINTRAC's Guideline 2: Suspicious Transactions, suspicious transaction reports (STR's) must be provided by reporting entities in the case of completed or attempted transactions if there are reasonable grounds to suspect that the transactions are related to the commission or attempted commission of a money laundering offence or a terrorist activity financing offence. The Guideline goes on to say that, "Reasonable grounds to suspect" is determined by what is reasonable in your circumstances, including normal business practices and systems within your industry."

A key measure in understanding potential money laundering activity is suspicious transactions. By examining this activity we are able to derive information about the trends in cash entering casinos from outside of the premises. Identifying incidents of suspicious transactions and the filing of STR's has evolved over the past few years. In the summer of 2010 FINTRAC conducted an audit of BC casino filings under the PCMLTFA. Further, a study was conducted by government. The 'Anti-Money Laundering Measures at BC Gaming Facilities' report was released in 2011. As a result of the FINTRAC audit and the government study BCLC identified a need for greater diligence in recognizing and filing of casino buy-ins that required STR's.

Casino service provider training was upgraded early in 2010, and was branded as "Anti Money Laundering Training (AML)". Following the assessment of a FINTRAC administrative monetary penalty in June of 2010 BCLC Investigators were provided with an AML Compliance Manual, which clarified their duties and expectations with respect to AML monitoring and reporting. Through 2010 a new on-line AML course was developed for casino service providers and Community Gaming Centre staff. This was rolled out in March 2011. The AML Training course was updated, again, through 2012 and was made available to gaming workers in December 2012.

The upgraded level of patron buy-in diligence has contributed in increased filing of STR's by BCLC since 2010. This changing environment has to be considered in analyzing the statistics. The change in STR filing results has to be viewed in context of the new training and greater sensitivity to suspicious transaction situations since that time.

In addition to FINTRAC reporting, GPEB is responsible for the overall integrity of gaming in the Province as outlined in Section 23 of the Gaming Control Act (GCA). Section 86 of the GCA and Section 34 of the Gaming Control Regulation legally requires the Service Providers (Registrants) to immediately report to the Investigations and Regional Operations Division (Investigations) of GPEB any conduct or activity that is or may be contrary to the Criminal Code, the GCA or any Regulation under the Act and includes any activity or conduct that affects the integrity of gaming. These S.86 reports are categorized, and reported, as Suspicious Currency Transactions (SCT) by GPEB Investigations.

Statistics for filing S.86 Suspicious Currency Transactions to GPEB Investigations are:

SCT (S.86 GCA) Notifications	Year	Number of SCT Notifications
	2009	211
	2010	295
	2011	676
	2012	1175

In summary, BCLC provides Large Cash Transaction (LCT) reports and Suspicious Transaction (STR) reports to FINTRAC. Plus they provide Gaming Control Act Section 86 Suspicious Currency Transaction (S.86 SCT) reports to GPEB's Investigations and Regional Operations Division. The S.86 SCT reports are generated from information developed by casino surveillance staff, and these are sent to GPEB as soon as possible after the incident is observed. The STR reports that are provided to FINTRAC are generated from the same incident. GPEB does a reconciliation of the two reports to ensure consistency of providing the two organizations with the information they require. Thus factors affecting the rigor of STR identification and reporting also affect reporting of S.86 SCT reports to GPEB.

GPEB Investigations has provided more detailed analysis of key factors that they put forward to describe the changing conditions of cash being brought into BC casinos for cash cage buy-ins. This is done for two time periods, both covering twelve months. The first is August 31, 2010 – September 1, 2011. The second is the 2012 calendar year. Although the timeframes do not match, this comparison is useful for understanding trends. It should also be pointed out, as above, that the two time periods are across the changing environment of new training and increased diligence in identifying suspicious transactions.

Suspicious Currency Transaction (SCT / S.86 GCA) Analysis

	Aug 31, 2010 – Sept 1, 2011 (12 months)	Jan 1, 2012 – Dec 31, 2012 (12 months)
Total S.86 SCT Notifications	543	1175
Total \$ Amount	\$39,572,313	\$87,435,297
Patron Buy-Ins over \$100,000 (# of different patrons who have bought in at this level at least once)	80 patrons	88 patrons
Patron Buy-Ins over \$1,000,000 (# of different patrons who have bought in at this level at least once)	4 patrons	17 patrons

Supplemental information for 2012 is provided by GPEB Investigations. Their work in gaming facilities provides an assessment that Suspicious Currency Transaction buy-ins are increasing. Incidents of buy-ins at high levels (\$200,000 up to over \$500,000) with \$20 bills are increasing. This goes beyond being explained by the increased diligence of recognizing and reporting SCT's. Loan sharks were strongly deterred and continue to be deterred from entering and operating at casino premises in the province. However it is our belief that they continue to operate using creative ways of providing gaming patrons with cash, from outside of gaming premises. The funds provided by loan sharks are generally in bundles of \$20 bills, which come in amounts of \$10,000 wrapped with elastic bands.

The Investigations and Regional Operations Division has stated that they are satisfied that Service Provider reporting of S.86 Suspicious Currency Transactions to GPEB is, and has generally been, consistent and acceptable since 2010. This would keep these in alignment with the FINTRAC STR reporting. BCLC oversight diligence has been enhanced over the past two years. The BCLC AML program has been examined through risk assessment diligence and appropriate tracking is in place.

Analysis

2012/13 Enhancements

The enhancements documented in this report came into effect beginning April 1, 2012. In order for service providers to put these into operation they had to develop policies and procedures to comply with BCLC requirements. The debit card option involved ordering and installing new equipment. In some cases this took time and thus the progress toward achieving results is reflected by a gradual startup period with greater momentum being achieved in the last quarter.

The industry working group met three times in 2012. The first meeting of the new year was February 7, 2013. The focus of these BCLC led AML meetings is to review progress with service provider implementation of the enhancements, to share solutions and to develop new solutions for patrons to access funds inside the gaming facilities. The SCT activity has also been discussed in the meetings. This approach between all parties has resulted in positive progress. It has also created a good environment for building momentum for promoting the enhancements in BC gaming facilities.

The results over three quarters of FY 2012/13 are encouraging. Almost \$90 million has been used for gaming out of PGF accounts. Debit withdrawals, at the cage, are over \$2 million. With the policies, procedures and systems becoming entrenched in gaming facilities, the trend for both of these enhanced options is a strong increase in the third quarter. The existing ATM and Global Cash withdrawal options are relatively stable quarter over quarter, with over \$808 million being withdrawn inside of gaming facilities in the first three quarters. Customer convenience cheques have been provided to patrons for almost \$217,000. This has allowed people to leave safely with their money while strong AML diligence is achieved through recording of the customer data.

In total the cash managed through alternative means, versus bringing it in from outside of gaming facilities, has been over \$900 million in the first three quarters of the year. Ten percent of this is from new initiatives. When annualized, the total of funds obtained within gaming facilities represents over 70% of the gross revenue. This is encouraging.

Suspicious Currency Transactions

Analyzing the trends in suspicious transactions, through a changing environment of training, identification and reporting has still allowed GPEB to draw conclusions from the data. A further analysis will be able to be done as 2013 unfolds, given the more consistent environment between this year and 2012.

Suspicious Currency Transactions (SCT) in BC gaming facilities continue to significantly increase across the observed periods. Even taking into consideration the upgrading of training and the push for service providers to identify and report more the evidence is that the amount of SCT's is dramatically larger in 2012. At over \$87 million this is more than double the reported SCT amount in the previous study period. The \$87 million represents 3.2% of the total gaming revenue in BC and 5.3% of the revenue in casinos and community gaming centres.

Conclusions and Recommendations

New Initiatives for 2013/14

Conclusions and Recommendations

The new initiatives of acquiring funds inside gaming facilities have grown well in the first nine months. Based on the performance measure, established for the Ministry Service Plan, the goal has been met for the current fiscal year.

While the progress is encouraging it is challenging to the AML initiative when we observe increases of Suspicious Currency Transaction cash being brought into casinos. The volume of gaming money acquired inside the facilities is considerable, with over 70% of gaming funds being acquired inside the venues. And, the trend is positive. As new initiatives are used more and more we are seeing momentum toward achieving the goal of the program. However, the increase in SCT cash is a trend that must be turned around. While more gaming money is being obtained inside facilities more Suspicious Currency Transactions are being reported and, it is believed that, more suspicious street cash is also being brought into casinos.

New Initiatives for 2013/14

AML Enhancements

The current suite of enhancements is still working into casino operations and will be promoted even more in 2013/14. GPEB has approved that the Patron Gaming Fund account can be opened at lower levels than the original pilot program required, which was \$10,000. We continue to encourage service providers to use this to grow the number of patrons using PGF accounts for gaming. We expect to see increasing results of funds being acquired inside gaming facilities.

Internet Banking Transfers (IBT) have been approved for moving funds into PGF accounts. This option will allow the transfer of money from a patron's bank account directly to the casino PGF account, similar to making a bill payment. The casino service providers are still working out the logistics of this, with banking institutions, and we expect to see this go live in 2013.

GPEB has approved the use of US bank accounts for putting funds into PGF accounts and for use in the Cheque Hold program. BCLC has developed policies and procedures for the US bank program, and we expect to have this in place in the near future.

A request has been made to allow patrons to access funds from foreign branch bank accounts of Canadian deposit taking institutions. This is under review and research is required, to inform if this proposal can be enabled and what constraints may be needed.

A BCLC marketing plan was discussed by the VP Communications and Public Relations at a previous industry working group meeting. This starts with marketing the cash free options with promotion materials and an approach for moving patrons into these options. Part of the plan will be to approach the limited number of high volume customers to review the enhancements and to help them to move into these and use them. The BCLC Casino group continues to work on this marketing plan in conjunction with casino service providers. We believe that this personal approach is integral to the long term success of moving high volume players into on-site access of their gaming funds.

New Initiatives for 2013/14 (continued)

PCMLTFA Regulations

As a result of new diligence required through the PCMLTF Act Regulations, reporting institutions will be applying enhanced Customer Due Diligence (CDD) requirements in the future. The Regulations changed in February 2013 and new procedures must be in place by February 2014. It is anticipated that this will require more engaged interactions with regular high volume customers and customers with large amounts of cash from outside of gaming facilities. The new Regulations describe enhanced monitoring of "high risk" persons and taking enhanced measures to mitigate risk when dealing with these high risk persons.

The industry is currently examining what processes and procedures will be needed to ensure that the new requirements are met. This is being led by BCLC in conjunction with service providers and GPEB. At this point we do not know exactly what effect this increased regulatory diligence will have on the interception and interruption of money laundering attempts. However, the expansion of PCMLTFA Regulations is a positive step toward achieving the desired AML results.

Suspicious Currency Transaction Interception

At the outset, in setting a strategy for stopping money laundering in BC casinos, it was decided that an incremental approach would be established. This was designed to progressively implement tiers of control over the acceptance of funds into gaming facilities. The level of suspicious currency would be tracked and analyzed so that the success of adoption of cash alternatives could be understood. The move from one phase to the next will only need to be invoked if we do not see reductions in the suspicious activities.

The phased approach plan is:

Phases	Description	Timeframe
Phase 1 – Cash Alternatives	<p>GPEB, BCLC and the industry have worked to provide alternative means to carrying in cash from outside of gaming facilities. The solutions utilize financial mechanisms whereby the funds are already vetted through established AML diligence. By adopting these alternatives patrons are able to access gaming funds directly in the facilities.</p> <p>The first phase requires promotion of the program by casino service providers, especially to their high volume players. For this phase to achieve the AML goal service providers have to intervene to solicit participation in the cash alternatives. Service providers are working to make this phase a success. Support by BCLC and GPEB is ongoing.</p> <p>Phase 1 anticipated that BCLC becomes actively engaged in the promotional marketing of the cash alternatives. In this phase they also would develop their plans for dealing directly with the known high volume customers, in anticipation of moving into Phase 2.</p>	April 1, 2012

The phased approach plan, continued:

Phases	Description	Timeframe
Phase 2 – Operator Intervention (BCLC)	<p>The second phase involves BCLC and service providers becoming more actively engaged in the required promotion of the cash alternatives with the high volume customers. This phase includes BCLC and service providers dealing directly with the known high volume customers and those gaming patrons who are buying in with large volumes of cash.</p> <p>This phase involves enhanced Customer Due Diligence (CDD). In addition to applying strict 'know your customer' rigor, Phase 2 anticipates understanding the source of high volume and suspicious cash. Working with patrons the Lottery Corporation and casino service providers will engage them to move these transactions over to the alternative mechanisms.</p> <p>At this point GPEB must engage BCLC to participate in Phase 2. Comprehensive investigation and analysis is required to identify the intention of the large cash buy-ins, especially to identify those that are typical of money laundering.</p>	May 1, 2013
Phase 3 – Regulator Intervention (GPEB)	<p>In this phase GPEB undertakes direct regulatory action as part of the administrative process. This is the point where certain requirements have to be imposed on the industry in order to achieve the desired goal of stopping known money laundering typologies in BC gaming facilities.</p> <p>In a process that is still to be researched and developed the regulator deals with the remaining suspicious currency inflows. In this phase the use of Gaming Control Regulation modifications may be necessary in order to fully achieve the goal.</p> <p>The final phase results in the elimination of money laundering, or the perception of money laundering, in BC gaming facilities. It is most desirable that this goal has been achieved in previous phases. However, this tier in the plan ensures that the goal is met.</p>	October 1, 2013

The gaming industry is working to stop money laundering, and the perception of money laundering, in British Columbia gaming facilities. Through the coordinated efforts of the Gaming Policy and Enforcement Branch, the British Columbia Lottery Corporation and gaming service providers we are engaged in targeting this activity through ensuring that alternatives to outside cash are available to gaming patrons. A tiered approach of accelerated intervention is in place to phase-in the solutions so that the safety of patrons is ensured and the overall health of the industry is respected.

This is the first report to measure the performance progress of the anti-money laundering initiative. A year-end report will be completed. It is anticipated that further reporting will be done prior to moving into phase 3 and at the end of the 2013/14 Fiscal Year.

To: Douglas S SG:EX Scott [REDACTED] McCrea, Bill J
 HSD:EX [REDACTED]
 Cc: Michael Graydon [REDACTED] Brad Desmarais [REDACTED]
 From: Susan Dolinski
 Sent: Tue 2013-03-26 9:48:09 PM
 Subject: AML Document - BCLC Feedback

Hello – thanks for considering this feedback, we appreciate you are willing to take a look at the language in the document in light of the concerns I raised during our meeting yesterday. We all agreed yesterday that it is important to be cognizant of the perceptions on this issue and I believe the most effective way of managing perceptions is by ensuring we are bringing fact and context to the discussion and not unnecessarily speculating. The comments below are intended to reflect the spirit of our positive working relationship and to accurately reflect the strides the working group has made to reduce the reliance on cash.

If you have any questions, or wish to discuss, please contact me on my cell phone at 604-833-0051 as I am in Kamloops for the remainder of the week.

Executive Summary

1. First sentence – could it be edited to:

“As a result of concern that British Columbia gaming facilities could be targeted by organized crime for the purposes of money laundering...”

The way it is currently worded indicates with certainty that money laundering was occurring which, to my knowledge, has not been substantiated by law enforcement or GPEB.

2. Fourth paragraph , second sentence – could it be edited to:

“Although increased reporting diligence has to be considered in explaining most of this trend, it appears that suspicious currency is entering at an increased level.


The increase in training and reporting requirements logically must explain most of the increase, not just some, as there is no other evidence in the report that suggests other reasons for the trend. The current wording also suggests that GPEB is basing its conclusions on its own perceptions vs. facts.

3. The Executive Summary misses a key opportunity to point to the advances made by the industry, GPEB and BCLC in the reduction of cash. However, Page 11, Paragraphs 3 & 4 do a nice job of summarizing the results. It would be great to bring this upfront as part of the executive summary or at least better summarize it in the executive summary.

Page 10

4. Why have the two timeframes been chosen? The document states that the comparison is useful to compare trends but it is only useful if the full context is know/understood. Including the timeframe of Sept. 1/11-Jan1/12 would provide a more complete and balanced picture.
5. Third Paragraph, 5th Sentence – consider deleting. This is speculation and if GPEB is concerned that the majority this issue is really about managing perceptions vs. reality as indicated during our meeting yesterday, speculation can further intensify negative perceptions if not based on fact. If it is GPEB’s belief that loan sharks continue to operate as an industry we must also articulate what actions

This is EXHIBIT “18” referred to in the affidavit of DOUGLAS SCOTT affirmed before me at Victoria, British Columbia, this 30 day of February, 2021.


 A Commissioner for taking affidavits for British Columbia

we are taking to address this issue in order for this document to be complete.

Page 11

6. Suspicious Currency Transactions – similar comments as (2) above. What evidence is the conclusion that an increase in STRs is in fact money laundering or proceeds of crime? We can't afford to speculate on this issue if there aren't facts to support it. As Brad pointed out, further analysis is required to better understand the facilities/markets where this activity is occurring and a comparison of funds being reported to CBSA that are coming from overseas. We can most effectively manage perceptions by not unnecessarily speculating.

Page 14

7. Phase 3 – Regulator Intervention – What does this mean? What specific regulatory actions will GPEB recommend/take? How would GPEB respond to suspicious currency inflows?

Susan Dolinski

Vice President, Communications & Public Affairs
BCLC

2940 Virtual Way, Vancouver, BC V5M 0A6

bclc.com

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

McCrea, Bill J EMNG:EX

From: Scott, Douglas S EMNG:EX
Sent: Tuesday, March 26, 2013 12:33 PM
To: McCrea, Bill J EMNG:EX
Subject: Fwd: AML

FYI

Douglas S. Scott
 Assistant Deputy Minister
 Gaming Policy and Enforcement Branch

This is EXHIBIT "19" referred to in the affidavit of DOUGLAS SCOTT affirmed before me at Victoria, British Columbia, this 3rd day of February, 2021.

[Signature]
 A Commissioner for taking affidavits for British Columbia

Begin forwarded message:

From: Michael Graydon [REDACTED]
Date: 26 March, 2013 11:25:15 AM PDT
To: "Scott, Douglas S EMNG:EX" [REDACTED]
Subject: AML

I read through the report and met with Susan this morning. She will forward our comments. I do think that a good portion of the report, 80% plus, is accurate and reflects all the hard work our two organizations have gone through to move this initiative forward. It is obvious that there is some tension and direction being applied by your Investigation group based on the assumptions that the problem is growing. I do not believe this and I think their perspective is based on perception and not fact. I do not think terms like "our belief" is well positioned in a document like this. It should be based on fact and there is very little to support their beliefs. I continue to be very pleased with the alignment in principle between you, Brad and I but I am concerned regarding the investigations groups perspective. I know we agreed to forget Joe's letter but the essence of that remains in this document and I think it impacts our collective ability to make a difference in this important area of our business. As you stated the big issue is public perception and a small group of players so we need to reinforce the measures we are taking to remedy that. Elements of this only fuel the fire and render the majority of the reports value insignificant if made public. I do think Bill has done a masterful job on this and given our results to date nothing wrong with a good news document with more initiatives to come. It is and will always be a dynamic process. MG

[Handwritten notes in margin: "what do either of us know?" and "we have two types of results"]

Michael Graydon
 President and CEO,
 BCLC,

2940 Virtual Way, Vancouver BC V5M 0A6

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Last year, over \$1 billion generated by BCLC gambling activities went back into across B.C.

The Great Divide

| ← ————— → |

What do we know and
 what can we prove?
 ... in either direction.

From: [McCrea, Bill J EMNG:EX](#)
To: [Scott, Douglas S EMNG:EX](#); [Michael Graydon](#); [Susan Dolinski](#); [Brad Desmarais](#); [Vander Graaf, Larry P EMNG:EX](#); [Van Sleuwen, Terri EMNG:EX](#); [Meilleur, Len EMNG:EX](#); [Bell, Suzanne N EMNG:EX](#)
Cc: [Fair, Susan P EMNG:EX](#)
Subject: GPEB Anti-Money Laundering Performance Progress Report
Date: Thursday, May 9, 2013 5:03:36 PM
Attachments: [BCLC Discussion and GPEB Response.docx](#)
[Measurement Report to Ministry FY1213 - May 9 2013.docx](#)

Good Afternoon,

Following the release of the GPEB AML Progress Report (March 21, 2013) we were asked, by BCLC, to consider making certain changes in tone and content of the report. We have reviewed this request and have developed a new version (May 9, 2013). In addition to the new AML Report, I have attached a document that highlights the discussion by BCLC and provides GPEB's response. Some changes have been incorporated. Some questions are clarified through our response. And, as this is intended to be a balanced regulatory assessment certain portions of the report have remained the same. This version of GPEB's "Anti-Money Laundering in BC Gaming – Measuring Performance Progress" is the final version that will be released.

The incremental plan for the AML strategy is now in Phase 2. We appreciate the progress that has been made by the industry and anticipate continued progress toward achievement of the AML goal. I welcome your thoughts and comments, and thank you for your attention.

Bill

Bill McCrea BES MBA FCIP
 Executive Director Quality Assurance & Risk

Province of British Columbia
 Gaming Policy and Enforcement Branch
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This is EXHIBIT "20" referred to in the affidavit of DOUGLAS SCOTT affirmed before me at Victoria, British Columbia, this 3rd day of February, 2021.



A Commissioner for taking affidavits for British Columbia

AML Performance Progress Report Response to Feedback

BCLC Discussion	GPEB Response
Executive Summary	
<p>1. First sentence – could it be edited to:</p> <p>“As a result of concern that British Columbia gaming facilities could be targeted by organized crime for the purposes of money laundering...”</p> <p>The way it is currently worded indicates with certainty that money laundering <u>was</u> occurring which, to my knowledge, has not been substantiated by law enforcement or GPEB.</p>	<p>The first sentence has been modified to reflect the concern.</p>
<p>2. Fourth paragraph , second sentence – could it be edited to:</p> <p>“Although increased reporting diligence has to be considered in explaining most of this trend, it appears that suspicious currency is entering at an increased level.”</p> <p>The increase in training and reporting requirements logically must explain most of the increase, not just some, as there is no other evidence in the report that suggests other reasons for the trend. The current wording also suggests that GPEB is basing its conclusions on its own perceptions vs. facts.</p>	<p>This sentence has been adjusted, and is now paragraph five. The enhanced training and rigor that BCLC and service providers are applying to identification and reporting of cash transactions has increased reporting. At the same time, the increase of suspicious currency transactions is actually being observed. It is not perception.</p> <p>We cannot say that the increase in reporting is mostly explained by the enhanced training and reporting requirements. Nor should we say that it can be explained as being mostly (or all) from undesirable influx of cash. We really don't have the ability to make either of these statements without using conjecture. Phase 2 is working to clarify the facts behind the increase of the suspicious currency transactions and respond accordingly.</p>
<p>3. The Executive Summary misses a key opportunity to point to the advances made by the industry, GPEB and BCLC in the reduction of cash. However, Page 11, Paragraphs 3 & 4 do a nice job of summarizing the results. It would be great to bring this upfront as part of the executive summary or at least better summarize it in the executive summary.</p>	<p>Good idea. This has been included in the Executive Summary. It is the new paragraph four in the Executive Summary.</p>

May 8, 2013

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4. Why have the two timeframes been chosen? The document states that the comparison is useful to compare trends but it is only useful if the full context is known/understood. Including the timeframe of Sept. 1/11-Jan1/12 would provide a more complete and balanced picture.	These are the timeframes that we have available. And it is explained in the report. Going forward we will have these statistics for the full calendar years.
5. Third Paragraph, 5 th Sentence – consider deleting. This is speculation and if GPEB is concerned that the majority this issue is really about managing perceptions vs. reality as indicated during our meeting yesterday, speculation can further intensify negative perceptions if not based on fact. If it is GPEB's belief that loan sharks continue to operate as an industry we must also articulate what actions we are taking to address this issue in order for this document to be complete.	<p>We will leave this sentence in the report, changing the word "belief". It is not speculation. BCLC knows "loan sharks" have been operating within or around gaming facilities. BCLC has prohibited several people from casinos. There are patron statements about sources of cash that support this.</p> <p>Taking action against criminal activities is in the mandate of police of jurisdiction. GPEB enforcement is restricted to dealing with the integrity of gaming through the Gaming Control Act and Regulation.</p>
Page 11	
6. Suspicious Currency Transactions – similar comments as (2) above. What evidence is the conclusion that an increase in STRs is in fact money laundering or proceeds of crime? We can't afford to speculate on this issue if there aren't facts to support it. As Brad pointed out, further analysis is required to better understand the facilities/markets where this activity is occurring and a comparison of funds being reported to CBSA that are coming from overseas. We can most effectively manage perceptions by not unnecessarily speculating.	<p>This section of the report does not speak to ML or proceeds of crime. The balanced approach is that the increase is made up of both the enhanced training/reporting <u>and</u> an increase in suspicious activity. At this point we cannot know the impact of either.</p> <p>A new paragraph is being added, to put the regulator's responsibility into context. We need to continue to take action even as Phase 2 is being carried out.</p>
Page 14	
7. Phase 3 – Regulator Intervention – What does this mean? What specific regulatory actions will GPEB recommend/take? How would GPEB respond to suspicious currency inflows?	GPEB has not defined this yet. As Phase 2 unfolds we will all have a better understanding of the situation through the results of the analysis and actions. If the desired results are achieved this Phase may not even be necessary. The plan of Phase 3 intervention will be built closer to the end of this year and into 2014, if required.
The AML progress report is written as a balanced approach to describing the concern that BC gaming facilities could be targeted for the purposes of money laundering and what actions are being taken to understand and remedy the situation if required. We do have evidence that supports the initiative and GPEB has a regulatory responsibility to respond to the situation. A 3-phase plan is in place to manage the AML strategy.	

May 8, 2013



Know your limit, play within it.

Anti-Money Laundering in BC Gaming

Measuring Performance Progress

Gaming Policy and Enforcement Branch

Anti-Money Laundering in BC Gaming

Measuring Performance Progress

Executive Summary

As a result of concern that British Columbia gaming facilities could be targeted for the purposes of money laundering the Gaming Policy and Enforcement Branch (GPEB) and the British Columbia Lottery Corporation (BCLC) embarked on an initiative to prevent this activity. The strategy statement, which has framed the anti-money laundering (AML) activities, is that:

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

The approach to achieving the AML goal is for the industry to develop and implement tiers of scrutiny and control over the acceptance of funds into gaming facilities. The plan is designed to progress through three phases, with defined timeframes. The regulator, the operator and industry service providers are working to provide alternatives to outside cash, market the solutions to patrons, conduct analysis of high volume buy-ins and take appropriate action to meet the goal.

Both GPEB and BCLC have initiated working groups to create solutions for this industry challenge. Alternatives to carrying cash into gaming facilities have been developed and implemented, in Fiscal Year 2012/13. Progress has been made with new enhancements being introduced to the industry that allow patrons to safely obtain gaming funds inside the facilities. These funds are transferred from the financial institutions sector and rely on the required degree of AML diligence maintained there.

The results over the first three quarters of Fiscal Year 2012/13 are encouraging. Good progress has been made with customers using funds from the Patron Gaming Fund account, making debit withdrawals at the cage, and utilizing ATM's and other electronic withdrawals within the gaming facilities. The trend for use of the new enhancements shows a strong increase in the latest quarter. At this point approximately 70% of all gaming funds are obtained from within the casino and Community Gaming Centre facilities.

Even with the progress that has been made, through alternative cash initiatives, there have been increased levels of suspicious currency transactions during the same time period. Although increased reporting diligence has to be considered in the explanation of this trend, suspicious currency is entering at an increased level and the perception of undesirable funds is increasing.

This report provides discussion of the existing success in AML initiatives and the challenges of outside cash that continues to enter gaming facilities. It describes the next planned enhancements for availability of funds inside facilities. And, it sets out a phased approach to accelerate the strategy through the next fiscal year.

BACKGROUND

In 2011, the Province conducted a review “Anti-Money Laundering Efforts at BC Gaming Facilities” to determine what anti-money laundering (AML) policies, practices and strategies were currently in place and to identify opportunities to strengthen the existing anti-money laundering regime. The published review included recommendations to both the British Columbia Lottery Corporation (BCLC) and the Gaming Policy and Enforcement Branch (GPEB) for opportunities to further strengthen anti-money laundering efforts.

Following this report, GPEB and BCLC developed a comprehensive anti-money laundering strategy to implement changes in the cash based business. Prior to establishing the new AML strategy funds for gaming have been available inside the facilities, through limited options. Beyond those options cash had to be brought into gaming venues from outside the facilities. The focus of the AML strategy is a phased approach of prevention, through providing alternatives to bringing in cash from outside gaming facilities, and, working to prevent suspicious currency that is typical of, or could be perceived to be, money laundering or the use of proceeds of crime to gamble.

BCLC and GPEB created a formal information sharing agreement between BCLC and British Columbia police agencies, to enhance the ability to identify and ban persons with known criminal activities from BC gaming facilities. Since the 2011 report was released 7 individuals with known criminal activities have been banned.

An anti-money laundering cross-divisional working group (AML x-dwg) was established in GPEB to develop AML solutions and assess proposals from BCLC and the industry. At the outset GPEB’s Assistant Deputy Minister met with Service Provider CEO’s and the President & CEO of the BC Lottery Corporation to set an approach for this initiative. BCLC established an industry working group, which included themselves as the operator of gaming, service providers who manage and run the gaming facilities and GPEB as the regulator of gaming. The industry AML working group meets regularly to review progress and develop new strategies.

GPEB’s strategy statement was developed, which has framed activities of the AML x-dwg and the industry working group.

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

This anti-money laundering strategy provides a framework for stakeholders in the gaming industry to align with each other in achieving mutual objectives to prevent money laundering, and the perception of money laundering, in the British Columbia gaming industry. Through creating innovative solutions and implementing these with rigorous policies and procedures the goal will be achieved.

AML PERFORMANCE MEASURES

The performance measure established for the Ministry 2013/14 - 2015/16 Service Plan is to “Enhance access to funds in gaming facilities.” The measure tracks the strategy of providing a suite of options to access funds within casinos and Community Gaming Centers. This has a baseline of two options in 2011/12, to obtain funds inside gaming facilities, and expands on that in future years. The performance measure also commits to producing this AML effectiveness evaluation report and to adjust the strategy/implementation as appropriate to the success of the initiative.

This report provides discussion and measurements of the progress being made to achieve the goals set out in the Service Plan and in examining trends in suspicious currency transactions (SCT’s). The baseline for the new options began April 1, 2012.

FINANCIAL BACKGROUND

The context for conducting financial analysis is the gross revenue of casinos and community gaming centres, and total gaming industry revenue in the province. The revenue figures for the past two fiscal years are.

	FY 2010/11	FY 2011/12
Casino	\$1,339,272,000	\$1,350,749,000
Community Gaming	\$277,036,000	\$289,286,000
CASINO & COMMUNITY REVENUE	\$1,616,308,000	\$1,640,035,000
TOTAL GAMING REVENUE	\$2,678,700,000	\$2,701,400,000

2011/12 AML Measures Baseline

Before engaging in new initiatives the two options available to obtain funds inside gaming facilities were Automated Teller Machines (ATM's) and the Patron Gaming Fund account.

ATM's have been utilized in gaming facilities for many years. They are widely used by patrons to obtain funds but are limited in the amount of money that a player can obtain on any given day. Even with this limitation ATM's continue to be utilized by gaming patrons who withdraw hundreds of millions of dollars each year inside BC gaming locations.

The Patron Gaming Fund account (PGF) was introduced to BC gaming players late in December 2009. This option allows patrons to transfer funds electronically from approved deposit-taking institutions into a PGF account, held at a BC casino, for play while at the facility. The PGF account was established to provide an option to players having to carry large amounts of cash into gaming facilities. It also ensured that AML diligence had already been done for these funds. GPEB initially approved this innovative option with relatively strict controls, to conduct a pilot program that would allow us to manage the money laundering risk. With the controls in place, and the PGF account being a pilot program it received limited acceptance through the first two years.

2012/13 AML Enhancements

The new emphasis on AML opened up expanded options for increased use of the PGF by a larger number of players, and for larger volumes of gaming funds. The commitment for Fiscal Year 2012/13 is to introduce three new options to either enhance existing AML strategies or to develop new strategies. Working with BCLC and casino service providers GPEB has approved new options, with resulting increases in funds being available inside gaming facilities. These new options have required new BCLC policies and procedures and the necessary changes in gaming facility operations. Thus adoption has been staggered throughout the year.

The following describes the 2012/13 enhancements and new strategies.

Patron Gaming Fund

Through this current fiscal year, several enhancements have been made to the PGF accounts program. There has been a positive increase in funds being deposited into PGF accounts and used for gaming in the casinos. The enhancements are:

- the list of acceptable financial institutions, for transfer of funds into the PGF, has been expanded to include Schedule II Canadian deposit taking institutions.
- for customer convenience, PGF accounts can now be linked to two financial institution accounts. Only individual bank accounts are allowed, with no third party, joint or business accounts to be used in funding PGF funds.

- PGF accounts can now be funded with an expanded list of financial instruments. These are:
 - certified cheques
 - bank drafts
 - verified win cheques
 - cheques issued by Canadian casinos, to the PGF account holder

Through work done at the industry working group, the PGF account has been more actively promoted in BC gaming facilities. Frequent, and high volume, players are being identified. Service providers are engaging these individuals to sign more players into the program and to encourage increased use of the program.

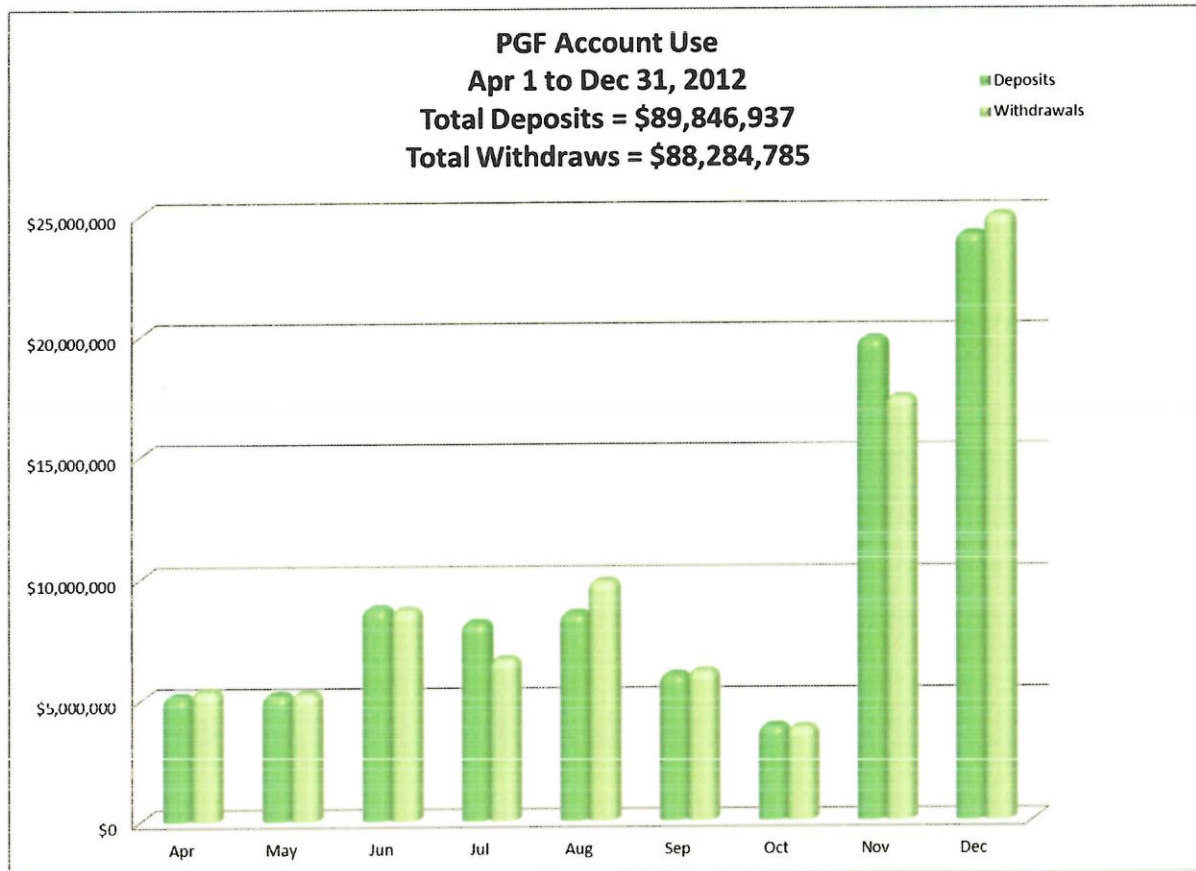
The chart below indicates the number of new PGF accounts that have been opened in the current fiscal year.



The total number of PGF accounts opened since the December 2009 inception of the program is 305. The 67 new PGF accounts, in the first nine months of the current fiscal year, is an increase of 28% over the previous total.

Although the current activity of new accounts is encouraging it should be noted that 152 of the total PGF accounts have been closed, subsequent to being opened. The primary reason for casino service providers to close accounts is due to inactivity for a 12 month period. This leaves 153 PGF accounts open as at December 31, 2012.

The chart below documents the amount of money deposited into PGF accounts and withdrawn for gaming use in the first three quarters of FY2012/13. It is significant to note the increase in usage during the third quarter, over the total usage in the prior two quarters. This measure is encouraging in that it supports the increased momentum of the AML strategy, by service providers and gaming patrons.



Analysis of PGF momentum:

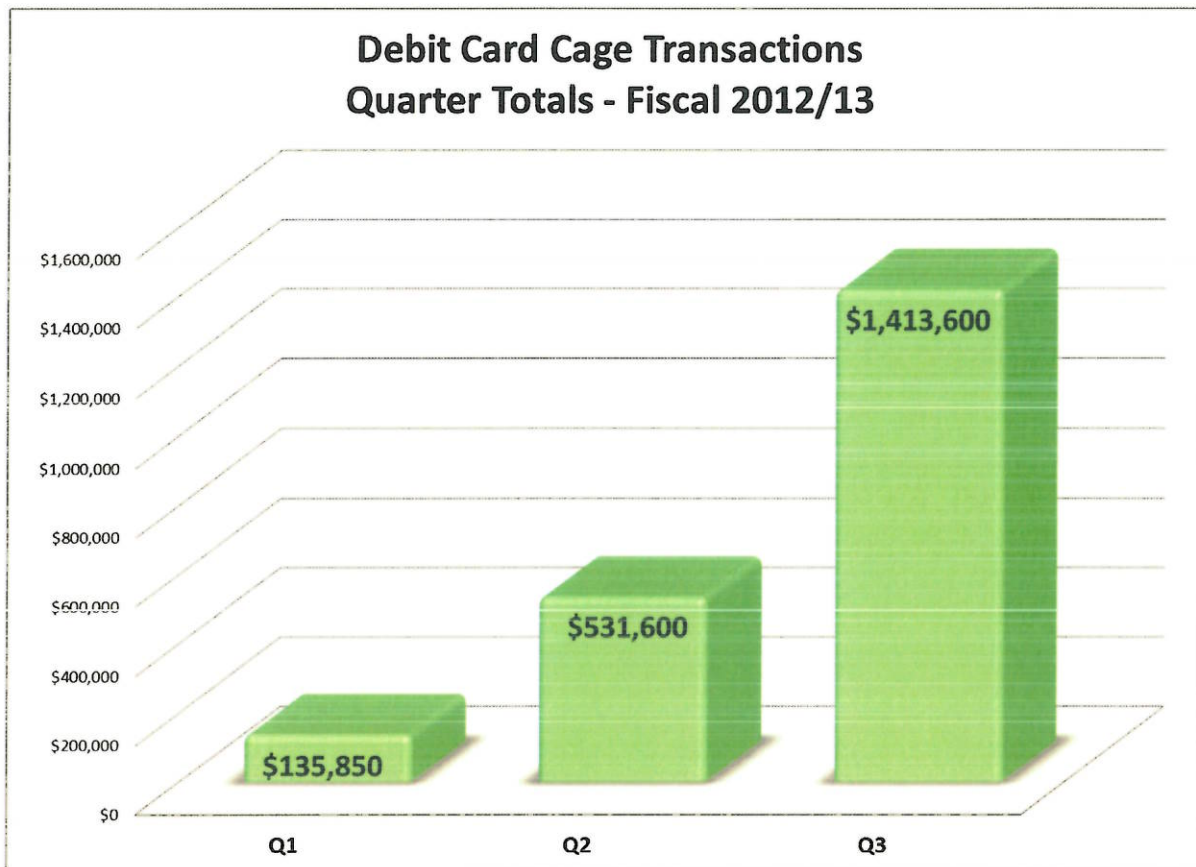
Timeframe	Total Deposits	Total Withdrawals
April 1 – September 30, 2012 (Q 1&2)	\$41,943,982	\$42,098,380
April 1 – December 31, 2012 (Q 1, 2 & 3)	\$89,846,937	\$88,284,785
Increase September 30 – December 31, 2012 (Q3 only)	\$47,902,955	\$46,186,405
% Q3 Increase over Q 1&2 Total	114%	110%

Note, there is clarifying discussion concerning tracking of the total deposits and withdrawals. Some adjustments will have to be made due to fine tuning of the accounting entries at source. The variance may represent a reduction of less than ½ of one percent, leaving the total deposits at approximately \$89.4 million.

Debit Card

As of April 1, 2012 gaming patrons were able to withdraw funds from their financial institutions using their debit card, at the cash cage. This new enhancement is intended for transactions in amounts above ATM limits. As the year has progressed new facilities have added this option for their patrons. There are currently nine gaming locations that offer debit withdrawal at the cash cage.

The total withdrawn, as at December 31, 2012, is \$2,080,050. With the addition of new properties the third quarter has shown a dramatic increase in use of this method for people to obtain gaming funds, within the gaming facilities.



- Total of \$2,080,050 for the current fiscal year
- This option is in use at the following properties: Boulevard, Cascades, Fraser Downs, Edgewater, Grand Villa, River Rock, Starlight, Treasure Cove, View Royal

Cheque Hold

The Cheque Hold process involves preapproving patrons to conduct casino gaming while a cheque (the security) that they have provided the casino is held uncashed. Once the patron has finished their gaming this cheque must be reconciled to either pay the amount owing, in the event of net losses, or the casino will pay out the net winnings if that is the case. This mechanism is used for high net worth patrons, who have the proven ability to cover the value of the held cheque.

Participating Casinos for the Cheque Hold Option are listed below with approval dates. As of December 31, 2012 this option has yet to be utilized at any British Columbia gaming facilities.

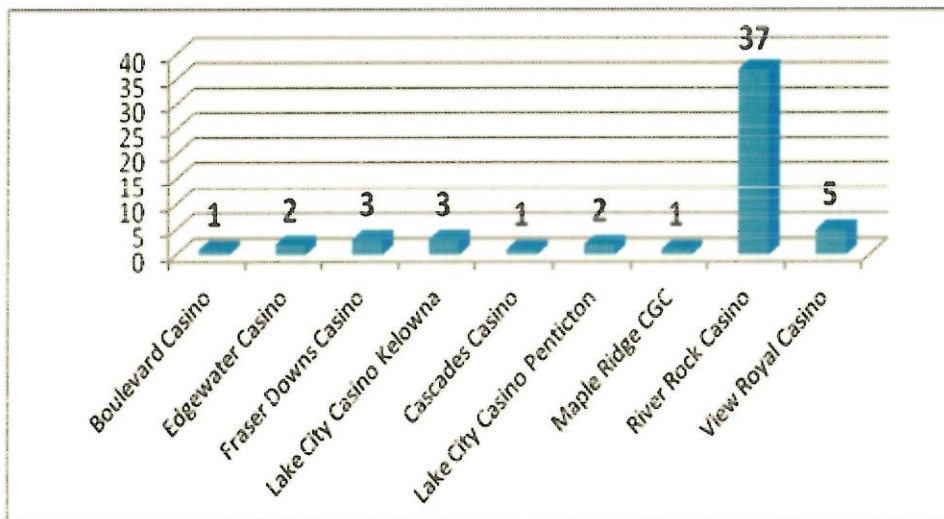
Casino Property	Cheque Hold Approved
Edgewater	April 10, 2012
Starlight	May 13, 2012
Grand Villa	May 24, 2012
River Rock	July 20, 2012

There is an element of risk to the casino in supporting Cheque Hold programs. Currently the only other Canadian gaming facility utilizing Cheque Hold is the casino in Montreal, Quebec. This has been in place there for over three years. As this is a new enhancement in British Columbia we expected a slow start to adopting the program.

Customer Convenience Cheque

Service providers are now permitted to issue cheques to patrons for the return of buy-in funds, up to one \$8,000 cheque per week. These cheques are clearly marked "Return of Funds – Not Gaming Winnings". This option enhances security for patrons who do not wish to exit the gaming facility with large quantities of cash. AML diligence is enhanced as customer information is recorded and all transactions are monitored and reported. This policy does not provide cheques to every patron, as it is limited to one \$8,000 cheque per week.

For the nine month period April 1 – December 31 2012, a total of 55 convenience cheques were issued for a total amount of \$216,947. The breakdown, by gaming facility, is provided in the chart below.

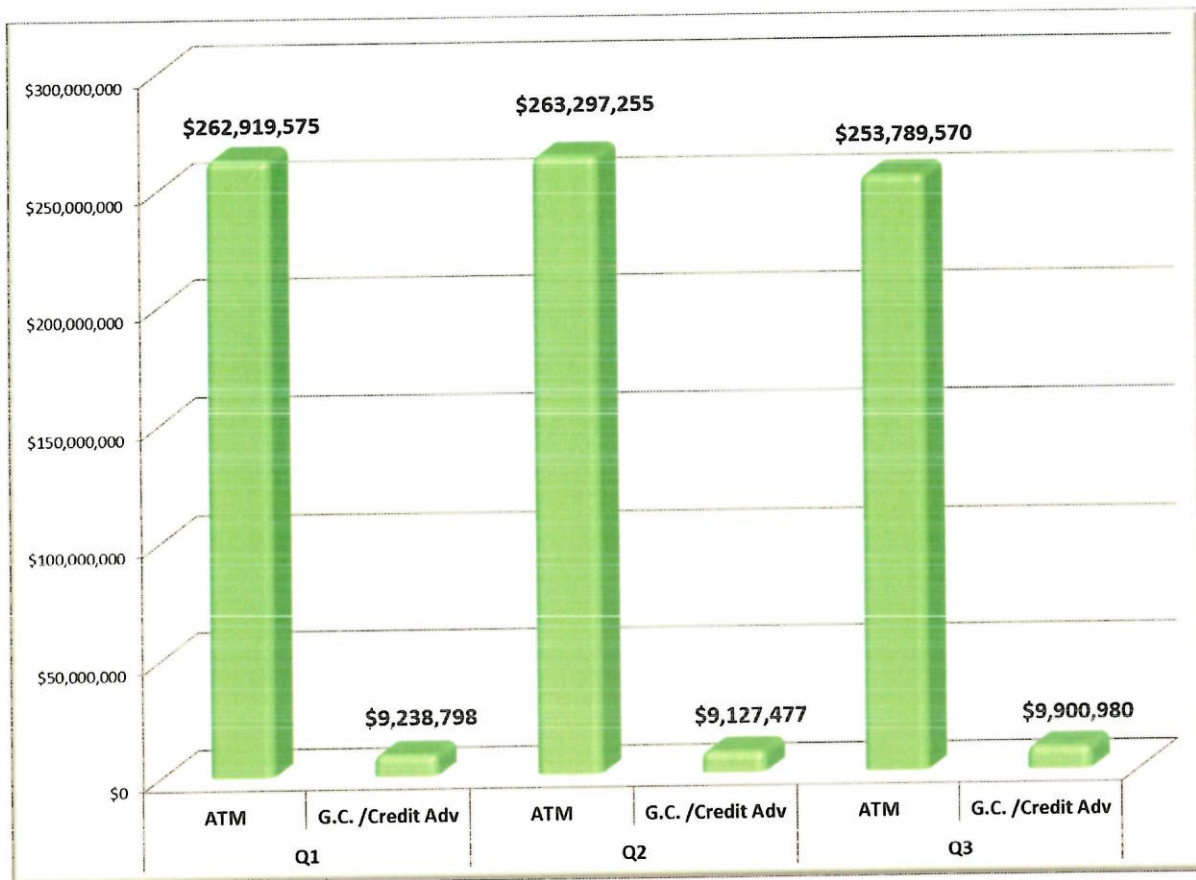


- Over the reported period 4 patrons have received more than one convenience cheque, provided within the policy parameters – each cheque was issued in different weeks.

Existing Methods of Reducing External Cash in Casinos

To fully understand the impact of funds obtained within gaming facilities versus those brought in from outside it is important to review methods that have already been in place. Casino service providers currently provide access to cash through ATM's and the Global Cash funds advance facility. The Global Cash Access company operates kiosks that allow patrons to make debit withdrawals or cash advance purchases for use in gaming. These kiosks are located outside of the gaming floor, usually in entertainment facility lobbies.

The table below provides the accounting for these existing methods for the first three quarters of the current fiscal year.



ATM/Global Cash/Credit Card Advances = \$808,273,655

Cash Transaction Monitoring and Reporting

Federal legislation requires casinos to report large cash transactions and suspicious transactions. In British Columbia BCLC is the legal reporting entity as a result of their role to conduct and manage gaming in the province. This reporting requirement is legally required by the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA). The reporting is provided to the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC). In the case of suspicious currency transaction reports, a Gaming Control Act Section 86 report (S.86) is provided to the Investigations and Regional Operations Division of GPEB.

Large cash transaction reports (LCT's) must be filed when reporting entities receive an amount of \$10,000 or more in cash in the course of a single transaction. An LCT must also be filed, in the case of casinos, when disbursements of \$10,000 or more are made in the course of a single transaction. As described in FINTRAC's Guideline 2: Suspicious Transactions, suspicious transaction reports (STR's) must be provided by reporting entities in the case of completed or attempted transactions if there are reasonable grounds to suspect that the transactions are related to the commission or attempted commission of a money laundering offence or a terrorist activity financing offence. The Guideline goes on to say that, "Reasonable grounds to suspect" is determined by what is reasonable in your circumstances, including normal business practices and systems within your industry."

A measure used in understanding potential, or perceived, money laundering activity is suspicious transactions. By examining this activity we are able to derive information about the trends in cash entering casinos from outside of the premises. Identifying incidents of suspicious transactions and the filing of STR's has evolved over the past few years. In the summer of 2010 FINTRAC conducted an audit of BC casino filings under the PCMLTFA. Further, a study was conducted by government. The 'Anti-Money Laundering Measures at BC Gaming Facilities' report was released in 2011. As a result of the FINTRAC audit and the government study BCLC identified a need for greater diligence in recognizing and filing of casino buy-ins that required STR's.

Casino service provider training was upgraded early in 2010, and was branded as "Anti Money Laundering Training (AML)". Following the assessment of a FINTRAC administrative monetary penalty in June of 2010 BCLC Investigators were provided with an AML Compliance Manual, which clarified their duties and expectations with respect to AML monitoring and reporting. Through 2010 a new on-line AML course was developed for casino service providers and Community Gaming Centre staff. This was rolled out in March 2011. The AML Training course was updated, again, through 2012 and was made available to gaming workers in December 2012.

The upgraded level of patron buy-in diligence has contributed in increased filing of STR's by BCLC since 2010. This changing environment has to be considered in analyzing the statistics. The change in STR filing results has to be viewed in context of the new training and greater sensitivity to suspicious transaction situations since that time.

In addition to FINTRAC reporting, GPEB is responsible for the overall integrity of gaming in the Province as outlined in Section 23 of the Gaming Control Act (GCA). Section 86 of the GCA and Section 34 of the Gaming Control Regulation legally requires the Service Providers (Registrants) to immediately report to the Investigations and Regional Operations Division (Investigations) of GPEB any conduct or activity that is or may be contrary to the Criminal Code, the GCA or any Regulation under the Act and includes any activity or conduct that affects the integrity of gaming. These S.86 reports are categorized, and reported, as Suspicious Currency Transactions (SCT) by GPEB Investigations.

Statistics for filing S.86 Suspicious Currency Transactions to GPEB Investigations are:

SCT (S.86 GCA) Notifications	Year	Number of SCT Notifications
	2009	211
	2010	295
	2011	676
	2012	1175

In summary, BCLC provides Large Cash Transaction (LCT) reports and Suspicious Transaction (STR) reports to FINTRAC. The casino service providers create Gaming Control Act Section 86 Suspicious Currency Transaction (S.86 SCT) reports for GPEB's Investigations and Regional Operations Division. The S.86 SCT reports are generated from information developed by casino surveillance staff, and these are sent to GPEB as soon as possible after the incident is observed. The STR reports that are provided to FINTRAC are generated from the same incident. GPEB does a reconciliation of the two reports to track that we have received all required S.86 SCT's. Thus factors affecting the rigor of STR identification and reporting also affect reporting of S.86 SCT reports to GPEB.

GPEB Investigations has provided more detailed analysis of key factors that they put forward to describe the changing conditions of cash being brought into BC casinos for cash cage buy-ins. This is done for two time periods, both covering twelve months. The first is August 31, 2010 – September 1, 2011. The second is the 2012 calendar year. Although the timeframes do not match, this comparison is useful for understanding trends. It should also be pointed out, as above, that the two time periods are across the changing environment of new training and increased diligence in identifying suspicious transactions.

Suspicious Currency Transaction (SCT/S.86 GCA) Analysis

	Aug 31, 2010 – Sept 1, 2011 (12 months)	Jan 1, 2012 – Dec 31, 2012 (12 months)
Total S.86 SCT Notifications	543	1175
Total \$ Amount	\$39,572,313	\$87,435,297
Patron Buy-Ins over \$100,000 (# of different patrons who have bought in at this level at least once)	80 patrons	88 patrons
Patron Buy-Ins over \$1,000,000 (# of different patrons who have bought in at this level at least once)	4 patrons	17 patrons

Supplemental information for 2012 is provided by GPEB Investigations. Their work in gaming facilities provides an assessment that Suspicious Currency Transaction buy-ins are increasing. Incidents of buy-ins at high levels (\$200,000 up to over \$500,000) with \$20 bills are increasing. This goes beyond being explained by the increased diligence of recognizing and reporting SCT's. Loan sharks were strongly deterred and continue to be deterred from entering and operating at casino premises in the province. However there is evidence that they continue to operate using creative ways of providing gaming patrons with cash, from outside of gaming premises.

The Investigations and Regional Operations Division has stated that they are satisfied that Service Provider reporting of S.86 Suspicious Currency Transactions to GPEB is, and has generally been, consistent and acceptable since 2010. This would keep these in alignment with the FINTRAC STR reporting. BCLC oversight diligence has been enhanced over the past two years. The BCLC AML program has been examined through risk assessment diligence and appropriate tracking is in place.

Analysis

2012/13 Enhancements

The enhancements documented in this report came into effect beginning April 1, 2012. In order for service providers to put these into operation they had to develop policies and procedures to comply with BCLC requirements. The debit card option involved ordering and installing new equipment. In some cases this took time and thus the progress toward achieving results is reflected by a gradual startup period with greater momentum being achieved in the last quarter.

The industry working group met three times in 2012. The first meeting of the new year was February 7, 2013. The focus of these BCLC led AML meetings is to review progress with service provider implementation of the enhancements, to share solutions and to develop new solutions for patrons to access funds inside the gaming facilities. The SCT activity has also been discussed in the meetings. This approach between all parties has resulted in positive progress. It has also created a good environment for building momentum for promoting the enhancements in BC gaming facilities.

The results over three quarters of FY 2012/13 are encouraging. Almost \$90 million has been used for gaming out of PGF accounts. Debit withdrawals, at the cage, are over \$2 million. With the policies, procedures and systems becoming entrenched in gaming facilities, the trend for both of these enhanced options is a strong increase in the third quarter. The existing ATM and Global Cash withdrawal options are relatively stable quarter over quarter, with over \$808 million being withdrawn inside of gaming facilities in the first three quarters. Customer convenience cheques have been provided to patrons for almost \$217,000. This has allowed people to leave safely with their money while strong AML diligence is achieved through recording of the customer data.

In total the cash managed through alternative means, versus bringing it in from outside of gaming facilities, has been over \$900 million in the first three quarters of the year. Ten percent of this is from new initiatives. When annualized, the total of funds obtained within gaming facilities represents over 70% of the gross revenue. This is encouraging.

Suspicious Currency Transactions

In analyzing the trends of suspicious transactions, despite a changing environment of training, identification and reporting, GPEB has still been able to draw conclusions from the data. More detailed analysis will continue by both BCLC and GPEB to gain greater understanding of the underlying causes driving suspicious transaction reporting. Further analysis will be done as 2013 unfolds, given the more consistent environment between this year and 2012.

Suspicious Currency Transactions (SCT) in BC gaming facilities continue to significantly increase across the observed periods. Even taking into consideration the upgrading of training and the push for service providers to identify and report more, the evidence is that the amount of SCT's is dramatically larger in 2012. At over \$87 million this is more than double the reported SCT amount in the previous study period. While analysis in Phase 2 will provide a better understanding of the nature of suspicious transaction reporting, the benefits of reducing large cash activities in casinos are evident. Therefore actions to reduce large and suspicious cash from outside of gaming facilities will continue.

GPEB is responsible to respond when the integrity of gaming is impacted or threatened. The second phase of the AML plan will develop the analysis and investigation that will determine the necessary customer and source of funds information to understand the situation with respect to legitimate cash, potential money laundering and the potential use of proceeds of crime in BC gaming facilities. While this is being done we will continue to respond with prevention efforts to deal with this risk.

Conclusions and Recommendations

New Initiatives for 2013/14

Conclusions and Recommendations

The new initiatives of acquiring funds inside gaming facilities have grown well in the first nine months. Based on the performance measure, established for the Ministry Service Plan, the goal has been met for the current fiscal year.

While the progress is encouraging it is challenging to the AML initiative when we observe increases of Suspicious Currency Transaction cash being brought into casinos. The volume of gaming money acquired inside the facilities is considerable, with over 70% of gaming funds being acquired inside the venues. And, the trend is positive. As new initiatives are used more and more we are seeing momentum toward achieving the goal of the program. However, the increase in SCT cash, and the potential perception of money laundering, is a trend that must be turned around. While more gaming money is being obtained inside facilities more Suspicious Currency Transactions are being reported.

New Initiatives for 2013/14

AML Enhancements

The current suite of enhancements is still working into casino operations and will be promoted even more in 2013/14. GPEB has approved that the Patron Gaming Fund account can be opened at lower levels than the original pilot program required, which was \$10,000. We continue to encourage service providers to use this to grow the number of patrons using PGF accounts for gaming. We expect to see increasing results of funds being acquired inside gaming facilities.

Internet Banking Transfers (IBT) have been approved for moving funds into PGF accounts. This option will allow the transfer of money from a patron's bank account directly to the casino PGF account, similar to making a bill payment. The casino service providers are still working out the logistics of this, with banking institutions, and we expect to see this go live in 2013.

GPEB has approved the use of US bank accounts for putting funds into PGF accounts and for use in the Cheque Hold program. BCLC has developed policies and procedures for the US bank program, and we expect to have this in place in the near future.

A request has been made to allow patrons to access funds from foreign branch bank accounts of Canadian deposit taking institutions. This is under review and research is required, to inform if this proposal can be enabled and what constraints may be needed.

A BCLC marketing plan was discussed by the VP Communications and Public Relations at a previous industry working group meeting. This starts with marketing the cash free options with promotion materials and an approach for moving patrons into these options. Part of the plan will be to approach the limited number of high volume customers to review the enhancements and to help them to move into these and use them. The BCLC Casino group continues to work on this marketing plan in conjunction with casino service providers. We believe that this personal approach is integral to the long term success of moving high volume players into on-site access of their gaming funds.

New Initiatives for 2013/14 (continued)

PCMLTFA Regulations

As a result of new diligence required through the PCMLTF Act Regulations, reporting institutions will be applying enhanced Customer Due Diligence (CDD) requirements in the future. The Regulations changed in February 2013 and new procedures must be in place by February 2014. It is anticipated that this will require more engaged interactions with regular high volume customers and customers with large amounts of cash from outside of gaming facilities. The new Regulations describe enhanced monitoring of "high risk" persons and taking enhanced measures to mitigate risk when dealing with these high risk persons.

The industry is currently examining what processes and procedures will be needed to ensure that the new requirements are met. This is being led by BCLC in conjunction with service providers and GPEB. At this point we do not know exactly what effect this increased regulatory diligence will have on the interception and interruption of money laundering attempts. However, the expansion of PCMLTFA Regulations is a positive step toward achieving the desired AML results.

AML in BC Gaming – the Phased Plan

At the outset, in setting a strategy for preventing money laundering in BC casinos, it was decided that an incremental approach would be established. This was designed to progressively implement tiers of control over the acceptance of funds into gaming facilities. The level of suspicious currency would be tracked and analyzed so that the success of adoption of cash alternatives could be understood. The move from one phase to the next is done as a transition, overlapping from the previous state and adding enhanced diligence in the new phase.

The phased approach plan is:

Phases	Description	Timeframe
Phase 1 – Cash Alternatives (Service Provider intervention)	<p>GPEB, BCLC and the industry have provided alternative means to carrying in cash from outside of gaming facilities. By adopting these alternatives patrons are able to access gaming funds directly in the facilities, and with appropriate AML diligence.</p> <p>The first phase includes promotion of the program by casino service providers, especially to their high volume players. Service providers are working to make this phase a success. Support by BCLC and GPEB is ongoing.</p> <p>During Phase 1 BCLC has been working with service providers to help in developing the enhancements and the marketing of these to patrons. GPEB is involved in gathering more information on the nature of cash entering casinos and in developing analysis of these funds. Both of these activities will transition into Phase 2 for further development.</p>	April 1, 2012

The phased approach plan, continued:

Phases	Description	Timeframe
Phase 2 – Operator Intervention (BCLC)	<p>In this phase analysis by the regulator continues, to aid in the identification of issues of concern. This will provide a basis for advancing AML activity in targeted areas. Comprehensive investigation and analysis is required to identify the intention of the large cash buy-ins, especially to identify those that are typical of money laundering or the use of proceeds of crime for gambling.</p> <p>The second phase will involve BCLC and service providers becoming more actively engaged in the promotion of the cash alternatives with the high volume customers. A customer relationship management approach will be developed and delivered as the phase unfolds.</p> <p>Enhanced Customer Due Diligence (CDD) will be introduced during this phase, and analysis capacity will be improved, to better inform AML activity in the industry.</p>	May 1, 2013
Phase 3 – Regulator Intervention (GPEB)	<p>In this final phase GPEB will undertake direct regulatory action as part of the administrative process in preventing money laundering in BC gaming.</p> <p>If required GPEB will respond to the remaining suspicious currency inflows.</p> <p>The final phase will result in achieving the goal of limiting suspicious currency, preventing money laundering and the perception of money laundering in BC gaming facilities.</p>	December 31, 2013

The gaming industry is working to prevent money laundering, and the perception of money laundering, in British Columbia gaming facilities. Through the coordinated efforts of the Gaming Policy and Enforcement Branch, the British Columbia Lottery Corporation and gaming service providers we are engaged in managing this activity through ensuring that alternatives to outside cash are available to gaming patrons. A tiered approach of intervention is in place to phase-in the solutions so that the safety of patrons is ensured and the overall health of the industry is respected.

This is the first report to measure the performance progress of the anti-money laundering initiative.

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**MINISTRY OF ENERGY AND MINES
GAMING POLICY AND ENFORCEMENT BRANCH
ESTIMATES BRIEFING NOTE 2012/13**

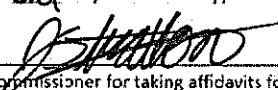
ISSUE: Anti-Money Laundering Review and Mitigation

KEY MESSAGES:

- Money laundering is an issue for organizations worldwide that deal with large amounts of cash (including banks). Bringing in over two billion dollars in annual revenue to the Province, the B.C. gaming industry is not exempt from this problem.
- GPEB, BCLC and casino service providers remain vigilant about money laundering activity in gaming facilities and, in cooperation with the RCMP and local police, continue to deter and report such activity.
- Released in 2011, the "Anti-Money Laundering Measures at B.C. Gaming Facilities" review found that the Province already has a robust anti-money-laundering regime in place.
- The review also contained recommendations to further strengthen this regime; GPEB and BCLC have been developing and implementing strategies that address these recommendations. Actions taken to date include:
 - Developing the use of electronic funds transfers.
 - Connecting with other jurisdictions to examine related best practices.
 - Ensuring that gaming staff have the training and knowledge to scrutinize all buy-ins for suspicious transactions.
- Additional anti-money-laundering enhancements are being implemented this spring, including direct electronic funds buy-in options through an expanded list of authorized financial institutions, and exploring the use of internet deposits.
- The Province's anti-money-laundering strategy focuses on moving the industry away from cash transactions as quickly as possible, and scrutinizing the remaining cash for appropriate action. This will isolate money laundering from legitimate gaming, enabling enhanced enforcement action.
- This will also improve patron safety by creating alternatives to carrying large amounts of cash to and from the casino.

Contact: Douglas S. Scott
Cell Phone: [REDACTED]
Date: February 10, 2012

This is EXHIBIT "21" referred to in the affidavit of DOUGLAS SCOTT affirmed before me at Victoria, British Columbia, this 3rd day of February, 2012.


A Commissioner for taking affidavits for British Columbia

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BACKGROUND:

- Money laundering is a form of financial crime in which the proceeds of criminal activity, in the form of cash, are “laundered” to become legitimate funds.

Current Measures

- B.C. gaming facilities only issue cheques for verified wins, eliminating the opportunity for players to convert cash—other than winnings—into cheques.
- Players are not permitted to exchange small denomination bills for larger bills and cannot pass chips on the casino floor. When players cash out, they receive cash in the same denominations originally used to purchase casino chips.
- Casino chips can only be redeemed at the facility where they were initially purchased.
- The province has a Patron Gaming Fund account program that enables players to transfer funds from a Canadian banking institution for gaming use in B.C. casinos; a transparent way to bring in legitimate funds.
- BCLC reviews all large, and suspicious, cash transactions daily. Gaming staff receive mandatory anti-money-laundering training and must take a refresher course every two years.

The Anti-Money Laundering Review – The Province’s Actions

- In spring 2011, the Province commissioned a review to examine current anti-money-laundering practices in B.C. gaming facilities.
- GPEB has examined the recommendations contained in this review and is working closely with BCLC and casino service providers to develop an enhanced anti-money-laundering strategy.
- A GPEB cross-divisional working group has been created to ensure divisional unity in addressing the issue of money laundering.
- GPEB has established a steering group of industry CEOs to support an anti-money-laundering working group comprised of representatives from GPEB, BCLC and casino service providers.
- In response to one of the recommendations in the review, GPEB has connected with North American and international gaming regulators in an effort to identify innovative anti-money-laundering strategies and best practices. (For example, GPEB and BCLC have networked with the State of Nevada Gaming Control Board, gaming solution companies, money handling subject matter experts and casino operators.)
- GPEB, BCLC and casino service providers are developing a suite of initiatives to move the industry away from being a cash-based business. This involves a significant shift and work on these initiatives will be ongoing through 2012/13.
- Examples of such initiatives include:
 - Emphasizing the convenience of, and providing incentives for, establishing Patron Gaming Fund accounts;
 - Enhancing buy-in options to provide alternatives to cash buy-ins (e.g., use of a debit card, internet banking, certified cheques and Canadian casino cheques, expanding the list of authorized financial institutions for electronic fund transfers)

Page 2 of 5

Contact: Douglas S. Scott
Cell Phone: [REDACTED]
Date: February 10, 2012

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- Revising policies and procedures for issuing casino cheques; and
- Cheque hold deposit programs for high-volume players.
- In addition, the introduction of the Gaming Management System and other advanced technologies, will support anti-money-laundering practices (e.g., advanced technology will allow tracking of slot machine play for detection of money laundering patterns).

'Review of Anti-Money Laundering Measures at B.C. Gaming Facilities'
recommendations and responses

Report Recommendation	Response	Status
Recommendations for BCLC		
Revise the buy-in/cash-out policy to allow for cash-outs to be paid by cheque, where cash-out cheques clearly and unequivocally indicate that the funds are not from gaming winnings.	New non-cash buy-in options are in place and are being further developed. A customer convenience cheque cash-out policy, for amounts up to \$5,000, is being implemented.	Phase 1 to be completed in spring 2012 Phase 2 is pending evaluation
Enhance training and corporate policy to ensure gaming staff have a clear understanding of the duty to diligently scrutinize all buy-ins for suspicious transactions, including known patrons.	BCLC has undertaken this initiative.	Completed and ongoing
BCLC should better align its corporate view and staff training on what constitutes money laundering with that of enforcement agencies and the provisions of the relevant statutes, especially with respect to gaming losses.	GPEB is working with BCLC, and the industry, to ensure consistency of policies and procedures with that of law enforcement and other regulatory authorities.	Completed and ongoing
BCLC, in consultation with GPEB, should take the steps necessary to develop electronic funds transfer systems that maximize service delivery, create marketing opportunities, and are compliant with anti-money laundering requirements.	The industry working group, in conjunction with the respective staff at the regulator, the operator and service providers are working to develop and implement enhancements for cash-in through electronic funds transfer.	To be completed in spring 2012
Recommendations for GPEB		
Adopting the perspective that registration, audit and enforcement/investigations lie on a compliance continuum and making sure the Branch structure, including reporting relationships, supports this integrated approach.	GPEB has created an anti-money-laundering cross-divisional working group, which includes the Assistant Deputy Minister as a member, to integrate the regulator's initiatives.	Completed and ongoing
Developing an annual unified registration, audit and investigations plan that sets out and co-ordinates compliance objectives	The anti-money laundering initiative is one of the key Branch strategies for the	Completed and ongoing

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and priorities for each year.	current and upcoming fiscal years. All divisions are engaged.	
Formally involving the police agencies of jurisdiction, including those with specific anti-money laundering and organized crime mandates, in annual enforcement objective and priority planning.	While acknowledging that the informal network is active GPEB's broad plan is to more formally involve these entities as the anti-money-laundering strategy advances.	Pending
Establishing more formal contacts and relationships with governance and enforcement agencies and associations in jurisdictions with large, long-standing gaming industries.	GPEB and BCLC did extensive networking with the Nevada gaming industry and regulators this past fall and will continue to leverage their knowledge. The survey of anti-money-laundering practices in North America and internationally enhances this initiative.	Completed and ongoing
Long Term Recommendations		
Enhance expertise in establishing electronic funds transfer processes and procedures to assist with the creation of an electronic funds transfer system that delivers a high degree of service to patrons, is marketable, and is fully compliant with anti-money laundering standards found in the financial sector. Conduct future anti-money laundering reviews not only measure conformity with anti-money laundering legislation and regulations, but also help BCLC and GPEB to go beyond regulatory compliance to meet financial sector best practices.	As the anti-money-laundering strategy is being rolled out various financial services firms are being engaged (banks, money transfer agencies, reporting firms, etc.), to provide subject matter expertise for transition of BC's gaming industry away from cash dependence.	Completed and ongoing
Creating a cross-agency task force to investigate and gather intelligence on suspicious activities and transactions at B.C. gaming facilities. The task force would report out on the types and magnitude of any criminal activity it found occurring in relation to gaming facilities in B.C. This information would help guide any additional actions that may be required.	GPEB will determine how to implement this as the effect of the other initiatives is realized. With an industry anti-money-laundering steering group in place, the dialogue between gaming entities is improved. Confidence of the industry to enhance anti-money-laundering strength is high.	Pending

G 8

CROSS-REFERENCE:

N/A

Contact: Douglas S. Scott
Cell Phone: [REDACTED]
Date: February 10, 2012

**MINISTRY OF ENERGY AND MINES
GAMING POLICY AND ENFORCEMENT BRANCH
ESTIMATES BRIEFING NOTE 2012/13**

ISSUE: FINTRAC – Reporting on suspicious and large cash transactions

KEY MESSAGES:

- BCLC maintains a security and monitoring program to detect and prevent money laundering in B.C. casinos and community gaming centres.
- Under federal anti-money laundering legislation, BCLC must report all large cash and suspicious transactions to the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) – the government agency responsible for deterring money laundering and terrorist financing in Canada. GPEB verifies BCLC's compliance with this practice.
- Under provisions of the Gaming Control Act, BCLC and/or the service provider must also report all suspicious currency transactions to GPEB's Investigation Division.
- In 2011, BCLC filed more than 63,000 large cash transaction reports to FINTRAC.
- In 2011, BCLC filed 673 suspicious transaction reports to FINTRAC, GPEB and the RCMP's Integrated Proceeds of Crime Unit simultaneously.

BACKGROUND:


FINTRAC Audits of BCLC

- In June 2010, FINTRAC sent a Notice of Violation to BCLC for 1,285 violations of the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA). FINTRAC levied \$695,750 in Administrative Monetary Penalties (AMP) against the corporation.
- This is the first monetary penalty that BCLC has received from FINTRAC and the largest FINTRAC has ever levied. This is also the first time a gaming jurisdiction in Canada has been fined for violating the PCMLTFA. (However, in March 2011 FINTRAC levied a penalty of \$150,000 against the Saskatchewan Gaming Corporation. SaskGaming says it will ask for a review.)
- On June 30, 2010, BCLC requested that FINTRAC withdraw its notice of violation, including the monetary penalty. The request was denied.

Contact: Douglas S. Scott
Cell Phone: [REDACTED]
Date: February 21, 2012

This is EXHIBIT "22" referred to in the affidavit of DOUGLAS SCOTT affirmed before me at Victoria, British Columbia, this 30th day of February, 2012.

Page 1 of 2


A Commissioner for taking affidavits for British Columbia

- On October 29, 2010, BCLC filed notice of appeal in Federal Court (Toronto Registry), saying FINTRAC's director erred in several ways in making her ruling. This matter is still in progress.
- In September 2011, the Department of Justice (DOJ) acting on behalf of FINTRAC, completed its review and provided BCLC with a disclosure package. DOJ determined that 152 of the alleged violations were not violations and reduced the administrative monetary penalty by \$76,060.
- BCLC reviewed the disclosure package, analysed each alleged violation and advised the DOJ of its analyses and resulting legal opinion. DOJ is reviewing with FINTRAC. As the parties have not been able to agree on the content of the appeal, they have applied to the Court for an order. The application will likely be heard within the next two months.

GPEB Audits of BCLC

- For the past six years, GPEB has conducted audits of BCLC's compliance with FINTRAC requirements. These audits have documented BCLC's issues of non-compliance with provisions of the PCMLTFA, such as BCLC's interpretation of FINTRAC's "24-hour rule", which affects how large cash transactions are calculated for the purpose of reporting. BCLC is currently seeking a legal opinion regarding this issue.
- GPEB's most recent audit of BCLC's compliance with PCMLTFA, FINTRAC guidelines and the Province's Gaming Control Act, covered the 2010 calendar year. The audit noted the following:
 - A review of BCLC training records indicated that 99% of gaming workers had completed training within the prescribed time frame.
 - BCLC continues to not comply with FINTRAC's 24 hour rule in reporting the aggregation of a series of transactions totaling \$10,000 or more. BCLC is seeking a legal opinion on this and will continue to work with FINTRAC.
 - All sampled Suspicious Transaction Records were submitted to FINTRAC within the prescribed time frame.
- GPEB is currently in the fieldwork stage of its audit for the 2012 calendar year.

CROSS-REFERENCE:

N/A

Contact: Douglas S. Scott
Cell Phone: [REDACTED]
Date: February 21, 2012

**MINISTRY OF ENERGY AND MINES
GAMING POLICY AND ENFORCEMENT BRANCH
ESTIMATES BRIEFING NOTE 2012/13**

Issue: Addressing Wrongdoing Related to Gaming

KEY MESSAGES:

- Government is committed to ensuring the integrity of legal gambling and to deterring illegal gambling.
- In B.C., the Gaming Policy and Enforcement Branch (GPEB) investigates complaints or allegations of wrongdoing related to gaming and horse racing.
- In 2011/12, GPEB's Investigations Division received 13,536 complaints and/or notifications of suspicious activity or suspected wrongdoing related to legal gambling.
- The vast majority of these were for minor infractions or involved assisting with intelligence gathering.
- The Investigations Division also receives reports of real or suspected illegal gambling and investigates them, where appropriate, and/or forwards them to local police forces.
- GPEB investigators continue to work with RCMP and local police forces on matters related to illegal gaming.

Background:

- Service providers and BCLC are legally required to immediately provide notification to GPEB of any real or suspected activity, or violations of the Criminal Code of Canada and/or B.C.'s Gaming Control Act.
- Sanctions for offences under the Gaming Control Act include:
 - Ticket violation notices (up to \$500) for some violations;
 - Administrative sanctions for licensing or registration contraventions, including warnings, revocation of a licence/registration, or fines of up to \$20,000; and/or
 - In some cases, GPEB investigators can recommend to Crown Counsel that charges be laid under the B.C.'s Gaming Control Act or the federal Criminal Code.
- In addition to investigating complaints of real or suspected wrongdoing in *legal* gaming, in 2011/12, GPEB Investigations also handled—and/or assisted local police forces in handling—128 files related to illegal gaming.

This is EXHIBIT "23" referred to in the affidavit of DOUGLAS SCOTT affirmed before me at Victoria, British Columbia, this 3rd day of February, 2021.


A Commissioner for taking affidavits for British Columbia

Tab # 25

2011 / 2012 GPE Investigations Division Statistics									
Type of notification/ complaints	Suspected wrongdoing notifications / complaints	*Cleared							Ongoing Not cleared
		¹ Criminal Code	² Gaming Control Act						
		Charge	Charge	³ Administrative	Warning - written or verbal	⁴ Intelligence	⁵ Other	⁶ Unfounded	
Theft	1,506	48	0	0	0	0	1,270	78	110
Assault	202	14	0	0	0	0	172	4	12
Threats	226	2	0	0	0	0	212	10	2
Fraud	201	11	0	0	0	0	134	30	26
Loansharking	8	0	0	0	0	8	0	0	0
Suspicious currency transactions / money-laundering	861	0	0	0	0	759	30	21	51
Cheat at play	174	2	0	0	0	0	73	87	12
Counterfeit	447	0	0	0	0	444	2	1	0
Gaming Control Act violations	272	0	2	149	8	5	71	10	27
Voluntary Self- Exclusion prohibited	4,077	0	0	0	0	4,069	5	1	2
Prohibited (other)	1,687	0	2	0	0	1,669	6	0	10
Other (types not categorized above)	3,875	9	0	0	0	421	3,305	24	116
TOTAL	13,536	86	4	149	8	7,375	5,280	266	368

NOTES

- 1 Criminal Code:**Charges resulting from investigations conducted by the Investigation Division and/or from investigations where the Division assisted police of jurisdiction (RCMP Proceeds of Crime, Major Crime or Commercial Crime, FINTRAC).
- 2 Gaming Control Act:**Charges by the Investigation Division requiring court appearance or ticket violation notice with voluntary penalty.
- 3 Administrative:**Breaches of conditions of licences or registration.
- 4 Intelligence:**Correlating data on suspect individuals and groups, forwarding data to police of jurisdiction, and maintaining data for future potential investigations. For example, RCMP receives all compiled counterfeit bills and suspect data for inclusion on National Counterfeit Data Bank in Ottawa.
- 5 Other:**Includes insufficient evidence to lay charges, assisting police of jurisdiction on unrelated criminal matters, and unidentified suspects.
- 6 Unfounded:**No substance to the allegation, notification or complaint.

Contact: Doug Scott

Cell: [REDACTED]


Date: May 2, 2012

Ministry of Energy, Mines and Natural Gas
Gaming Policy and Enforcement Branch (GPEB)
British Columbia Lottery Corporation (BCLC)

Transition Materials - April 30, 2013

Table of Contents

This is EXHIBIT "24" referred to in the affidavit of DOUGLAS SCOTT affirmed before me at Victoria, British Columbia, this 3rd day of February, 2021.


A Commissioner for taking affidavits for British Columbia

Transition Notes

1. Gaming in BC Overview (GPEB)
2. Separation of Responsibilities under the Gaming Control Act (GPEB)
3. GPEB Budget and FTEs (GPEB)
4. Revenue Sharing with Host Local Governments (GPEB)
5. Responsible Gambling Program (GPEB)
6. Horse Racing (GPEB)
7. Gaming Grants: Revenue to Communities and Reporting Structure between EMNG & CSCD
(GPEB)
8. Anti-Money Laundering (GPEB)
9. First Nations Involvement (GPEB)
10. BCLC Crown Corporation (BCLC)
11. BCLC Corporate Governance (BCLC)
12. Projected Gaming Revenue and Net Income to Government (BCLC)
13. BCLC Business Optimization (BCLC)
14. Gaming Facility Market Overview (BCLC)
15. Edgewater Casino (BCLC)
16. BCLC PlayNow.com (BCLC)
17. BCLC Voluntary Self-Exclusion Program and Lawsuits (BCLC)
18. Single Event Sports Betting (BCLC)



April 30, 2013

**Ministry of Energy, Mines and Natural Gas
Gaming Policy and Enforcement Branch**

ISSUE NOTE

Issue:

- Gaming in British Columbia – An Overview

Background:

- Commercial gaming in B.C. is a \$2.7-billion-a-year industry, responsible for the direct employment of over 10,000 people.
- Provincial gaming is expected to generate approximately \$1.128 billion in net income in 2012/13, with the proceeds used by the Province to benefit people and communities across B.C.
- Compared with other jurisdictions, gaming is relatively moderate in B.C., which prohibits video lottery terminals (VLTs) in bars and restaurants, and limits the number of gaming facilities.
- According to the most recent national research study¹:
 - B.C. is one of only two provinces that prohibit video lottery terminals in bars and restaurants (Ontario is the other);
 - B.C. has the third lowest gambling participation rate among Canadian provinces;
 - B.C. has the third fewest number of electronic gaming machines per capita, and the second fewest number of locations where those games can be played; and
 - Of all provinces, B.C. distributed the most government gaming revenue to non-profit community organizations.

Gaming Facilities Summary as at April 15, 2013			
Gaming Facility Type	Number	Slot Machines ^A	Table Games
Traditional Casinos ^B	17	9,739	472
Casinos at Horse Race Tracks ^C	2	1,065	22
Horse Race Tracks	5	0	0
Community Gaming Centres	19	2,473	0
Commercial Bingo Halls	8	0	0
Teletheatres	23	0	0
Totals	74	13,277	494

^A Includes electronic table games.

^B Includes one casino with commercial bingo gaming.

^C Hastings Park and Fraser Downs are combination race tracks and casinos.

¹ Canadian Gambling Digest 2010/11 (Canadian Partnership for Responsible Gambling).

Commercial Gaming (conducted and managed by BCLC):**Casinos:**

- There are 17 casinos in operation, including two at horse race tracks (up to 22 casinos permitted);
- Casinos feature gaming tables, poker tables, slot machines and electronic table games; and
- One casino (Treasure Cove Casino in Prince George) also offers bingo.

Community gaming centres and bingo halls:

- 27 bingo halls and community gaming centres (up to 41 permitted);
- 19 community gaming centres offer traditional paper-based bingo and electronic bingo, in addition to a selection of other games that may include Keno, a variety of lottery products, off-track horse betting and slot machines; and
- 8 commercial bingo halls offer a mix of traditional paper bingo and electronic bingo.

(Note: Included in this number is Treasure Cove Casino, which also offers bingo).

Lottery products (as at April 15, 2013):

- 3,731 retailers, including 916 in the hospitality network (bars and pubs);
- Lotto! Express, a new, convenient way to purchase lottery tickets while paying for your groceries, is in place at select grocery stores. It is offered at 100 Overwaitea Food Group locations across B.C. with 700 pin pads selling LottoMax, Extra and Lotto 6/49; and
- Lottery games include LottoMax, Lotto 6/49, BC/49, Extra, Scratch & Win, Keno, SportsAction, Poker Lotto, pull tabs and Pacific Hold'Em poker.

PlayNow.com

- PlayNow.com offers national and provincial lottery games (LottoMax, Lotto 6/49, BC/49, Extra), Keno, SportsAction, eBingo, ePacific Hold'em Poker;
- PlayNow.com also offers online casino games, including blackjack, roulette and slots. BCLC also has peer-to-peer poker in which registered online players in B.C. can play with others registered with Loto-Quebec and Manitoba Lotteries;
- In January 2013, BCLC partnered with Manitoba Lotteries to introduce Internet gambling in that province through the PlayNow.com platform;
- PlayNow.com has approximately 250,000 registered players (as at April 15, 2013); and
- To access PlayNow, players must register on the website. The personal information they provide is verified by a third party to confirm identity, age and residency.
- Safeguards include:
 - Spending limit: Players can set their own weekly transfer-in limit, up to \$9,999;
 - Session log: Time and amount spent is visible on each web page;
 - Purchase history: Tickets purchased and amount spent for the past 52 weeks; and
 - GPEB conducts regular audits to ensure gaming is conducted in compliance with gaming legislation, directives, public interest standards, policies and procedures

Horse Racing (licensed and regulated by GPEB):**Race tracks and teletheatres:**

- Up to seven horse race tracks permitted (two major tracks and three seasonal tracks currently in operation). Fraser Downs and Hastings racecourses have casinos co-located with them, featuring slot machines and table games; and
- Up to 40 teletheatres permitted (23 sites currently operating: 11 at hotels/pubs, 10 at casinos or

community gaming centres and two at horse race tracks). Teletheatres offer simulcast broadcasts of races run at local, national and international tracks.

Charitable Gaming (licensed by GPEB):

- In 2011/12, GPEB issued almost 9,900 licenses to eligible community organizations to conduct and manage gaming events (ticket raffles, independent bingos, poker, wheels of fortune and social occasion casinos); and
- As at May 2, 2012, community organizations raised an estimated \$33.4 million² in 2011/12 to support their programs and services through licensed gaming events.

Canadian Gambling Digest 2010/11 – Key Findings:

According to the Canadian Gambling Digest 2010/11, published March 31, 2012, by the Canadian Partnership for Responsible Gambling:

- Total government-operated gaming revenue generated per person (19+) in B.C. in 2009/10 was \$551 (\$24 increase from 2009/10);
- This was significantly lower than Alberta (\$737), Saskatchewan (\$855) and Manitoba (\$739). The Canadian average was \$547;
- B.C. ranked third lowest in the number of electronic gaming machines (EGMs) per capita, at 307.3 machines per 100,000 adults 19+ (Ontario had the lowest at 223.5); the Canadian average was 509.7 EGMs per 100,000 adults 19+;
- B.C. has the second highest number of casinos at 17; Alberta has 24;
- Four provinces have electronic bingo games. British Columbia has the most bingo units at 5,044; the lowest number was in Ontario (752). Only B.C. had slot machines at bingo facilities;
- B.C. ranked third in number of gaming tables (486), behind Ontario (806) and Alberta (490);
- B.C. had the third fewest number of venues featuring electronic gaming machines: 33, compared to 1,936 in Quebec and 1,027 in Alberta (Ontario had the lowest at 27);
- B.C. is one of only two provinces that prohibit video lottery terminals (VLTs) in bars and restaurants (Ontario is the other); and
- B.C. (9,129) and Ontario (8,512) issued the most charitable gaming event licenses.

Decision required:

- For information only. No decision required.

² Final financials are not due from licensees until June 30, 2013.

• Appendix A – Gaming Facilities in B.C. as of April 15, 2013

CASINOS			
City	Facility	Slot Machines	Table Games
Burnaby	Grand Villa Casino	*1,000	60
Coquitlam	Boulevard Casino	*972	64
Langley	Cascades Casino	*812	31
Kamloops	Lake City Casino	*301	6
Kelowna	Lake City Casino	*450	16
Cranbrook ¹	Casino of the Rockies	*227	11
Nanaimo	Great Canadian Casinos	*407	6
New Westminster	Starlight Casino	*857	60
Penticton	Lake City Casino	*307	9
Prince George ²	Treasure Cove Casino	*540	9
Quesnel	Billy Barker Casino	*136	0
Richmond	River Rock Casino Resort	*1,110	108
Surrey ³	Fraser Downs Racetrack and Casino	*469	22
Vancouver	Edgewater Casino	*550	57
Vancouver ³	Hastings Racecourse and Casino	596	0
Vernon	Lake City Casino	*404	0
View Royal	Great Canadian Casino	*601	13
Totals	Casinos: 17	9,739	472

* Number of slot machines includes electronic table games.

¹ The host local government is the Ktunaxa Nation Council.

² Casino also offers commercial bingo gaming.

³ Casinos are co-located at horse race tracks.

COMMUNITY GAMING CENTRES			
City	Facility	Slot Machines	Bingo Seats
Abbotsford	Chances Abbotsford	*186	166
Campbell River	Chances Campbell River	*125	179
Courtenay	Chances Courtenay	*153	212
Castlegar	Chances Castlegar	*100	175
Chilliwack	Chances Chilliwack	*175	288
Dawson Creek	Chances Dawson Creek	*149	222
Duncan	Chances Cowichan	*150	229
Fort St. John	Chances Fort St. John	*178	180
Kamloops	Chances Kamloops	*137	445
Kelowna	Chances Kelowna	*270	494
Langley	Playtime Gaming Langley	50	312
Maple Ridge	Chances Maple Ridge	100	450
Mission	Chances Boardwalk Mission	*125	115
Newton	Newton Community Gaming Centre	100	364
Port Alberni	Chances Rim Rock	*100	99
Prince Rupert	Chances Prince Rupert	*100	136
Squamish Nation	Chances Boardwalk Squamish	*100	270
Terrace	Chances Terrace	*75	144
Williams Lake	Chances Signal Point	*100	320
Totals	Community Gaming Centres: 19	2,473	4,800

* Number of slot machines includes electronic table games.

COMMERCIAL BINGO HALLS			
City	Facility	Slot Machines	Bingo Seats
Esquimalt	Bingo Bingo Esquimalt	0	189
Vernon	Fairweather Bingo Hall	0	350
Nanaimo	Harbour City Bingo Hall	0	420
Nanaimo	Playtime Bingo Nanaimo	0	0 (Closed Nov 1, 2012)
Surrey	Newton Bingo Country	0	Now a Gaming Centre (Nov 2012)
Penticton	Penticton Bingo Palace	0	338
Vancouver	Planet Bingo	0	426
Victoria	Playtime Bingo Victoria	0	485
Prince George	Treasure Cove Casino	0	633
Chilliwack	Chilliwack Bingo	0	Now a Chances (Nov 2012)
Totals	Commercial Bingo Halls: 8	0	2,841

HORSE RACE TRACKS (RACE DAYS 2013)					
Location	Name	Race Type	# Days	Slots and ETGs*	Tables
Princeton	Sunflower Downs	Thoroughbred	2	0	0
Surrey	Fraser Downs Racetrack	Standardbred	81	469	22
Vancouver	Hastings Racecourse	Thoroughbred	69	596	0
Vernon	Kin Park	Thoroughbred	2	0	0
Osoyoos	Desert Park	Thoroughbred	2	0	0
Totals	Horse Race Tracks: 5		156	1,065	22

*ETGs = Electronic Table Games

TELETHEATRES			
Location	Name	Location	Name
Campbell River	Elks Lodge #373	Castlegar	Chances Castlegar
Chilliwack	Best Western Rainbow Inn	Coquitlam	Boulevard Casino
Cranbrook	Casino of the Rockies	Kamloops	Chances Kamloops
Kelowna	Chances Kelowna	Maple Ridge	Maple Ridge CGC
Nanaimo	Casino Nanaimo	New Westminster	Schanks Sports Grill
Penticton	Clancy's Pub	Prince George	Treasure Cove Casino
Prince Rupert	Chances Prince Rupert	Richmond	River Rock Casino
Salmon Arm	Hideaway Pub	Sechelt	Gilligan's Pub
Squamish	Chieftain Hotel	Surrey	Derby Bar and Grill
Surrey	Fraser Downs Racetrack	Vancouver	Hastings Racecourse
Vernon	Kalamalka Hotel	Victoria	Vacation Inn Hotel
Williams Lake	Chances Signal Point		
Totals	Teletheatres: 23		

Appendix B

Gaming in British Columbia

	Casinos	Bingo Halls	Community Gaming Centres	Co-located Race Tracks & Casinos	Race Tracks	Lottery Outlets	PlayNow (Internet)	Licensed Events	Pubs & Bars
Commercial Gaming									
Bingo Games	✓	✓	✓				✓		
Lottery Products	✓	✓	✓	✓	✓	✓	✓		✓
Slot Machines	✓		✓	✓			Slots		
Table Games	✓			✓			Casino-style games		
Poker Tables	✓						Peer-to-Peer Poker		
Electronic Table Games	✓		✓	✓					
Live Horse Racing				✓	✓				
Teletheatres	✓		✓	✓	✓				✓
Licensed Charitable Gaming									
Ticket Raffles								✓	✓
Independent Bingo								✓	✓
Social Occasion Casinos								✓	✓
Wheels of Fortune								✓	✓
Poker								✓	✓



May 6, 2013

**Ministry of Energy, Mines and Natural Gas
Gaming Policy and Enforcement Branch**

ISSUE NOTE

Issue:

- Separation of responsibilities and authorities in the *Gaming Control Act*.

Background:

- To provide for integrity of gambling in British Columbia, the *Gaming Control Act* was drafted to ensure that elected officials are kept at arm's length from specific decision-making in the gambling industry.
- There are three separate roles under the Act, each with their own responsibilities and powers. The Act assigns responsibilities to the Minister, the General Manager of the Gaming Policy and Enforcement Branch (GPEB), and the British Columbia Lottery Corporation (BCLC).
- The Minister responsible for gaming has been given limited authority under the Act. The Minister provides oversight and guidance while leaving specific decision making to the lottery corporation (BCLC) and the regulation of the gaming industry, including BCLC, to GPEB.
- Government, through the Minister responsible, provides broad policy direction to ensure British Columbia's social and economic priorities for gaming are achieved.
- Except for specific approval requirements under the *Act*, Government is not involved in decisions respecting gaming operations. Section 27(4) of the *Act* specifically prohibits GPEB from conducting, managing or presenting gaming.
- Under Part III of the Act only BCLC has the authority to propose locations and relocations of gaming facilities to potential host local governments.
- The accountabilities and responsibilities for gaming in the province are structured this way to ensure that the potential for an actual or perceived conflict of interest is minimized.

Minister Responsible for Gaming

- The Minister's powers and duties are primarily set out in the following sections:
 - s.6 authorizes the Minister to issue written directives to BCLC on matters of general policy;
 - s. 7 (1) requires BCLC to receive written approval of the Minister prior to entering into agreements with other jurisdictions or supplying goods or services to other jurisdiction
 - s.7(2) requires Ministerial approval before implementing a new type of lottery scheme;
 - s.18 requires BCLC to receive a written directive in respect to development of gaming facilities;
 - s. 26 authorizes the Minister to issue written directives to GPEB on matters of general policy; and
 - s. 28(3) requires GPEB to receive Ministerial approval before issuing a directive to

- BCLC.

General Manager

- The General Manager must develop, manage and maintain the government's gaming policy. This is achieved through the regulatory oversight of the gaming industry, including BCLC, service providers and charity organizations engaged in gaming.
- GPEB is responsible for:
 - Developing and maintaining a strong and comprehensive policy and regulatory framework for gaming in the province;
 - Establishing industry-wide public interest standards and managing responsible gambling initiatives and problem gambling treatment programs;
 - Regulating the horse racing industry;
 - Conducting financial and personal background checks on all gaming services providers and gaming workers;
 - Approving and certifying all gaming equipment used in the province;
 - Conducting audits of commercial gaming, licensed gaming events and community organizations' use of gaming proceeds; and
 - Investigating all complaints and allegations of regulatory wrongdoing and assists law enforcement agencies in criminal investigations in gaming in the province.

British Columbia Lottery Corporation

- As an agent of the Crown, BCLC conducts, manages and operates all provincial gaming in the province, including commercial casinos, bingo halls, community gaming centres, lotteries, and online gambling.
- In general, BCLC is a gaming entertainment company that manages all contracts and formal relationships with gaming facility service providers, lottery retailers as well as all gaming agreements with other provinces and the federal government.
- BCLC is responsible for enhancing the financial performance, integrity, efficiency, and sustainability of the gaming industry in the province within the policy framework established by the Province of British Columbia.
- BCLC is also responsible for complying with operating and reporting requirements set out by its Board, government and any applicable laws and regulations.
- BCLC reports to an independent nine-member board of directors. This board is appointed by, and reports to, the Minister Responsible for Gaming.

Decision required: For Information Only

- For information only. No decision required.



April 30, 2013

**Ministry of Energy, Mines and Natural Gas
Gaming Policy and Enforcement Branch**

ISSUE NOTE

Issue:

- The Gaming Policy and Enforcement Branch (GPEB) Budget and FTEs

Background:

- GPEB's core operating budget for 2013/14, is set at \$19.586 million, an increase of \$1.442 million over 2012/13⁽¹⁾.
- A small balance in capital funding will be spent on upgrading GPEB's computer database in 2013/14.

GPEB Budget and Expenditures (\$ millions), and FTE Staffing			
Budget	2011/12 (actual)	2012/13 (actual)	2013/14 (budget)
Branch Core Operations	13.907	13.638	13.580
Responsible Gambling Strategy	4.453	4.506	6.006
Total Branch Operating Budget	18.360	18.144	19.586
Capital Budget	0.885	⁽³⁾ 0.687	⁽⁴⁾ 0.021
Expenditures			
Branch Core Operations	13.249	12.309	-
Responsible Gambling Strategy	5.595	5.469	-
Total Operating Expenditures	18.844	17.778	-
Capital Expenditures	⁽²⁾ 0.216	0.666	-
Variance – surplus/(deficit)			
Operating Costs	(0.484)	0.366	-
Capital Costs	0.669	.021	-
Staff			
Total Branch FTEs	156	156	156

¹ This increase is the result of a \$1.5M budget lift for the Responsible and Problem Gambling Program less \$58K, which was GPEB's portion of a ministry-wide budget reduction in EMNG.

² This amount previously was calculated to be \$0.122. It has been adjusted to include write-offs and non-IT assets and is now correctly stated as \$0.216.

³ The budget reflects the amount of capital funding transferred from the Ministry of Justice (JAG) to EMNG.

⁴ The remainder of the capital budget will be spent in 2013/14.



April 30, 2013

**Ministry of Energy, Mines and Natural Gas
Gaming Policy and Enforcement Branch**

ISSUE NOTE

Issue:

- Revenue Sharing with Host Local Governments

Background:

- In 2013/14, an estimated \$82.9 million in gaming revenue will be distributed to local governments that host casinos and/or community gaming centres.
- By the end of 2013/14, local governments that host gaming facilities will have received an estimated \$940.2 million in gaming funds since 1999.
- Thirty-one communities host a total of 17 casinos and 19 community gaming centres.

Host Local Government Share of Gaming Revenues (all figures in millions)						
	1999 to 2010 (actual)	2010/11 (actual)	2011/12 (actual)	2012/13 (actual)	2013/14 (estimate)	Total (1999 to 2014 – estimate)
Gaming revenues	\$607.6	\$82.3	\$83.1	\$84.4	\$82.9	\$940.2

- Since July 1999, the Province has provided a share of gaming revenue to local governments that host gaming facilities (casinos and/or community gaming centres) in their jurisdiction.
- Host local governments can use the revenue for any purpose that benefits the local community. They are required to report annually to the Province on the expenditure of these funds.
- Revenue sharing is set out in signed contracts between the Province and host local governments. Under these contracts, there are two revenue sharing models:
 - Community casino model: host local governments receive 10 per cent of the net casino gaming revenue from community casinos and/or community gaming centres within their jurisdiction.
 - Destination casino model: host local governments receive one-sixth of net casino gaming revenue from destination casinos within their jurisdiction.

Decision required:

- For information only. No decision required.

**Local Government Share of Provincial Casino and
Community Gaming Centre (CGC) Revenue to March 31, 2013**

City	Casino or Community Gaming Centre (CGC)	Jul 1999 - Mar 31, 2011	Apr 1, 2011 - Mar 31, 2012	Apr 1, 2012 - Mar 31, 2013	Total to Date	Notes
Abbotsford	Chances Abbotsford CGC	\$1,440,681.48	\$904,774.46	\$970,854.55	\$3,316,310.49	Opened June 2009.
Burnaby	Grand Villa Casino	\$95,949,856.56	\$9,365,898.70	\$8,826,054.92	\$114,141,810.18	Previously known as Gateway Burnaby Casino.
Campbell River	Campbell River Bingo Palace	\$592,560.08	N/A	N/A	\$592,560.08	Closed June 2007.
Campbell River	Campbell River Chances CGC	\$2,426,314.72	\$687,490.52	\$664,344.98	\$3,798,150.22	Opened July 2007.
Castlegar	Chances Castlegar CGC	N/A	\$283,428.21	\$452,049.43	\$735,477.64	Opened July 2011.
Chilliwack	Chances Chilliwack	N/A	N/A	\$496,261.98	\$496,261.98	Opened November 2012
Coquitlam	Boulevard Casino	\$74,063,981.09	\$7,501,627.05	\$7,386,268.49	\$88,951,876.63	Previously known as Coquitlam Casino.
Courtenay	Chances Courtenay CGC	\$2,060,918.31	\$802,261.21	\$835,116.98	\$3,698,296.50	
Cowichan	Chances Cowichan CGC	\$2,778,356.08	\$784,409.54	\$734,271.49	\$4,297,037.11	Opened March 2007.
Cranbrook	Casino of the Rockies	\$11,672,009.45	\$1,365,120.22	\$1,178,631	\$14,215,760.67	Ktunaxa First Nation receives a share of casino revenue from this destination casino.
Dawson Creek	Chances Dawson Creek CGC	\$4,038,735.04	\$839,806.18	\$831,191.85	\$5,709,733.07	Previously known as Bear Mountain CGC.
Fort St. John	Chances Fort St. John CGC	\$2,756,429.99	\$969,806.21	\$947,306.89	\$4,673,343.09	Opened September 2007.
Kamloops	Chances Kamloops CGC	\$1,938,185.32	\$541,918.71	\$659,250.98	\$3,139,355.01	Previously known as Enterprise CGC.
Kamloops	Lake City Casino	\$21,841,132.11	\$1,922,004.19	\$1,818,789.40	\$25,581,925.70	
Kelowna	Chances Kelowna CGC	\$5,985,421.39	\$1,584,608.05	\$1,732,798.72	\$9,302,828.16	
Kelowna	Lake City Casino	\$27,502,801.21	\$2,036,332.36	\$1,976,902.03	\$31,516,035.60	
Langley	Cascades Casino	\$39,041,834.62	\$5,875,236.04	\$5,793,005.43	\$50,710,076.09	Previously known as Langley Casino.
Langley	Playtime Gaming CGC	\$274,107.35	\$132,254.42	\$129,598.17	\$535,959.94	Opened October 2008.
Maple Ridge	Maple Ridge CGC	\$317,106.55	\$786,696.43	\$820,220.24	\$1,924,023.22	Opened October 2010.
Mission	Chances Boardwalk CGC	\$1,954,008.71	\$645,946.03	\$625,471.02	\$3,225,425.76	Opened August 2007.
Nanaimo	Nanaimo Casino	\$32,213,250.30	\$2,350,384.15	\$2,431,137.39	\$36,994,771.84	

City	Casino or Community Gaming Centre (CGC)	Jul 1999 - Mar 31, 2011	Apr 1, 2011 - Mar 31, 2012	Apr 1, 2012 - Mar 31, 2013	Total to Date	Notes
New Westminster	Royal City Star (Riverboat)	\$31,288,316.65	N/A	N/A	\$31,288,316.65	Closed December 2007.
New Westminster	Royal Towers Casino	\$11,956,075.00	N/A	N/A	\$11,956,075.00	Closed November 2005.
New Westminster	Starlight Casino	\$20,417,827.99	\$5,780,230.26	\$5,701,451.96	\$31,899,510.21	
Penticton	Lake City Casinos Ltd.	\$21,033,456.68	\$1,682,935.49	\$1,594,349.90	\$24,310,742.07	
Port Alberni	Chances Rim Rock	\$1,473,742.72	\$449,781.00	\$426,859.32	\$2,350,383.04	Opened September 2007.
Prince George	Chances Good Time Prince George CGC	\$254,384.44	N/A	N/A	\$254,384.44	Closed June 2009.
Prince George	Treasure Cove Casino	\$24,552,103.33	\$2,627,265.33	\$2,622,414.60	\$29,801,783.46	Previously known as Casino Hollywood (changed name September 2004).
Prince Rupert	Chances Prince Rupert CGC	\$1,474,517.61	\$403,647.26	\$424,801.14	\$2,302,966.01	
Quesnel	Billy Barker Casino	\$7,018,521.33	\$519,955.58	\$500,408.71	\$8,038,885.62	
Richmond	River Rock Casino	\$93,283,834.06	\$14,803,715.52	\$15,701,185.46	\$123,788,738.04	Previously known as Richmond Casino (changed June 2004).
Squamish	Chances Boardwalk Squamish	\$289,537.11	\$230,631.03	\$237,150.13	\$757,318.27	Opened February 2010.
Surrey	Fraser Downs	\$21,851,497.83	\$2,877,900.08	\$2,997,760.46	\$27,727,158.37	
Surrey	Newton Casino	\$2,042,541.00	N/A	N/A	\$2,042,541.00	Closed.
Surrey	Newton CGC	N/A	N/A	\$187,726.50	\$187,726.50	Opened November 2012
Terrace	Chances Terrace	\$973,247.55	\$560,756.86	\$625,577.44	\$2,159,581.85	Opened January 2009.
Vancouver	Edgewater	\$33,234,529.38	\$5,821,565.25	\$6,084,757.33	\$45,140,851.96	
Vancouver	Grand Casino	\$5,199,559.00	N/A	N/A	\$5,199,559.00	Closed.
Vancouver	Hastings	\$3,854,221.11	\$1,270,554.09	\$1,214,566.60	\$6,339,341.80	
Vancouver	Holiday Inn Casino	\$10,530,664.79	N/A	N/A	\$10,530,664.79	Closed.
Vancouver	Mandarin Centre	\$4,590,768.00	N/A	N/A	\$4,590,768.00	Closed.
Vancouver	Renaissance Casino	\$2,363,885.00	N/A	N/A	\$2,363,885.00	Closed.
Vancouver	Royal Diamond Casino	\$1,286,517.00	N/A	N/A	\$1,286,517.00	Closed.
Vernon	Lake City Casino	\$18,353,461.36	\$1,947,770.07	\$2,000,788.15	\$22,302,019.58	
Victoria	Mayfair Casino	\$930,336.00	N/A	N/A	\$930,336.00	Closed December 2001.
View Royal	View Royal Casino	\$39,537,961.62	\$4,196,788.12	\$4,142,775.53	\$47,877,525.27	
Wells	Jack o' Clubs Gaming Hall	\$72,462.00	N/A	N/A	\$72,462.00	Seasonal. Closed September 2005.
Williams Lake	Signal Point CGC	\$3,265,070.81	\$579,704.96	\$579,211.79	\$4,423,987.56	
Grand Total		\$689,976,729.73	\$83,133,003.58	\$84,371,314.16	\$857,481,047.47	



April 30, 2013

**Ministry of Energy, Mines and Natural Gas
Gaming Policy and Enforcement Branch**

ISSUE NOTE

Issue:

- Revenue Sharing with Host Local Governments

Background:

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Vancouver	Edgewater	\$33,234,529.38	\$5,821,565.25	\$6,084,757.33	\$45,140,851.96	
Vancouver	Grand Casino	\$5,199,559.00	N/A	N/A	\$5,199,559.00	Closed.
Vancouver	Hastings	\$3,854,221.11	\$1,270,554.09	\$1,214,566.60	\$6,339,341.80	
Vancouver	Holiday Inn Casino	\$10,530,664.79	N/A	N/A	\$10,530,664.79	Closed.
Vancouver	Mandarin Centre	\$4,590,768.00	N/A	N/A	\$4,590,768.00	Closed.
Vancouver	Renaissance Casino	\$2,363,885.00	N/A	N/A	\$2,363,885.00	Closed.
Vancouver	Royal Diamond Casino	\$1,286,517.00	N/A	N/A	\$1,286,517.00	Closed.
Vernon	Lake City Casino	\$18,353,461.36	\$1,947,770.07	\$2,000,788.15	\$22,302,019.58	
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Wells	Jack o' Clubs Gaming Hall	\$72,462.00	N/A	N/A	\$72,462.00	Seasonal. Closed September 2005.
Williams Lake	Signal Point CGC	\$3,265,070.81	\$579,704.96	\$579,211.79	\$4,423,987.56	
Grand Total		\$689,976,729.73	\$83,133,003.58	\$84,371,314.16	\$857,481,047.47	



April 30, 2013

**Ministry of Energy, Mines and Natural Gas
Gaming Policy and Enforcement Branch**

ISSUE NOTE

Issue:

- Responsible Gambling Programs

Background:

- Government has publicly committed that counselling services for gambling will be available to everyone who needs them, without waitlists.
- The government of B.C. and BCCLC are committed to ensuring that gaming in B.C. is conducted with integrity and that gaming events and products are offered in a socially responsible manner.

Gaming Policy and Enforcement Branch (GPEB) – Responsible and Problem Gambling Program

- The Province's Responsible Gambling Strategy promotes responsible practices for those who choose to gamble and also provides assistance for those affected by problem gambling.
- The strategy's three goals and supporting objectives are:
 - Goal 1 – Create public awareness of risks associated with gambling
 - Goal 2 – Deliver gambling in a way that encourages responsible gambling and informed choice
 - Goal 3 – Provide treatment and support to those affected by problem gambling
- The Responsible Gambling Strategy offers the following initiatives:
 - Advertising and Responsible Gambling Standards for the B.C. gaming industry.
 - A network of GameSense Advisors provides responsible gambling information and services to patrons at all casinos and some community gaming centres across B.C.
 - Standardized responsible and problem gambling awareness resources and programs have been developed to educate all ages from elementary school children to seniors.
 - The Gam_iQ, an iPad-based education program designed specifically for college and university students. In 2012, a second version of this program was made available to high schools throughout the province.
 - A network of clinical counsellors located throughout the province offer support services for individuals, couples, families and groups.
 - Telephone and outreach services help to serve people in remote communities.

- To improve accessibility, an intensive out-patient treatment program (Discovery Program), has been expanded to two locations (the Lower Mainland and Vancouver Island).
- Culturally relevant resources, programming and treatment continue to be developed and delivered with the assistance of specialized service providers.
- A newly updated B.C. Responsible and Problem Gambling Program website, which is a key resource for British Columbians seeking information about the program and its services, was launched in the spring of 2012.
- GPEB's budget for the RPG program for 2013/14 is \$6.0 million

BCLC's Responsible Gambling Program

- GameSense is BCLC's responsible gambling program, designed to give players the information they need to play responsibly and connect them to available resources if they feel they need help with their gambling.
- GameSense includes a number of initiatives to promote responsible gambling:
 - Staffed GameSense Information Centres in all casinos and self-serve kiosks in community gaming centres.
 - Information on the odds of winning on all types of games is available in several languages and is widely available at casinos and on the GameSense website: www.gamesense.ca.
 - Appropriate Response Training for all gaming staff, which prepares BCLC staff and service providers' employees to assist players.
 - A Voluntary Self-Exclusion (VSE) program in casinos, community gaming centres and bingo halls, as well as PlayNow.com.
 - Automatically excluding people from PlayNow.com if they have self-excluded from facility-based gambling.
 - Technology innovations to support the VSE program (e.g., licence plate recognition, linking ID scanners to the VSE database).
- BCLC is investing \$3.6 million in its responsible gambling program for 2013/14.
- BCLC is working to implement pre-commitment options for slot machine players as part of its investment in new Gaming Management System. This will allow players to set limits on both time and money spent playing.
- In early 2013 BCLC and GPEB partnered with five communities across the Province to host Responsible Gambling Awareness Month. The marquee event was a major annual international conference dedicated to responsible gambling.

The Centre for Gambling Research at UBC

- Government and BCLC have committed \$2 million over five years to support the establishment of the Centre for Gambling Research at the University of British Columbia (UBC). UBC will receive \$1 million in the first year and \$250,000 in each of the subsequent years. This funding is from forfeited prize winnings under the VSE program (VSE individuals are ineligible for jackpot prizes).

- The centre will conduct research on the social and behavioral aspects of gambling to help inform and advance responsible and problem gambling prevention policy and programming in B.C., as well as in other regions of Canada and internationally.
- UBC will use the funding to cover operational expenses for the centre, infrastructure and research centre staff.

Decision required: For Information Only

- UBC is in the process of hiring a director to lead the Centre. The new centre is expected to be operational in fall, 2013.
- BCLC is in the process of launching a follow-up four-year longitudinal study of the VSE program.
- BCLC has submitted an application to renew its Level 4 accreditation from the World Lottery Association (WLA), which recognizes excellence in responsible gambling programming. Results are expected in late July/early August, 2014. BCLC first achieved accreditation in 2010.



April 30, 2013

**Ministry of Energy, Mines and Natural Gas
Gaming Policy and Enforcement Branch**

ISSUE NOTE

Issue:

- Horse Racing

Background:**General**

- British Columbia's horse racing industry contributes \$350 million¹ to the province's economy and provides more than 7,400 people with approximately 3,600 full-time equivalent jobs.
- Horse racing in B.C. is regulated under the Gaming Control Act by the Gaming Policy and Enforcement Branch (GPEB). As part of its activities, GPEB develops fair and appropriate rules and policies to help ensure the horse racing industry is conducted and managed fairly and with integrity.
- Those who work in or provide services to the horse racing industry must be registered with and licensed by GPEB to ensure they meet high standards of honesty, integrity, and financial responsibility.
- There are two commercial horse race tracks (Hastings Racecourse, in Vancouver, and Fraser Downs Racetrack, in Surrey) and three community event tracks (in Vernon, Princeton and Osoyoos).
 - All are thoroughbred tracks except Fraser Downs, which is standardbred.
 - The two commercial tracks have casinos co-located in them – Fraser Downs features slot machines and table games, and Hastings features slot machines only.
- Twenty-three teletheatres in B.C. present simulcast satellite broadcasts of horse races run at local, national, and international tracks. Teletheatre BC operates 21 teletheatres, and the Great Canadian Gaming Corporation operates the teletheatre at each of Fraser Downs and Hastings.
- In recent years wagering at race tracks and teletheatres in British Columbia has ranged from \$160 million to \$180 million annually.
- The B.C. industry is heavily dependent on simulcast revenues. Income from simulcast wagering accounts for more than 92 per cent of the money used to support horse racing in the province; only eight per cent is the result of live racing.

¹ Dollar amount estimated in 2008, the most recent estimate available.

Industry Revitalization

- In response to declining horse racing revenues over the last decade, industry organizations requested that the Province take steps to help stabilize and revitalize racing in B.C.
- The Province created the B.C. Horse Racing Industry Management Committee in November 2009. The committee, which includes leading horse racing industry and business experts, is mandated to provide strategic direction, decision-making and business leadership to guide the industry in its effort to become financially stable and sustainable.
- Since the Committee began its formal involvement in January 2010, it has implemented a number of changes that have strengthened horse racing in B.C. It has also gained a clearer understanding of the challenges facing the industry, and identified next steps for the continued development of effective business practices. Notably, the introduction of a marketing fund in 2011 has resulted in increased attendance and wagering at live racing events.
- The committee has focused on creating a sustainable and transparent business model that benefits the entire industry. The main areas targeted for improvement have been governance, cost efficiencies in operations, new revenue initiatives and improving player interest and participation in B.C. horse racing and wagering. To help drive its activities and decisions, the Committee consults associations, owners, trainers, bettors, track employees, the track operator and other interested stakeholders throughout the province.
- All-sources wagering on live racing at the two Lower Mainland racetracks showed significant increases in 2012 (up 7.6 per cent over 2011). Overall revenue trends continue to decline, and government support is still needed to stabilize the industry and build on progress made to date.
- Going forward, the Province's financial support is estimated at \$10 million (related to net revenues from casinos co-located at Hastings and Fraser Downs).
- The Horse Racing Industry Management Committee is preparing a report on the best case for making horse racing sustainable in British Columbia. A consultation draft of the report was released to industry stakeholders on April 12, 2013. The Committee is scheduled to release its final report following the consultations, in summer 2013.

Decision required:

- For information only. No decision required.

**Ministry of Energy, Mines and Natural Gas
Gaming Policy and Enforcement Branch**

ISSUE NOTE

Issue:

- Gaming Grants: Revenue to Communities.
- Administration of the Gaming Grant Program by the Ministry of Energy, Mines and Natural Gas (EMNG) and the Ministry of Community, Sport and Cultural Development (CSCD).

Background:

- In 2012/13, the Gaming Policy and Enforcement Branch (GPEB) distributed \$135 million to approximately 5,300 non-profit organizations. Funds were distributed to organizations within the following six sectors: human and social services, public safety, art and culture, sport, environment, and Parent Advisory Councils (PACs) and District Parent Advisory Councils (DPACs).
- Decisions regarding eligibility and grant approval are the responsibility of CSCD and have been since April 2011. CSCD receives the budget allocation for the grants. (Previously these functions – and the administration of the program – were the responsibility of GPEB.) GPEB continues to be responsible for the administration of the program, including financial oversight, audit, IT services, and corporate support. Grants staff and administration remain with GPEB.
- Amendments to the Gaming Control Act and regulation were introduced in April 2012 to enact this shared responsibility. The amendments, including one that stipulates that the community gaming grant program reports to two Assistant Deputy Ministers (ADMs), were included in the 2012/13 budget bill. EMNG has legislated authority to distribute the grants based on a set of criteria. Existing legislation does not prohibit the criteria from being established outside the ministry. CSCD and EMNG cooperate throughout the grant eligibility process.
- A public review (announced in July 2011 by Premier Christy Clark and conducted by independent advisor Skip Triplett) of the community gaming grant program examined the role of government in allocating gaming revenue to B.C. communities. Input was sought and received from charities, community members, industry representatives and local government. Mr. Triplett provided a final report, including recommendations, to government on Oct. 31, 2011.
- On January 11, 2012, Premier Christy Clark announced that the Province had increased gaming grants by \$15 million to a total of \$135 million, beginning in the 2011/12 fiscal year. At the same time, funding was reinstated for eligible adult arts and sports organizations, environmental groups and animal welfare agencies.
- GPEB is a vital link in the administration of the community gaming grant program. Delivery of the grants takes place in many stages, from the adjudication and processing of applications to the deposit of funds by computer. The funds themselves are routed from BCLC via a customized

computerized journal voucher system. The entire process is labour intensive and requires the particular expertise of various staff teams. More specifically:

- GPEB provides the grant program's application, payment and reporting functions;
- The gaming grant program is integrated into GPEB's computer database system, Gaming Online Services (GOS);
- CSCD's \$135 million funding allotment flows from the BC Lottery Corporation's revenues to GPEB's Finance Division, which distributes the grants to community organizations through GOS;
- GPEB's Finance Division was recognized as being specially equipped to distribute \$618K in gaming funds for multiculturalism grants on behalf of the Minister of State;
- GPEB created and maintains the gaming grants web pages;
- GPEB's Audit Division audits grants administered by GPEB, and, understanding the program as it does, is uniquely positioned to do so; and
- GPEB's Investigations Division deals with criminal activity affecting the grants program, and similarly, is uniquely placed to do so.

Decision required:

- For information only. No decision required.



April 30, 2013

**Ministry of Energy, Mines and Natural Gas
Gaming Policy and Enforcement Branch**

ISSUE NOTE

Issue:

- Anti-Money Laundering

Background:

- The Ministry remains committed to managing gaming activities to protect the public interest and ensure public safety. It is working with the gaming industry to prevent criminal attempts to legitimize illegal proceeds of crime in gaming facilities in the province.
- BCLC has a comprehensive anti-money laundering program in place and is committed to continuous improvement and cooperation with GPEB and other stakeholders.
- All organizations that manage large volumes of money, including banks, could be targeted by criminals. All gaming industry stakeholders including BCLC, service providers and GPEB remain vigilant to these attempts and, in co-operation with the RCMP and local police, continue to report and deter these activities.
- Facility-based gaming generated \$1.6 billion in gross revenue (net win) in FY 12/13. It remains primarily a cash-based business in B.C.; however, GPEB and BCLC have taken significant measures to reduce this reliance on cash.
- In 2011, the Province commissioned a review to examine current anti-money laundering practices in B.C. gaming facilities. The review intended to determine what anti-money laundering policies, practices and strategies are in place at B.C.'s gaming facilities and identified opportunities to strengthen the existing anti-money laundering regime.
- The review found that BCLC and its operators, with oversight and guidance from GPEB, employ standard and appropriate anti-money laundering strategies. Notwithstanding these measures, the review made recommendations to both BCLC and GPEB for opportunities to further strengthen anti-money laundering efforts.
- Both GPEB and BCLC, in cooperation with gaming service providers, have developed and implemented new measures that address the recommendations of the report, with a focus on moving the industry away from a reliance on cash.
- Examples of initiatives include:
 - Greater convenience in setting up Patron Gaming Fund (PGF) Accounts for players
 - Expanded buy-in options (such as use of a debit card) to provide alternatives to cash buy-ins
 - Revised policies and procedures for issuance of casino cheques

- A number of policy changes have been made, such as providing more common electronic deposit options and allowing players to transfer verified wins or the amount of their original buy-in back to into their bank account. Cash-free buy-in options are now available for large value transactions, which provide an added convenience for players while aligning with anti-money laundering best practices.
- These changes help to encourage the use of cash-free alternatives for large value transactions while deterring criminal activities and enhancing player security.
- The Ministry's 2013/14 – 2015/16 Service Plan has a performance measure intended to further shift the industry from cash transactions to electronic methods for funds access within casinos.
- In the upcoming year, BCLC will be analysing the factors that contribute to high currency levels at certain gaming facilities and will be exploring opportunities to incent players to use alternatives to cash.
- There is ongoing dialogue with the police of jurisdiction and the Provincial and Federal RCMP in order to ensure those agencies better understand the gaming business, where the risks lie as well as keeping them abreast of plans to deter and detect any criminal conduct associated to gaming in the province.

FINTRAC penalty:

- On June 15, 2010, BCLC received a notice of violation from FINTRAC advising \$695,750 in Administrative Monetary Penalties (AMPs) would be levied against the corporation for 1,185 violations of the Proceeds of Crime (Money Laundering) and Terrorist Financing Act. The administrative penalty included violations related to delays in filing reports and clerical errors.
- On October 29, 2010, BCLC filed an appeal of the penalty levied by FINTRAC in the Toronto registry of the Federal Court on a number of grounds.
- In September 2011, the Department of Justice, acting on behalf of FINTRAC, provided BCLC with a disclosure package and determined that 152 of the alleged violations were not violations and reduced the administrative monetary penalty by \$76,060.
- No date has been set for the hearing.

Decision required: For Information Only

- For information only. No decision required.



April 30, 2013

**Ministry of Energy, Mines and Natural Gas
Gaming Policy and Enforcement Branch**

ISSUE NOTE

Issue:

- First Nations and Gaming in British Columbia

Background:

- Sharing gaming revenue is a key issue for First Nations. Various First Nations leaders have written to the Premier with their concerns, specifically:
 - First Nations desire for the Province to share gaming revenue directly with them;
 - Province's duty to consult with First Nations where gaming facilities are re-located on land that may infringe upon Aboriginal title and rights; and
 - Authority for gaming on First Nations lands.

First Nations Revenue

- Host local governments (HLG) receive 10 percent of the net revenues from the casino or gaming community centre they host. Four First Nations host gaming facilities on their land:
 1. Ktunaxa Nation - Casino of the Rockies (Cranbrook) is owned and operated by SEM Resort Limited Partnership, comprised of the Ktunaxa Nation, the Samson Cree First Nation and the Mnjikaning First Nation. In fiscal 2011/12, they received \$1.3 million in HLG payments.
 2. Cowichan Tribes - Chances Cowichan community gaming centre (Duncan). In fiscal 2011/12, they received \$780K in HLG payments.
 3. Squamish Nation - Chances Squamish community gaming centre (Squamish). In fiscal 2011/12, they received \$230K in HLG payments.
 4. In addition, BCLC plans to relocate Vernon's Fairweather Bingo Hall to a site on Adams Lake Indian Band (ALIB) land near Salmon Arm and redevelop it into a community gaming centre. BCLC's marketplace assessment indicates there is demand for a community gaming centre in this area. The ALIB is currently holding community consultations with band members, as required by the Gaming Control Act.
- Unlike Alberta, Saskatchewan, Manitoba, Ontario and New Brunswick, BC does not directly share gaming revenues with First Nations.
- The provincial government does share revenue directly with First Nations, from resource developments on Crown land such as mining, forestry and oil and gas.

Province's Duty to Consult

- The *Gaming Control Act* (GCA) requires that BCLC must be satisfied that the HLG has consulted with each potentially affected local government, including First Nations. The GCA limits consultation with First Nations to advising them of the gaming proposal, and seeking their comments solely in relation to infrastructure or policing costs and traffic and highway use.
- In a 2005 case involving the development of the River Rock Casino in Richmond, BC on Crown lands, the Supreme Court of British Columbia found that because BCLC is an agent of the Crown, the Province had a duty to consult which was triggered when it contemplated moving and expanding its casino to Crown lands which it knew were subject to the Musqueam claims. The courts ruled in favour of the Musqueam Indian Band for failure to consult on the River Rock Casino relocation. The Province provided financial compensation to the Musqueam Indian Band.

Gaming on First Nations Lands

- Some First Nations have made inquiries about establishing casinos on First Nations lands. Citing "existing aboriginal and treaty rights," affirmed by section 35(1) of the *Constitution Act*, 1982, many First Nations assert that BC does not have exclusive jurisdiction over gaming activities in the province.
- Under the *Criminal Code of Canada*, the Province is delegated to conduct and manage all gaming, both on and off First Nations reserve lands.
- In B.C., the *Gaming Control Act* (GCA) provides the legislative framework for gaming in the province, and the provincial government has sole jurisdiction for gaming and regulation of gaming in B.C. The Province delegates BCLC to conduct, manage and operate commercial gaming, with the exception of horse racing.
- All municipal governments have the same opportunity to participate in gaming based on BCLC's marketplace assessments.
- In November 2012, Grand Chief Joe Hall, as Chair of the Executive Steering Committee for the British Columbia First Nations Gaming Initiative, wrote Premier Clark advising of his unsuccessful and repeated attempts to engage government in a discussion regarding gaming revenue sharing. He described the group's intentions to set up a First Nations Gaming Commission to regulate First Nations gaming operations in BC. Independent First Nations gaming may take the form of an independently operated First Nation casino on reserve land, challenging the authority of BCLC's jurisdiction or a First Nation-owned gambling website such as operated by the White Bear First Nation in Saskatchewan (2012) and the Kahnawake of the Mohawk First Nation in Quebec (1998).

Decision Required: For Information Only

- The British Columbia First Nations Gaming Initiative may publicly point out their position that gaming revenue is not shared with First Nations and the Province has not historically fulfilled their duty to consult where gaming facilities have been re-located.



Update
to reflect
new
ministry

April 30, 2013

Ministry of Energy, Mines and Natural Gas
British Columbia Lottery Corporation
CROWN CORPORATION NOTE

Name:

- British Columbia Lottery Corporation (BCLC)

Mandate:

BCLC is a Crown Corporation with the authority and responsibility provided by the Province of British Columbia to, on its behalf, conduct, manage and operate lottery, casino, bingo and e-gaming in BC under the *Criminal Code of Canada* and the *Gaming Control Act* of BC (2002).

The Minister of Energy, Mines and Natural Gas is responsible for gaming; providing direction to BCLC on behalf of Government through a Board of Directors appointed by Government. BCLC operates its commercial gaming business in accordance with the legislative, regulatory and policy framework established by Government and is regulated by the Gaming Policy and Enforcement Branch (GPEB). GPEB is responsible for standards, registration, licensing, audit and compliance and enforcement, as well as BC's responsible gambling policy and strategy. BCLC complies with written directives from the Minister and the Assistant Deputy Minister/General Manager of GPEB.

BCLC's products are sold through contracted private-sector retailers and service providers. It has approximately 3,800 lottery locations, 17 casinos, 19 community gaming centres and 7 commercial bingo halls. Lottery, eCasino, ePoker and eBingo products are sold through the PlayNow.com e-gaming site directly to over 240,000 registered players in BC. BCLC also contracts with Manitoba Liquor and Gaming to provide PlayNow.com in Manitoba.

Lottery retailers earn an industry-standard commission rate. Eighteen private sector service providers at casino, community gaming and bingo facilities earn a percentage of sales revenue for providing gaming facilities and day-to-day operational services. BCLC owns all gaming equipment, including lottery and bingo terminals and slot machines.

The consolidated financial statements of BCLC include a wholly owned subsidiary, BC Lottotech International Inc., which has as its sole business the purchase of capital assets for BCLC. The financial statements, management and oversight of Lottotech is consolidated within BCLC operations. BCLC remits its entire net income to Government after minor distributions to the federal government.

The approvals are in place to set up a subsidiary for eGaming, however the legal structure is not yet set up.

BCLC has employees who work from offices in Kamloops and Vancouver, as well as field staff who work in gaming facilities and with lottery retailers and service providers in communities throughout the province. The Kamloops office is the primary location of information technology, finance and administration functions. Gaming operations, security, marketing and communications functions are primarily located in Vancouver. BCLC integrates responsible gaming and player security into the design and development of new games and services, markets and advertises games, manages the technology necessary to run the gaming business, and oversees contracted retailer and service provider operations to ensure gaming integrity, security, compliance and performance.

Financial Information (high level):

	2013/14	2014/15	2015/16
(\$ millions)	Current Forecast	Current Forecast	Current Forecast
Revenues			
Lottery	1,025	1,045	1,065
eGaming	100	114	126
Casino & Community Gaming	1,678	1,710	1,749
Total Revenues	2,803	2,869	2,940
Minus Prizes	645	657	665
Net Revenues	2,158	2,212	2,275
Expenses			
Lottery	170	173	177
eGaming	42	44	47
Casino & Community Gaming	774	793	814
Total Expenses	986	1,010	1,038
Net Income			
Lottery	277	283	289
eGaming	42	52	60
Casino & Community Gaming	853	867	888
Total Net Income	1,172	1,202	1,237
Capital Expenditures	120	110	110
Debt	173	202	225
Dividends	1,162	1,192	1,227

↑
Bottom line to go 4.

Issues:**60 Day**

- Paragon Gaming and PavCo have negotiated a Master Development Agreement for the relocation of Edgewater Casino to BC Place lands as approved by the City of Vancouver in April 2011. It is anticipated that negotiations will extend over the next 30 to 90 days. In the next 60 days, Edgewater Casino will re-negotiate its lease with the City of Vancouver.

90 Day

- BCLC has a proposal to relocate Vernon's Fairweather Bingo Hall to a site on Adams Lake Indian Band land near Salmon Arm and redevelop it into a community gaming centre (CGC). BCLC's marketplace assessment indicates there is demand for a community gaming centre in this area. Over the next 90 days, the Host Local Government, the Adams Lake Indian Band, will continue consulting with band members and neighbouring governments, as required by the Gaming Control Act.
- The Senate is currently discussing Bill C-290, a bill proposing amendments to the *Criminal Code* to allow for single event sports betting. There is no definitive timing for any decision on this bill, but it continues to be discussed in the senate. If the bill passes, BCLC would begin offering single event betting options.

Appointment Status:

The BCLC Board of Directors is at its full complement of nine members.



April 30, 2013

**Ministry of Energy, Mines and Natural Gas
British Columbia Lottery Corporation
ISSUE NOTE**

Issue:

- BCLC Corporate Governance

Background:

- Corporate governance refers to clearly defined processes with respect to the selection and composition of the Board and Senior Management and the division of responsibilities, decision making and accountability among the Board, Senior Management and our Shareholder to ensure BCLC's short- and long-term success is consistent with our mandate and mission.

- **Governance Framework**

As a Crown agent, BCLC complies with Government disclosure requirements for public accountability and transparency detailed in Best Practices Guidelines—BC Governance and Disclosure Guidelines for Governing Boards of Public Sector Organizations and the Board Resourcing and Development Office's Section 3. More at www.bclc.com/cm/aboutbclc/corporategovernance.htm

- The scope of our formal governance framework includes our:
 - Corporate mandate, vision and mission;
 - Principles and guidelines for our Board of Directors, Chairman, Standing Committees, President and Chief Executive Officer;
 - Processes for strategic and succession planning;
 - Procedures for Board performance evaluations; and
 - Government's Letter of Expectations outlining our commitment to deliver on performance expectations for the benefit of B.C.

- **Board of Directors**

Per the Gaming Control Act and appointed by the Lieutenant-Governor in Council, the BCLC Board comprises nine non-management members selected for expertise. Currently, there are seven men and two women on BCLC's Board. While BCLC's senior management attend all Board meetings, autonomy is maintained by in-camera sessions at the end of meetings. Employees are able to provide recommendations or direction to the BCLC Board by communication through BCLC's Executive.

The Board provides stewardship and ethical leadership for long-term success for the shareholder—the Government of B.C.—and ensures our governance framework aligns BCLC business practices with Crown principles.

- **Overall Board duties are:**

- Oversight of BCLC management responsible for day-to-day operations;
- Assisting management with business and service plans, priorities and capital and operational budgets;
- Policy guidance for human resources, compensation, stakeholder communications and risk management;
- Risk resolution strategies; and
- Evaluating annual financial results and performance versus objectives.

- **Board Members**

Chairman:

John McLernon, Vancouver: Presiding Director of leadership and performance, and liaison between the Board and the Minister responsible for BCLC.

Vice Chair:

Arthur Willms, Vancouver

Directors:

- Trudi Brown, Victoria
- David W. Gillespie, Kamloops
- Cindy Grauer, Vancouver
- Moray Keith, Delta
- D. Neil McDonnell, North Vancouver
- Michael Riley, Surrey
- Bud Smith, Kamloops

Per the Code of Conduct and Conflict of Interest Guidelines, Directors act with prudent skill and diligence in the best interests of BCLC.

- **Board Committees**

The Board assigns specific committees to fulfil responsibilities and Committee Chairs report performance and recommendations to the Board. The Chairman of the Board and BCLC's President & CEO are ex-officio members of all committees. Please see next page.

Board Committees

AUDIT COMMITTEE	<p>Liaises with auditors of BCLC financial operations; presents approved financial statements and quarterly reports to the Board; reviews financial information submitted to Government and the public; and oversees information systems, risk management and internal controls.</p> <p>CHAIR: Michael Riley</p> <p>MEMBERS: David W. Gillespie; Moray Keith; D. Neil McDonnell; Arthur Willms;</p>																						
GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY COMMITTEE	<p>Aligns governance focus to optimize overall performance; advances scope of corporate social responsibility; evaluates Board effectiveness; and plans succession for future Board composition.</p> <p>CHAIR: David W. Gillespie</p> <p>MEMBERS: Trudi Brown; Bud Smith; Moray Keith</p>																						
HUMAN RESOURCES AND COMPENSATION COMMITTEE	<p>Aligns strategies, practices and succession with future goals; evaluates performance and compensation of the President & CEO; reviews employee compensation, benefits, resource allocation and training to drive performance</p> <p>CHAIR: D. Neil McDonnell</p> <p>MEMBERS: Cindy Grauer; John McLernon; Bud Smith</p>																						
BCLC SENIOR MANAGEMENT AND EXECUTIVES	<table> <tr> <td>PRESIDENT & CEO:</td><td>Michael Graydon</td></tr> <tr> <td>VICE-PRESIDENTS:</td><td></td></tr> <tr> <td>Peter Charlton</td><td>Human Resources</td></tr> <tr> <td>Brad Desmarais</td><td>Corporate Security and Compliance</td></tr> <tr> <td>Susan Dolinski</td><td>Communications and Public Affairs</td></tr> <tr> <td>Rhonda Garvey</td><td>eGaming</td></tr> <tr> <td>Kevin Gass</td><td>Lottery Gaming</td></tr> <tr> <td>Lynette Hughes</td><td>Business Technology</td></tr> <tr> <td>Jim Lightbody</td><td>Casino and Community Gaming</td></tr> <tr> <td>Jervis Rodrigues</td><td>Finance and Corporate Services</td></tr> <tr> <td>Marsha Walden</td><td>Strategy, Transformation and Social Responsibility</td></tr> </table>	PRESIDENT & CEO:	Michael Graydon	VICE-PRESIDENTS:		Peter Charlton	Human Resources	Brad Desmarais	Corporate Security and Compliance	Susan Dolinski	Communications and Public Affairs	Rhonda Garvey	eGaming	Kevin Gass	Lottery Gaming	Lynette Hughes	Business Technology	Jim Lightbody	Casino and Community Gaming	Jervis Rodrigues	Finance and Corporate Services	Marsha Walden	Strategy, Transformation and Social Responsibility
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Marsha Walden	Strategy, Transformation and Social Responsibility																						
B.C. LOTTOTECH INTERNATIONAL INC. (Lottotech)	<p>This wholly owned subsidiary leases BCLC capital assets which are budgeted and approved by our Board of Directors and included in our financial statements. Lottotech Officers are BCLC's President & CEO and Vice-Presidents.</p>																						

Decision required:

- For information only. No decision required.



April 30, 2013

Ministry of Energy, Mines and Natural Gas
British Columbia Lottery Corporation

ISSUE NOTE

Issue:

- BCLC Projected Revenue and Net Income to Government

Background:

- BCLC expects to meet its 2012/13 budget and deliver \$1.128 billion in net income to government. It is projecting \$2.732 billion in revenue. Audited financial statements will be made available in the annual report, which will be made public in June 2013.
- In its latest Service Plan (2013/14-2015/16), BCLC is forecasting \$3.6 billion in net income to the province with an average annual increase of about three per cent over the next three years: from \$1.128 billion in 2012/13 to \$1.237 billion in 2015/16.
- Total expenditures, are expected to increase by \$91.5 million or 5.7 per cent over the three-year period. Total expenditures for Fiscal 2013/14 are projected at \$1.6 billion.
- Capital budgets, which are primarily driven by the acquisition of gambling equipment to support revenue generation and infrastructure investment, are forecast to remain comparable over the three year planning period.
- Income to government will be sustained through optimizing business operations, strategic cost management and providing gambling facilities and products that reflect player demand.

- Variable
? Direct
Hawkes
Lars
Brink
down

Financial Information (high level):

Projected net income by gaming channel, per latest Service Plan (2013/14-2015/16)

Casino and community gaming centres (CGC)

- Over the three-year planning period, casino and CGC net income before taxes is projected to increase by \$41.7 million, or 4.7 per cent. This growth will come from enhancing existing properties, creating more entertainment value for players, marketing efforts and the relocation and renovation of a few key properties.

Lottery

- Over the three-year planning period, lottery net income before taxes is expected to increase by \$15.9 million, or 5.5 per cent. Growth will come from the introduction of new products and product enhancements, upgrades to the "look and feel" of the lottery network, the build-out of Lotto Express and the revitalization of product offerings in the hospitality network.

eGaming

- Over the three-year planning period, eGaming net income before taxes will increase by \$28.8 million, or 82.3 per cent. Growth will come from the development of casino games on PlayNow.com, the introduction of multi-jurisdictional bingo, and new sports betting games. eGaming has also partnered with Manitoba Lotteries to provide them with an online gambling site for which BCLC receives a fee for the services provided.

(\$ millions)	2013/14 Current Forecast	2014/15 Current Forecast	2015/16 Current Forecast
Revenues			
Lottery	1,025	1,045	1,065
eGaming	100	114	126
Casino & Community Gaming	1,678	1,710	1,749
Total Revenues	2,803	2,869	2,940
Minus Prizes	645	657	665
Net Revenues	2,158	2,212	2,275
Expenses			
Lottery	170	173	177
eGaming	42	44	47
Casino & Community Gaming	774	793	814
Total Expenses	986	1,010	1,038
Net Income			
Lottery	277	283	289
eGaming	42	52	60
Casino & Community Gaming	853	867	888
Total Net Income	1,172	1,202	1,237
Capital Expenditures	120	110	110
Debt	173	202	225
Dividends	1,162	1,192	1,227

Decision required: For Information Only

- BCLC's finalized and audited net revenue, income and capital expenditure figures are expected to be reported to government by June 2013. They will also be publicly available with the release of the 2011/12 Annual Report, scheduled for late June.



April 30, 2013

**Ministry of Energy, Mines and Natural Gas
British Columbia Lottery Corporation**

ISSUE NOTE

Issue:

- Business Optimization

Background:

- BCLC has been successful at continuing to increase its net income over the last several years; however, the growth rate has been substantially less than earlier market build-out years.
- To develop a new strategy for growth and profitability, BCLC initiated a business optimization review in January 2012. The intent is to complete a comprehensive assessment of BCLC's existing business and operating models to identify major opportunities for improvement and/or validate existing models, with the ultimate goal of sustaining and growing revenue for government responsibly.
- The initial assessment has indicated there may be incremental revenue and cost saving opportunities in the range of \$300 million to be developed over BCLC's five-year planning horizon. BCLC is currently completing its due diligence review of these opportunities.
- BCLC has identified the following business optimization projects – all are currently in various stages of evaluation:

Multi-Channel Player

- BCLC has identified the opportunity to refresh its existing customer strategy and move towards best practices in enterprise customer management. This project will evaluate the gaps in BCLC's current customer strategy and determine how to move forward in order to optimize growth opportunities across its multiple channels.

Lottery, Casino/Community Gaming and eGaming Business Models

- **Lottery**
 - BCLC's lottery retail and technology model has remained essentially unchanged over the last 27 years. BCLC's retail technology is approaching its end of life, so before moving forward with replacement, BCLC is reviewing its model. As a first step, in October 2012, BCLC issued an RFP for a consulting firm to assess how we can transform our lottery business to keep pace with best practices, key consumer trends and changing demographics.

- Casino

- BCLC is reviewing its existing casino business model. The review includes an examination of roles and accountabilities and a definition of future capabilities and competencies required to run a successful entertainment business. This assessment will also help BCLC identify and prioritize opportunities for increasing revenue from existing and new sources in the short and medium term. To date, BCLC has held workshops with its service providers to gather their input on how we can drive additional value and revenue for both parties.

- eGaming

- In 2004, BCLC introduced PlayNow.com, which initially offered primarily traditional lottery products, but in 2010 was enhanced to include casino games. PlayNow.com competes directly with thousands of unregulated and illegal gambling websites.
- In April, 2012, the governments of B.C. and Manitoba signed a memorandum of understanding to introduce Internet gambling in Manitoba through the PlayNow.com platform. PlayNow.com in Manitoba launched in January 2013. Under this arrangement, BCLC provides the gambling platform and the required operational support and receiver compensation through a startup fee, an annual maintenance fee, and a share of revenue generated by Manitoba Liquor and Gaming Corporation. This initiative is entirely self-funding and will operate at a small profit.
- The Manitoba opportunity will help define the optimal business model and structure to best support the growth of the Business to Business (B2B) eGaming business, while driving maximum value for BCLC and the Province. If BCLC is successful in introducing this business model to other government gambling organizations, the return will be greater. The primary benefit to BCLC is an increased player base for poker games, an opportunity to recover development costs with participating government partners and a long-term opportunity to develop new sources of revenue beyond B.C. borders.
- BCLC operates this line of business through a wholly-owned subsidiary. The business rationale for the subsidiary is to optimize tax, segregate reporting, reduce risk, and achieve operational efficiencies.

Really should outpace done & profitable

But other now says

the legal structure is not setup yet -

Speed to Market

- One of BCLC's corporate goals is to grow net income and invest in the long-term health of our business by getting to market faster. In order to measure this goal, BCLC set the target to accelerate launches of major initiatives by 25 per cent over the next three fiscal years. This project is to develop an implementation roadmap in order to achieve this target – without sacrificing the quality of products/services delivered.

accelerate launch of new sites 25% -

↳ what strategies are in place to mitigate?

Business Intelligence and Analytics

- To sustain success, BCLC needs to have the capacity to determine, in almost real time, what is happening with consumers and the business – including what is driving revenue, predict what will happen next and understand what steps to take in order to optimize operations and plan for future growth. This project has identified the need to transform raw data into useful information that can help drive strategic initiatives and decision making.

So what research has been done.

Accelerating Transformation and Optimizing Operations

- Finance & Corporate Services
 - BCLC is transforming its Finance and Corporate Services to enable faster, stronger and more strategic support for BCLC operations. This includes developing a new organizational structure that streamlines functions and delivers greater value to the organization. The organizational structure has been determined and restructuring will begin over the next several months.
- Customer Support Centre
 - BCLC is evolving its Customer Support Centre to provide best-in-class support for our players. BCLC issued an RFP to identify a partner who will help with our growth and expansion to support new jurisdictions and BCLC operations. Negotiations continue with the successful Canadian vendor.
- Change Management
 - BCLC is implementing a change management framework that will help support the future changes that will be coming in the organization as a result of Business Optimization. The framework covers key areas such as project management, communications and human resources.

Business Technology

- BCLC is optimizing and modernizing its delivery of technology to become more nimble, robust and secure. BCLC's business is highly technology-dependent and consumer expectations are intensifying our business technology needs.

Decision required:

- For information only. No decision required.



Ministry of Energy, Mines and Natural Gas
British Columbia Lottery Corporation

April 30, 2013

ISSUE NOTE

Issue:

- The British Columbia Lottery Corporation (BCLC) Gaming Facility Market Overview, Relocations and Renovations

Background:

- BCLC regularly assesses the marketplace to identify existing gaming facilities that need to be upgraded or relocated to better meet market demand. These assessments consider the broad entertainment landscape in the province and/or specific regions or communities and are used by BCLC as a basis for any future gaming facility relocations and renovations.
- BCLC conducts and manages three types of gaming facilities: casinos, community gaming centres and commercial bingo halls. BCLC's primary strategies are to:
 - Develop casino properties sized to fit the market that provide outstanding gaming entertainment and other amenities;
 - Position gaming facilities as outstanding entertainment for adults in B.C.;
 - Counter the declining bingo trend by transforming appropriate bingo halls in key market locations into community gaming centres, and offering more gaming entertainment and food/beverage options in upgraded or new facilities.

Current Market Overview:

- **Vancouver:** In March 2013 Paragon Gaming and PavCo completed negotiations and signed a Master Development Agreement for the relocation of Edgewater Casino to BC Place lands as approved by the City of Vancouver in April 2011. Paragon is now developing project plans to prepare its Development Permit Application for the City of Vancouver.

North Vancouver: In 2007, BCLC authorized Playtime Community Gaming to explore the North Shore market for a potential location for a community gaming centre. Discussions were held with the Squamish First Nation regarding possible sites, but in December 2012 the Nation advised BCLC it could not pursue gaming facility plans at this time. Playtime is now looking for other suitable locations on the North Shore.

- **Surrey:** In 2012, BCLC and Gateway Casinos submitted plans for a full-service casino/hotel/conference centre to the City of Surrey. The South Surrey Entertainment Complex included a 60,000 square foot casino, 27,000 square foot convention centre, a show theatre, restaurants, lounges and a 4-star, 200 room hotel. Surrey City Council rejected the proposal on January 19, 2013. Plans to convert the Newton Bingo facility to a Chances community gaming centre – approved by Surrey City Council in 2009 – are proceeding.
- **Maple Ridge:** Construction is underway on the new Chances community gaming centre in Maple Ridge, which is targeted to open in fall 2013. The District of Maple Ridge approved the project in 2008. A temporary community gaming centre has been operating out of the former Haney Bingo Plex since October, 2010.
- **Salmon Arm:** BCLC has approved a proposal to relocate Vernon's Fairweather Bingo Hall to a site on Adams Lake Indian Band (ALIB) land near Salmon Arm and redevelop it into a community gaming centre (CGC). BCLC's marketplace assessment indicates there is demand for a community gaming centre in this area. The ALIB is currently holding community consultations with band members, as required by the Gaming Control Act.

Decision required: For Information Only

60 Day

- Paragon Gaming and PavCo have completed negotiations and have signed a Master Development Agreement for the relocation of Edgewater Casino to BC Place lands as approved by the City of Vancouver in April 2011. Over the next 60 days, Paragon will begin developing project plans to prepare its Development Permit application for the City of Vancouver. In the next 60 days, Edgewater Casino will re-negotiate its business permit with the City of Vancouver.

90 Day

- BCLC has a proposal to relocate Vernon's Fairweather Bingo Hall to a site on Adams Lake Indian Band land near Salmon Arm and redevelop it into a community gaming centre (CGC). Over the next 90 days, the Host Local Government, the Adams Lake Indian Band will conduct community consultations with band members, as required by the Gaming Control Act.



May 7, 2013

**Ministry of Energy, Mines and Natural Gas
British Columbia Lottery Corporation**

ISSUE NOTE

Issue:

- Edgewater Casino Relocation

Background:

- Vancouver's Edgewater Casino is required to re-locate as the lease on its temporary location at the Plaza of Nations will expire. While it was set to expire in February 2013, a lease extension has been negotiated until December 31, 2015. It is proposed that the Edgewater Casino will relocate from the Plaza of Nations to a site adjacent to BC Place Stadium.
- Edgewater Casino opened in 2005 and was the relocation of two table game only casinos. The Plaza of Nations location has always been temporary due to the City of Vancouver's community development plans.
- In 2009, the B. C. Pavilion Corporation (PavCo) conducted a competitive bid process to select a developer for the lands adjacent to BC Place. Paragon, the majority shareholder in Edgewater Casino ULC, was the successful proponent. Paragon proposed a development which included hotels, restaurants and a casino.
- In 2011, the City of Vancouver completed its requirements under the *Gaming Control Act* and gave its approval to BCLC for the relocation of Edgewater to BC Place lands. While the initial proposal was to expand the casino, the City limited the gaming that could be operated at the new site to the existing complement at Edgewater (600 slot machines and 75 table games).
- In March 2013, Paragon Gaming and PavCo completed negotiations and signed a Master Development Agreement for the relocation of Edgewater Casino to BC Place lands. Paragon is developing project plans to prepare its Development Permit Application for the City of Vancouver. This information will be communicated once final discussions take place.
- Edgewater casino provides significant net income to government – \$58.2M in 2011/12 (\$52.4M to the Province and \$5.8M in host local government [HLG] funding to the City of Vancouver). It is anticipated the redeveloped Edgewater Casino will open in January 2016, with a projected incremental increase of \$20-25M in income to government in the first full year of operation in 2016/17.

*approval
But no
expansion*

*How
solid
are these
projections?*

Development details

- In support of the casino redevelopment, Edgewater will be subject to an accelerated development commission.

*- what is an accelerated
development commission?
who runs this process
administers? what are
criteria to be eligible.*

- What funds by whom?*
- The funds will only be provided to Edgewater once construction has begun and construction costs in excess of the accrued funds have been incurred.
 - While this agreement will accelerate the recovery of eligible facility development costs incurred by Edgewater, it does not result in greater compensation over the term of the operational services agreement.
 - If BCLC is unable to accelerate access to facility development commissions, the Edgewater Casino relocation cannot proceed and government will be unable to achieve the future net gaming increase from the redevelopment of \$20 - \$25M annually. Additionally, if the relocation does not proceed, the existing revenue stream from Edgewater is at risk once the lease expires on December 31, 2015.

Service Provider Commission:

- The Service Provider Commission has been in place since 1997 and allows service providers of B.C. gaming centres and casinos to earn back a percentage of the revenues they generate to help fund improvements for their facility.
- This compensation structure is captured in the Casino Operational Services Agreement, which are typically 10 or 20 year contracts. It also defines the requirements for earning the three per cent facility development commission and two per cent accelerated facility development commission, an incremental commission to incent the timely development of the project.
- This is a highly effective business model – in B.C. over 56% of revenue generated by casino gambling is returned to the province compared to about 35% in Quebec, Ontario and Nova Scotia.

Decision required: For information only

- A prominent protest group, 'Vancouver not Vegas', opposes gaming expansion in the City of Vancouver and has made a petition to the BC Supreme Court for judicial review of the City of Vancouver's approval of the relocation of the Edgewater Casino. This strong, organized opposition is likely to cause further media and public scrutiny.



April 30, 2013

**Ministry of Energy, Mines and Natural Gas
British Columbia Lottery Corporation**

ISSUE NOTE

Issue:

- PlayNow.com

Background:

- The British Columbia Lottery Corporation (BCLC) launched PlayNow.com in 2004, becoming the second jurisdiction in Canada to offer online gambling. Atlantic Lottery Corporation was the first in 2004. Two other jurisdictions offer online gambling websites, Loto-Quebec (2010) and Manitoba Lotteries (2013).
- In 2010, BCLC added casino games, and in 2011 added peer-to-peer poker in partnership with Loto-Quebec. In 2012, BCLC added a new sports betting platform.
- PlayNow.com is an account-based website. Players must register in order to play, and the personal information they provide is verified by a third party to confirm identity, age and residency.
- PlayNow.com features comprehensive player protection safeguards, including:
 - The site is restricted to B.C. residents who are 19 years of age and older
 - Accounts require user names and are password protected
 - There is a player pre-set deposit limit with a 24-hour restriction on increase requests
 - All information is secure and transactions are monitored
 - Players can clearly see how long they've played and how much they've wagered
 - Players can view their purchase history (tickets purchased and amounts spent)
 - Information is posted on the odds of winning for every game
 - Each time players log on, a "geo-location" check verifies they are in B.C. (players are required to be in the province to purchase from PlayNow.com)
 - Easy access to the voluntary self-exclusion program
 - Player privacy: Meets or exceeds all statutory requirements
- All lottery and casino games, gaming equipment and vendors used for PlayNow.com are certified and/or approved by the Gaming Policy and Enforcement Branch (GPEB). GPEB conducts regular audits to ensure gaming is conducted in compliance with gaming legislation, directives, public interest standards, policies and procedures.

How do you make sure they are 19? How does this work?

- In April, 2012, B.C. and Manitoba signed a memorandum of understanding to introduce Internet gambling in Manitoba through the PlayNow.com platform. PlayNow.com in Manitoba launched in January, 2013. This initiative is entirely self-funding and will operate at a small profit.
- This opportunity will help define the optimal business model and structure to best support the growth of eGaming. The primary benefit to BCLC is an increased player base for poker games and an opportunity to recover development costs with participating government partners.
- PlayNow.com in Manitoba has the same comprehensive player protection safeguards in place as in B.C.
- BCLC's current service plan indicates PlayNow.com's net income before taxes will increase by \$28.8 million, or 82.3 per cent, by 2015/16. Growth will come from the continuing operationalization of the casino/poker portfolios, the introduction of multi-jurisdictional bingo, new sports betting games and website optimization for all internet platforms.

Decision required: For Information Only 90 Day Issue

- To keep pace with technology standards and user expectations, BCLC is making enhancements to the PlayNow.com interface to optimize the website for devices like tablets and smartphones.
- BCLC is also exploring opportunities to provide PlayNow.com to other jurisdictions in Canada.



April 30, 2013

**Ministry of Energy, Mines and Natural Gas
British Columbia Lottery Corporation**

ISSUE NOTE

Issue:

- Voluntary Self-Exclusion (VSE) Program and Lawsuits

Background:

- VSE is a voluntary program, a personal commitment and one tool that may assist people to control their gambling.
- Individuals choose a period between six months and three years to self-exclude from gambling facilities or PlayNow.com. A family member or friend cannot enroll an individual in VSE.
- Enrolment cannot be revoked. BCLC will remove participants from related marketing mailing lists during the VSE period. In addition, individuals who self-exclude from gambling facilities become ineligible for a PlayNow.com account. If they have a PlayNow.com account, it is suspended for the duration of their self-exclusion.
- Gaming staff and security at gambling facilities receive mandatory training every two years to assist patrons who may display signs of distress. As appropriate, patrons are provided relevant information and/or VSE enrolment.
- BCLC has offered the VSE program since 1999 and all Canadian jurisdictions offer self-exclusion programs.
- At enrolment, individuals are asked if they would like a facilitated referral to a problem gambling counselor, which Government provides free of charge throughout the province through GPEB's Responsible and Problem Gambling program.
- BCLC takes a number of steps to help monitor for self-excluded people including license plate recognition and visual monitoring by trained security and surveillance staff. BCLC provides training to service provider staff and audits service provider compliance with standards, policies and procedures relating to the operation of the VSE program.
- In 2012/13 BCLC installed ID scanners in all casinos and gaming centres to aid in the detection of minors. Service providers are expected to ask for ID from anyone who appears under 25. ID is scanned to verify age and then cross checked with BCLC's security database to determine whether the individual is enrolled in VSE.
- As an additional deterrent, since April 1, 2009, VSE individuals are ineligible for jackpot prizes.

VSE Statistics Overview:

	FY 2012/13	FY 2011/12	FY 2010/11	FY 2009/10	FY 2008/09
VSE New Enrolments	5423	5445	5,277	5,038	4,497
Reported Violations	8501	7567	7,637	8,007	8,164

Fiscal Year 2012/2013	Q1	Q2	Q3	Q4	FY Total
Date Range	Apr 1 – June 30, 2012	July 1 – Sept 30, 2012	Oct 1 – Dec 31, 2012	Jan 1 – Mar 31, 2013	FY 2012-2013
Individuals enrolled via casinos/CGCs/bingo halls*	6614	6590	6526	6606	*
Individuals enrolled via PlayNow.com*	1472	1465	1499	1625	*
Total number of individuals actively enrolled*	8086	8055	8025	8231	*
Total number of new enrolments†	1359	1281	1323	1460	5423
➤ Enrolled at Casino/CGC/Bingo	1020	989	990	1097	4096
➤ Enrolled at PlayNow.com	339	292	333	363	1327
Total Reported VSE violations**	1812	2029	2364	2296	8501
➤ VSE violations identified by License Plate Recognition	432	401	566	431	1830
➤ VSE violations identified by ineligible wins∞	18	26	15	13	72
➤ VSE violations identified by ID scanners***	n/a	n/a	137	363	500

* Represents a snapshot of the number of individuals who are actively enrolled as of the last day of each Quarter.

† Represents the total number of new enrolments in the VSE programs each Quarter and includes numbers in rows 5 and 6.

** This is the grand total of VSE violations and includes numbers in rows 8 and 9.

*** Number of VSE individuals detected using identification (ID) scanners. ID scanners were introduced at the entrances of all gambling facilities across B.C. in December 2012 to aid in the detection of minors, as well as help detect those who should not be in B.C. casinos and community gaming centres.

∞ As per BCLC's rules and regulations, VSE individuals are not eligible to receive a Jackpot prize in a gaming facility and may be identified as violating their VSE commitment when they attempt to claim the prize:

<http://corporate.bclc.com/resources/documents/corporate/what-we-do/rules-regulations/General/RulesandRegulationsVSE.pdf>

Legal Action Summary

- There are currently six lawsuits against BCLC and its service providers regarding the VSE program: one case, a class action, relates to players who were disintitled to jackpot prizes due to their VSE status and five cases relate to VSE players who allege BCLC and its service providers were negligent in operating the VSE program.

- BCLC maintains that the program meets or exceeds statutory requirements and relevant industry practice and that it has complied with the Responsible Gambling Standards set out by GPEB. BCLC asserts that the VSE program is managed competently.

Class Action re: prize disentanglement:

- Beginning May 5, 2014, five days have been set aside for a BC Supreme Court trial into the common issues in the class action lawsuit against BCLC regarding BCLC's VSE jackpot disentanglement rule and the amendment to the Gaming Control Act in July 2010.
- Hamidreza Haghdust and Michael Lee are the representative claimants for the class action lawsuit, certified by BC Supreme Court in January 2013. The class membership is confined to VSE enrollees who were disentitled from claiming a jackpot prize. Claimants are seeking the equivalent to the prizes to which they were disentitled.
- Haghdust is a VSE participant and alleges that since November 2007 he routinely entered gambling facilities and gambled and on just one occasion was asked to leave. BCLC records indicate he was identified and escorted out of gambling facilities 18 times. He was disentitled to two jackpots totalling \$35,028. Lee was disentitled to \$42,484 and had been previously identified and escorted out of a gambling facility.

Cases claiming BCLC negligence in operating VSE:

- Joyce Ross sued BCLC, Gateway Casinos and Orangeville Raceway, an affiliate of Great Canada (Fraser Downs), for restitution of \$78,000 in gambling losses. She alleged that BCLC and the defendant service providers were negligent in operating the VSE program, and alleges she gained access to casino gambling several times as a VSE enrollee.
- The case was heard in BC Supreme Court in October 2012. Judgement is reserved and a decision could be delivered at any time.
- Four other VSE participants, Carol Barton, James Stanworth, Michelle Fels and Maria Martin, commenced similar lawsuits against BCLC and various gaming service providers. BCLC anticipates that these will be case-managed and heard together. No dates are set.

Decision required:

- For information only. No decision required.



April 30, 2013

Ministry of Energy, Mines and Natural Gas
British Columbia Lottery Corporation

ISSUE NOTE

Issue:

- **Single-event sports betting: Bill C-290 – An Act to Amend the Criminal Code (Sports Betting).**

Background:

- On September 28, 2011, the NDP MP for Windsor, Ontario, Joe Comartin, re-introduced his private member's bill (titled Bill C-290) amending the Criminal Code by eliminating s. 207 (4)(b), which makes wagering on a single sports event illegal.
- Bill C-290 is currently at Third Reading in the Senate. It is on the Order Paper and could be voted on at any time.
- **Currently, it's illegal for Canadian jurisdictions to offer single-event sports betting; sports bets must be parlayed, meaning players must wager on a minimum of two different events. The player wins if both events are correct. This leads to the vast majority of sports betting in Canada being done through unlicensed, unregulated offshore websites.** *- why?*
- **Passing of the bill would make single-event sports betting legal in Canada, which would help take that money away from illegal, offshore gaming sites and book makers and keep the funds in the province to benefit British Columbians.**
- This would be an important enhancement for regulated sports betting in Canada, and would allow BCLC to compete with offshore sites. This is something players want, and BCLC would be able to offer it through a safe, secure site were the proceeds are kept in B.C.
- **B.C. has supported a change in legislation for several years. In April 2010, Minister Coleman, wrote a letter to the Minister of Justice and Attorney General of Canada, Rob Nicholson, urging him to consider amendments to the Code.** *←*
- Minister Coleman was invited to appear before the Committee hearing on Bill C-290. He was unable to attend and requested the Gaming Policy and Enforcement Branch provide a written submission. GPEB provided a formal written submission in November 2012.
- Minister Coleman provided additional information on single event sports betting in April 2013 at Senator Runciman's request. Senator Runciman is the Senate sponsor of Bill C-290.
- To date, all Canadian gaming jurisdictions have indicated their support for Bill C-290 although some jurisdictions may choose not to offer single event betting should it become legal.

- The NHL and Major League Baseball appeared before the Senate Standing Committee on Legal and Constitutional Affairs and spoke against Bill C-290, arguing that the amendment would create match fixing in sports.
- BCLC proactively sought support for the Bill from partners, stakeholders and the public by:
 - Seeking media interview opportunities and submitting opinion editorials to educate and communicate to public via sports and news talk shows
 - Providing a written submission to the Senate in October 2012 in support of C-290, and encouraging partners and service providers to show support through letters to Senators
 - BCLC's CEO contacting B.C. Senators to educate and provide BCLC's rationale for support
 - Engaging PlayNow.com players and sports bettors to speak out in support through:
 - Email to PlayNow Sports database to have players vocalize their support
 - Social media – with link to supportive material online
 - Encouraged players to sign an online petition.
- If the Bill passes and BCLC adds single event betting to its offerings, BCLC estimates it could generate an additional \$136 million in gross revenue over five years, which would translate into an additional \$30 million in net income to government over five years.

Decision required: For Information Only

- There is no estimated date for when Senate will vote on the Bill.

This is EXHIBIT "25" referred to in the
affidavit of DOUGLAS SCOTT affirmed
before me at Victoria, British Columbia,
this 30 day of February, 2021.



[Signature]
A Commissioner for taking affidavits for British Columbia

April 10, 2013

ISSUE NOTE

Issue: Anti-Money Laundering Strategy

Background:

- In 2011, the Gaming Policy and Enforcement Branch established anti-money laundering as a Branch strategic priority. It formed a cross-divisional working group and a committee, which included industry, with the mandate to develop and implement stronger anti-money laundering solutions within BC's gaming industry.
- The first component of the strategy is to shift BC's gaming industry away from its reliance on cash brought in from outside gaming facilities. Working with the British Columbia Lottery Corporation (BCLC) and gaming services providers, the Branch has implemented options that allow patrons to access funds from within a gaming facility and directly from their banking institutions.
- The options include:
 - Providing currently available Patron Gaming Fund accounts through even more financial institutions or through certified cheques, bank drafts, verified-win cheques and cheques issued by Canadian casinos;
 - Offering debit withdrawals at the casino cash cage;
 - Automatic teller machines inside gaming facilities; and
 - Providing a "cheque hold" system for high volume players.
- One measure under development is direct internet transfers from banking institutions to casino service operators.
- In addition to these measures, in 2012 the Branch introduced the Customer Convenience Cheque program. Provided when a player cashes out, the cheque is a safe alternative to cash and may total up to \$8,000 per week. The customer's information is recorded when these cheques are issued, and the transactions are monitored for compliance with strict anti-money-laundering policies and procedures.
- Money laundering is an area the Branch continues to focus on. The Branch has completed a detailed review of the efficacy of actions to date and has set a course for 2013/14. Including enhanced "know your customer" practices and direct contact with high-value players who continue to use cash deposits.



April 10, 2013

Decision required:

- 90 Day Issue: For Information Only

This is EXHIBIT "26" referred to in the affidavit of DOUGLAS SCOTT affirmed before me at Victoria, British Columbia, this 2nd day of February, 2021.


A Commissioner for taking affidavits for British Columbia



April 30, 2013

**Ministry of Energy, Mines and Natural Gas
Gaming Policy and Enforcement Branch**

ISSUE NOTE

Issue:

- Anti-Money Laundering

Background:

- The Ministry remains committed to managing gaming activities to protect the public interest and ensure public safety. It is working with the gaming industry to prevent criminal attempts to legitimize illegal proceeds of crime in gaming facilities in the province.
- BCLC has a comprehensive anti-money laundering program in place and is committed to continuous improvement and cooperation with GPEB and other stakeholders.
- All organizations that manage large volumes of money, including banks, could be targeted by criminals. All gaming industry stakeholders including BCLC, service providers and GPEB remain vigilant to these attempts and, in co-operation with the RCMP and local police, continue to report and deter these activities.
- Facility-based gaming generated \$1.6 billion in gross revenue (net win) in FY 12/13. It remains primarily a cash-based business in B.C.; however, GPEB and BCLC have taken significant measures to reduce this reliance on cash.
- In 2011, the Province commissioned a review to examine current anti-money laundering practices in B.C. gaming facilities. The review intended to determine what anti-money laundering policies, practices and strategies are in place at B.C.'s gaming facilities and identified opportunities to strengthen the existing anti-money laundering regime.
- The review found that BCLC and its operators, with oversight and guidance from GPEB, employ standard and appropriate anti-money laundering strategies. Notwithstanding these measures, the review made recommendations to both BCLC and GPEB for opportunities to further strengthen anti-money laundering efforts.
- Both GPEB and BCLC, in cooperation with gaming service providers, have developed and implemented new measures that address the recommendations of the report, with a focus on moving the industry away from a reliance on cash.
- Examples of initiatives include:
 - Greater convenience in setting up Patron Gaming Fund (PGF) Accounts for players
 - Expanded buy-in options (such as use of a debit card) to provide alternatives to cash buy-ins
 - Revised policies and procedures for issuance of casino cheques

- A number of policy changes have been made, such as providing more common electronic deposit options and allowing players to transfer verified wins or the amount of their original buy-in back to into their bank account. Cash-free buy-in options are now available for large value transactions, which provide an added convenience for players while aligning with anti-money laundering best practices.
- These changes help to encourage the use of cash-free alternatives for large value transactions while deterring criminal activities and enhancing player security.
- The Ministry's 2013/14 – 2015/16 Service Plan has a performance measure intended to further shift the industry from cash transactions to electronic methods for funds access within casinos.
- In the upcoming year, BCLC will be analysing the factors that contribute to high currency levels at certain gaming facilities and will be exploring opportunities to incent players to use alternatives to cash.
- There is ongoing dialogue with the police of jurisdiction and the Provincial and Federal RCMP in order to ensure those agencies better understand the gaming business, where the risks lie as well as keeping them abreast of plans to deter and detect any criminal conduct associated to gaming in the province.

FINTRAC penalty:

- On June 15, 2010, BCLC received a notice of violation from FINTRAC advising \$695,750 in Administrative Monetary Penalties (AMPs) would be levied against the corporation for 1,185 violations of the Proceeds of Crime (Money Laundering) and Terrorist Financing Act. The administrative penalty included violations related to delays in filing reports and clerical errors.
- On October 29, 2010, BCLC filed an appeal of the penalty levied by FINTRAC in the Toronto registry of the Federal Court on a number of grounds.
- In September 2011, the Department of Justice, acting on behalf of FINTRAC, provided BCLC with a disclosure package and determined that 152 of the alleged violations were not violations and reduced the administrative monetary penalty by \$76,060.
- No date has been set for the hearing.

Decision required: For Information Only

- For information only. No decision required.

Gaming Policy and Enforcement Branch

Transition Notes
Fiscal Year 2013/14



Ministry
of Finance

This is EXHIBIT "27" referred to in the affidavit of DOUGLAS SCOTT affirmed before me at Victoria, British Columbia, this 3rd day of February, 2021.


A Commissioner for taking affidavits for British Columbia

Trusted financial and economic leadership for a prosperous province

Ministry of Finance
Gaming Policy and Enforcement Branch (GPEB)
Transition Materials -- June 13, 2013

Table of Contents

- Gaming in BC Overview
- Separation of Responsibilities under the Gaming Control Act
- GPEB Budget and Structure
- Responsible Gambling Program
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- Anti-Money Laundering
- First Nations Involvement

Gaming in British Columbia – An Overview

Ministry of Finance
Gaming Policy and Enforcement Branch (GPEB)
Transition Materials – June 13, 2013

- BC's commercial gaming is a \$2.7-billion industry which employs over 10,000 people
- A net income of approximately \$1.128 billion in 2012/13 benefitted people and communities across BC

Gaming in British Columbia – An Overview

Ministry of Finance
Gaming Policy and Enforcement Branch (GPEB)
Transition Materials -- June 13, 2013

Gaming Facilities Summary as at June 13, 2013.

Gaming Facility Type	Number	Slot Machines ^A	Table Games
Traditional Casinos ^B	15	8,647	446
Casinos at Horse Race Tracks ^C	2	1,065	22
Horse Race Tracks	5	0	0
Community Gaming Centres	19	2,484	0
Commercial Bingo Halls	7	0	0
Teletheatres	23	0	0
Totals	71	12,196	468

^A Includes Electronic Table Games

^B Includes one Casino with Commercial bingo gaming

^C Hastings Park and Fraser Downs are combination race tracks and casinos

Gaming in British Columbia – An Overview

Ministry of Finance
Gaming Policy and Enforcement Branch (GPEB)
Transition Materials – June 13, 2013

Lottery products (as at April 15, 2013)

- There are 3,731 retailers, including 916 in the hospitality network (bars and pubs)
- Lotto! Express is offered at 100 Overwaitea Food Group locations across B.C. and will soon be expanding to liquor stores

Gaming in British Columbia – An Overview

Ministry of Finance
Gaming Policy and Enforcement Branch (GPEB)
Transition Materials – June 13, 2013

PlayNow.com

- PlayNow.com offers national and provincial lottery games, online casino games, and peer-to-peer poker games
- BCLC partners with MB to host internet gaming via the PlayNow.com platform
- PlayNow.com has approximately 250,000 players registered
- PlayNow.com players must register, and a third party confirms identity, age and residency
- Safeguards include
 - Spending limit: Players can set their own weekly transfer-in limit, up to \$9,999
 - Session log: Time and amount spent is visible on each web page
 - Purchase history: Tickets purchased and amount spent for the past 52 weeks
 - Regular compliance audits conducted by GPEB

Gaming in British Columbia – An Overview

Ministry of Finance
Gaming Policy and Enforcement Branch (GPEB)
Transition Materials – June 13, 2013

Race tracks and teletheatres

- Up to seven horse race tracks permitted (two major tracks and three seasonal tracks currently in operation)
- Fraser Downs and Hastings racecourses have casinos co-located with them, featuring slot machines and table games
- Up to 40 teletheatres permitted (23 sites currently operating: 11 at hotels/pubs, 10 at casinos or community gaming centres and two at horse race tracks)
- Teletheatres offer simulcast broadcasts of races run at local, national and international tracks

Licencing

- In 2011/12, GPEB issued almost 9,900 licenses to eligible community organizations to conduct and manage gaming events
- Community organizations raised an estimated \$33.4 million in 2011/12 to support their programs

Ministry of Finance

Gaming Policy and Enforcement Branch (GPEB)

Transition Materials – June 13, 2013

Separation of Responsibilities and Authorities (*Gaming Control Act*)

- The *Gaming Control Act* provides for integrity of gambling in British Columbia
- There are three separate roles under the Act
 - Minister
 - General Manager of the Gaming Policy and Enforcement Branch (GPEB)
 - British Columbia Lottery Corporation (BCLC)
- The Minister provides oversight and guidance, leaving specific decision making to BCLC and regulation of the gaming industry, including BCLC, to GPEB
- BCLC is responsible for conducting, managing or presenting gaming
- These accountabilities and responsibilities ensure appropriate segregation of duties necessary to maintain the integrity of the industry

Ministry of Finance

Gaming Policy and Enforcement Branch (GPEB)

Transition Materials – June 13, 2013

Separation of Responsibilities and Authorities *(Gaming Control Act)***General Manager (GPEB)**

- The General Manager must develop, manage and maintain the government's gaming policy and provide regulatory oversight of the gaming industry, including BCLC, service providers and charity organizations engaged in gaming
- GPEB is responsible for:
 - Developing and maintaining a strong and comprehensive policy and regulatory framework for gaming in BC
 - Establishing industry-wide public interest standards, and managing both responsible gambling initiatives and problem gambling treatment programs
 - Regulating the horse racing industry
 - Conducting financial and personal background checks on all gaming services providers and gaming workers
 - Approving and certifying all gaming equipment used in the province
 - Issuing licenses and grants
 - Conducting audits of commercial gaming, licensed gaming events and community organizations' use of gaming proceeds
 - Investigating all complaints and allegations of regulatory wrongdoing and assists law enforcement agencies in criminal investigations in gaming in the province

GPEB Budget and FTEs

Ministry of Finance
Gaming Policy and Enforcement Branch (GPEB)
 Transition Materials -- June 13, 2013

- GPEB's core operating budget for 2013/14, is set at \$19.586 million, an increase of \$1.442 million over 2012/13¹
- A small balance in capital funding will be spent on upgrading GPEB's computer database in 2013/14

Reference

¹This increase is the result of a \$1.5M budget lift for the Responsible and Problem Gambling Program less \$58K, which was GPEB's portion of a ministry-wide budget reduction in EMNG.

²This amount previously was calculated to be \$0.122. It has been adjusted to include write-offs and non-IT assets and is now correctly stated as \$0.216.

³The budget reflects the amount of capital funding transferred from the Ministry of Justice (JAG) to EMNG.

⁴The remainder of the capital budget will be spent in 2013/14.

GPEB Budget and Expenditures (\$ millions), and FTE Staffing

Budget	2011/12 (actual)	2012/13 (actual)	2013/14 (budget)
Branch Core Operations	13.907	13.638	13.580
Responsible Gambling Strategy	4.453	4.506	6.006
Total Branch Operating Budget	18.360	18.144	19.586
Capital Budget	0.885	0.687 ³	0.021 ⁴
Expenditures			
Branch Core Operations	13.249	12.309	-
Responsible Gambling Strategy	5.595	5.469	-
Total Operating Expenditures	18.844	17.778	-
Capital Expenditures	0.216 ²	0.666	-
Variance – surplus/(deficit)			
Operating Costs	(0.484)	0.366	-
Capital Costs	0.669	.021	-
Staff			
Total Branch FTEs	156	156	10 156

Responsible Gambling Programs

Ministry of Finance
Gaming Policy and Enforcement Branch (GPEB)
Transition Materials – June 13, 2013

- The government of BC and BCLC ensure that gaming in BC is conducted with integrity and that gaming events and products are offered in a socially responsible manner
- GPEB's budget for the RPG program for 2013/14 is \$6.0 million
- The strategy has three goals and supporting objectives
 - Goal 1 – Create public awareness of risks associated with gambling
 - Goal 2 – Deliver gambling in a way that encourages responsible gambling and informed choice
 - Goal 3 – Provide treatment and support to those affected by problem gambling
- Government has publicly committed to counselling services for gambling being available to everyone who needs them, without waitlists

Responsible Gambling Programs

Ministry of Finance
Gaming Policy and Enforcement Branch (GPEB)
Transition Materials -- June 13, 2013

- The Responsible Gambling Strategy offers the following initiatives
 - A 24 hour helpline is available for those in need, at 1-888-795-6111
 - Advertising and Responsible Gambling Standards for the BC gaming industry
 - GameSense Advisors providing responsible gambling information and services to patrons at all casinos and some community gaming centres
 - Responsible and problem gambling awareness education for all ages
 - The GamIQ, an iPad-based education program, designed specifically for college and university students. In 2012, a second version of this program was made available to high schools
 - Clinical counsellors located throughout the province offer support services for individuals, couples, families and groups
 - Telephone and outreach services serve people in remote communities
 - An intensive out-patient treatment program (Discovery Program) in the Lower Mainland and on Vancouver Island
 - Culturally relevant resources, programming and treatment are developed and delivered by specialized service providers
 - A BC Responsible and Problem Gambling Program website for British Columbians seeking information about the program and its services

Responsible Gambling Programs

Ministry of Finance
Gaming Policy and Enforcement Branch (GPEB)
Transition Materials – June 13, 2013

The Centre for Gambling Research at UBC

- Government and BCLC have committed \$2 million over five years to support the establishment of the Centre for Gambling Research at the University of British Columbia (UBC)
- UBC will receive \$1 million in the first year and \$250,000 in each of the subsequent years. This funding is from forfeited prize winnings under the Voluntary Self Exclusion program (VSE individuals are ineligible for jackpot prizes)
- The centre will conduct research on the social and behavioral aspects of gambling, to inform and advance responsible and problem gambling prevention policy and programming in BC, as well as in other regions of Canada and internationally
- UBC will use the funding to cover operational expenses for the centre, infrastructure and research centre staff
- UBC is hiring a director to lead the centre, which is expected to be operational in fall, 2013

Horse Racing

Ministry of Finance
Gaming Policy and Enforcement Branch (GPEB)
Transition Materials – June 13, 2013

- British Columbia's horse racing industry contributes \$350 million¹ to the province's economy and provides more than 7,400 people with approximately 3,600 full-time equivalent jobs
- Horse racing in BC is regulated under the Gaming Control Act. GPEB develops fair and appropriate rules and policy
- Those who work in or provide services to the horse racing industry must be registered with and licensed by GPEB
- There are two commercial horse race tracks (Hastings Racecourse, in Vancouver, and Fraser Downs Racetrack, in Surrey) and three community event tracks (in Vernon, Princeton and Osoyoos)
 - All are thoroughbred tracks except Fraser Downs, which is standardbred
 - The two commercial tracks have casinos co-located in them – Fraser Downs features slot machines and table games, and Hastings features slot machines only

¹ Dollar amount estimated in 2008, the most recent estimate available.

Horse Racing

Ministry of Finance
Gaming Policy and Enforcement Branch (GPEB)
Transition Materials – June 13, 2013

- Twenty-three teletheatres in BC present simulcast satellite broadcasts of horse races run at local, national, and international tracks
- Teletheatre BC operates 21 teletheatres, and the Great Canadian Gaming Corporation operates the teletheatre at each of Fraser Downs and Hastings
- In recent years, wagering at race tracks and teletheatres in BC has ranged from \$160 million to \$180 million annually
- The BC industry is heavily dependent on simulcast revenues. Income from simulcast wagering accounts for more than 92 per cent of the money used to support horse racing in the province; only eight per cent is the result of live racing

Horse Racing

Ministry of Finance
Gaming Policy and Enforcement Branch (GPEB)
Transition Materials – June 13, 2013

Industry Revitalization

- Horse racing revenues have declined. To stabilize and revitalize racing in BC, the Province created the BC Horse Racing Industry Management Committee
- The committee provides strategic direction, decision-making and business leadership to guide the industry's effort to become financially stable and sustainable
- The committee has implemented a number of changes; the introduction of a marketing fund in 2011 has resulted in increased attendance and wagering at live racing event
- The committee is focused on creating a sustainable and transparent business model that benefits the entire industry. Areas targeted for improvement are:
 - governance
 - cost efficiencies in operations
 - new revenue initiatives and improving player interest and participation in BC horse racing and wagering
- A draft report was released to the industry in May 2013 and consultation is currently underway in advance of the final report
- Going forward, the Province's financial support is estimated at \$10 million

Gaming Grants

Ministry of Finance
Gaming Policy and Enforcement Branch (GPEB)
Transition Materials – June 13, 2013

- In 2012/13, the Gaming Policy and Enforcement Branch (GPEB) distributed \$135 million to approximately 5,300 non-profit organizations. Funds were distributed to six sectors: human and social services, public safety, art and culture, sport, environment, and Parent Advisory Councils (PACs) and District Parent Advisory Councils (DPACs)
- The Gaming Grant Program is administered by the Ministry of Finance (FIN) and the Ministry of Community, Sport and Cultural Development (CSCD)
- Decisions regarding eligibility and grant approval are the responsibility of CSCD and have been since April 2011. CSCD receives the budget allocation for the grants
- GPEB is responsible for the administration of the program, including financial oversight, audit, IT services, and corporate support. Grants staff and administration remain with GPEB

Gaming Grants

Ministry of Finance
Gaming Policy and Enforcement Branch (GPEB)
Transition Materials – June 13, 2013

- Amendments to the Gaming Control Act and regulation were introduced in April 2012 to enact the shared responsibility. GPEB has legislated authority to distribute the grants based on a set of criteria. CSCD and GPEB cooperate throughout the grant eligibility process
- A public review of the community gaming grant program examined the role of government in allocating gaming revenue to BC communities. Input was sought and received from charities, community members, industry representatives and local government. The final report, with recommendations, was provided to government on Oct. 31, 2011
- On January 11, 2012, Premier Christy Clark announced that the Province had increased gaming grants by \$15 million to a total of \$135 million, beginning in the 2011/12 fiscal year. At the same time, funding was reinstated for eligible adult arts and sports organizations, environmental groups and animal welfare agencies

Revenue Sharing with Host Local Governments

Ministry of Finance
Gaming Policy and Enforcement Branch (GPEB)
Transition Materials – June 13, 2013

- In 2013/14, an estimated \$82.9 million in gaming revenue will be distributed to local governments hosting casinos and/or community gaming centres
- By the end of 2013/14, local governments that host gaming facilities will have received an estimated \$940.2 million in gaming funds since 1999
- 31 communities host a total of 17 casinos and 19 community gaming centres
- Since July 1999, the Province has provided a share of gaming revenue to local governments that host gaming facilities (casinos and/or community gaming centres) in their jurisdictions
- Host local governments can use the revenue for any purpose that benefits the local community. They are required to report annually to the Province on the expenditure of these funds

Revenue Sharing with Host Local Governments

Ministry of Finance
Gaming Policy and Enforcement Branch (GPEB)
Transition Materials – June 13, 2013

- Revenue sharing is set out in signed contracts between the Province and host local governments. Under these contracts, there are two revenue sharing models
 - Community casino model: host local governments receive 10 per cent of the net casino gaming revenue from community casinos and/or community gaming centres within their jurisdiction
 - Destination casino model: host local governments receive one-sixth of net casino gaming revenue from destination casinos within their jurisdiction

Anti-Money Laundering

Ministry of Finance
Gaming Policy and Enforcement Branch (GPEB)
Transition Materials – June 13, 2013

- Facility-based gaming generated \$1.6 billion in gross revenue (net win) in FY 12/13. It remains primarily a cash-based business in BC; however, GPEB and BCLC have taken significant measures to reduce this reliance on cash
- In 2011, the Province commissioned a review to examine current anti-money laundering practices in BC gaming facilities. The review determined what anti-money laundering policies, practices and strategies are in place at BC gaming facilities, and identified opportunities to strengthen the existing anti-money laundering regime

Anti-Money Laundering

Ministry of Finance
Gaming Policy and Enforcement Branch (GPEB)
Transition Materials – June 13, 2013

- GPEB and BCLC, in cooperation with gaming service providers, have set a new AML strategy and implemented new measures addressing the recommendations of the review. There is a focus on moving the industry away from a reliance on cash
- GPEB completed a performance progress report on May 29, 2013, which set out the next steps in the strategy
- The Ministry's 2013/14 – 2015/16 Service Plan has a performance measure intended to further shift the industry from cash transactions to electronic methods for funds access within casinos

First Nations and Gaming in British Columbia

Ministry of Finance
Gaming Policy and Enforcement Branch (GPEB)
Transition Materials – June 13, 2013

Background

- Sharing gaming revenue is a key issue for First Nations. Various First Nations leaders have written to the Premier with their concerns
 - First Nations desire for a direct share in gaming revenue
 - Province's duty to consult with First Nations where gaming facilities are re-located on land that may infringe upon Aboriginal title and rights
 - Authority for gaming on First Nations lands

First Nations Revenue

- Host local governments (HLG) receive 10 percent of the net revenues from the casino or gaming community centre they host. Three First Nations host gaming facilities on their land (Ktunaxa, Cowichan, Squamish), and a fourth site will be added on Adams Lake Indian Band land near Salmon Arm
- Unlike Alberta, Saskatchewan, Manitoba, Ontario and New Brunswick, BC does not directly share gaming revenues with First Nations
- The provincial government does share revenue directly with First Nations, from resource developments on Crown land such as mining, forestry and oil and gas

First Nations and Gaming in British Columbia

Ministry of Finance
Gaming Policy and Enforcement Branch (GPEB)
Transition Materials – June 13, 2013

Province's Duty to Consult

- The Gaming Control Regulation requires BCLC to be satisfied that the HLG has consulted with each potentially affected local government, including First Nations. It limits consultation with First Nations to advising them of the gaming proposal, and seeking their comments solely in relation to infrastructure or policing costs and traffic and highway use
- In a 2005 case involving the development of the River Rock Casino in Richmond, BC on Crown lands, the Supreme Court of British Columbia found that because BCLC is an agent of the Crown, the Province had a duty to consult on issues related to potential land claims. The Province provided financial compensation to the Musqueam Indian Band
- GPEB has asked BCLC to consider the need for consultation in its plans to move or construct gaming facilities. BCLC is considering advice provided through the Ministry of Aboriginal Relations and Reconciliation, but has not yet determined a course of action


First Nations and Gaming in British Columbia

Ministry of Finance
Gaming Policy and Enforcement Branch (GPEB)
Transition Materials – June 13, 2013

Gaming on First Nations Lands

- Citing “existing aboriginal and treaty rights,” affirmed by section 35(1) of the *Constitution Act*, 1982, many First Nations assert that BC does not have exclusive jurisdiction over gaming activities in the province
- Under the *Criminal Code of Canada*, the Province is delegated the authority to conduct and manage all gaming, both on and off First Nations reserve lands
- In BC, the *Gaming Control Act* (GCA) provides the legislative framework for gaming in the province, and the provincial government has sole jurisdiction for gaming and regulation of gaming in BC. The Province delegates BCLC the authority to conduct, manage and operate commercial gaming, with the exception of horse racing

**ADVICE TO MINISTER
ESTIMATES NOTE
JUNE 14, 2013**


A Commissioner for taking affidavits for British Columbia

Issue: Gaming in British Columbia – An Overview

ADVICE AND RECOMMENDED RESPONSE:

- ◆ Commercial gaming in B.C. is a \$2.7-billion-a-year industry, responsible for the direct employment of over 10,000 people.
- ◆ Provincial gaming generated \$1.128 billion in net income in 2012/13, with the proceeds used by the Province to benefit people and communities across B.C.
- ◆ According to the most recent national research study, of all provinces, B.C. distributed the most government gaming revenue to non-profit community organizations.¹
- ◆ Compared with other jurisdictions, gaming is relatively moderate in this province. B.C. has the third lowest gambling participation rate among Canadian provinces.¹

SECONDARY MESSAGES:

- ◆ Video lottery terminals (VLTs) are not permitted in bars and restaurants, and we limit the number of gaming facilities.
- Thirty-seven B.C. communities are served by gaming facilities (not including lottery retail outlets).

CURRENT STATUS:

Gaming Facilities Summary as at June 13, 2013.			
Gaming Facility Type	Number	Slot Machines ^A	Table Games
Traditional Casinos ^B	15	8,674	450
Casinos at Horse Race Tracks ^C	2	1,065	22
Horse Race Tracks	5	0	0
Community Gaming Centres	19	2,473	0
Commercial Bingo Halls	7	0	0
Teletheatres	23	0	0
Totals	71	12,212	472

^A Includes electronic table games.

^B Includes one casino with commercial bingo gaming.

^C Hastings Park and Fraser Downs are combination race tracks and casinos. Their slots and table games are recorded in this line, not in the line immediately below this line.

¹ Canadian Gambling Digest 2011/12 (Canadian Partnership for Responsible Gambling).

KEY FACTS REGARDING THE ISSUE:

Casinos:

- There are 17 casinos in operation (up to 22 casinos permitted), including two at horse race tracks (Fraser Downs: slots and table games; Hastings: slots). Casinos typically feature gaming tables, poker tables, slot machines and electronic table games. One casino (Treasure Cove Casino in Prince George) also offers bingo.
- BCLC is upgrading its Gaming Management System (GMS), which manages operations at 36 gaming facilities across British Columbia. The multi-year upgrade will cost \$100 million and is scheduled for completion by spring 2015.

Community gaming centres and bingo halls:

- 26 bingo halls and community gaming centres (up to 41 permitted);
- 19 community gaming centres offer traditional paper-based bingo and electronic bingo, in addition to a selection of other games that may include Keno, a variety of lottery products, off-track horse betting and slot machines; and
- 7 commercial bingo halls offer a mix of traditional paper bingo and electronic bingo.

Lottery products (as at April 15, 2013):

- 3,731 retailers. Lottery games include LottoMax, Lotto 6/49, BC/49, Extra, Scratch & Win, Keno, SportsAction, Poker Lotto, pull tabs and Pacific Hold'Em poker. Lotto! Express, a new, convenient way to purchase lottery tickets while paying for your groceries, is in place at select grocery stores.

PlayNow.com

- PlayNow.com (250,000 registered players) offers national and provincial lottery games (LottoMax, Lotto 6/49, BC/49, Extra), Keno, SportsAction, eBingo, ePacific Hold'em Poker;
- PlayNow.com also offers online casino games, including peer-to-peer poker in which registered online players in B.C. play with others registered with Loto-Quebec and Manitoba Lotteries;
- In July 2012, BCLC launched its new sports betting portfolio of games on PlayNow.com, called PlayNow.com Sports;
- To access PlayNow, players must register on the website. The personal information they provide is verified by a third party to confirm identity, age and residency;
 - Safeguards include – Spending limit: \$9,999 per week; Session log: Time and amount spent visible on each web page; Purchase history: for the past 52 weeks; and GPEB conducts regular audits to ensure gaming complies with legislation etc.; and
- In January 2013, BCLC partnered with Manitoba Lotteries to introduce Internet gambling in that province through the PlayNow.com platform.

Race tracks and teletheatres (licensed and regulated by GPEB):

- Up to seven horse race tracks permitted (two major tracks and three seasonal tracks currently in operation). Fraser Downs and Hastings racecourses also have casinos; and
- Up to 40 teletheatres permitted; 23 sites currently operating. Teletheatres offer simulcast broadcasts of races run at local, national and international tracks and provide about 93 per cent of B.C. horse racing's revenues.

Charitable Gaming (licensed by GPEB):

- In 2012/13, GPEB issued 10,120 licenses to eligible organizations to conduct gaming events. In 2012/13 (as at June 12, 2013), organizations raised about \$39.1 million.²

² Final financials are not due from licensees until June 30, 2013.

**ADVICE TO MINISTER
ESTIMATES NOTE**

Contact: ADM, GPEB

Douglas S. Scott

250-508-7802



File Created: June 14, 2013

File Updated:

File Location:

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**ADVICE TO MINISTER
ESTIMATES NOTE
JUNE 14, 2013**

ISSUE: ANTI MONEY-LAUNDERING AND FINTRAC COMPLIANCE

ADVICE AND RECOMMENDED RESPONSE:

- ◆ The anti-money laundering policies and procedures in place at all B.C. casinos are among the most stringent of any jurisdiction in Canada.
- ◆ The Ministry is working with the gaming industry to prevent criminal attempts to legitimize illegal proceeds of crime in gaming facilities in the province. We remain committed to managing gaming activities to protect the public interest and ensure public safety.
- ◆ BCLC conducts internal reviews of its anti-money laundering program, commissions independent audits and is audited by the Gaming Policy and Enforcement Branch (GPEB) and FINTRAC.
- ◆ Last year, facility-based gaming generated \$1.6 billion in gross revenue and it remains primarily a cash-based business in B.C.; however, GPEB and BCLC have taken significant measures to provide more cash-free alternatives.

SECONDARY MESSAGES:

IF ASKED: FINTRAC (Financial Transactions and Reports Analysis Centre of Canada)

- ◆ BCLC has filed an appeal with the Federal Court of the FINTRAC notice of violation. The administrative penalty included violations related to delays in filing reports and clerical errors. The matter is now before the courts.
- ◆ BCLC has demonstrated its diligence in addressing each issue identified by FINTRAC and its commitment to comply with Anti-Money Laundering legislation.

CURRENT STATUS:

- ◆ Facility-based gaming generated \$1.6 billion in gross revenue (net win) in FY 12/13. It remains primarily a cash-based business in B.C.; however, GPEB and BCLC have taken significant measures to initiate more cash-free alternatives.
- ◆ BCLC gaming facilities submitted 37,000 large cash transaction reports to FINTRAC in 2009. In 2012, over 70,000 large cash transactions were submitted.

FINTRAC Penalty

- ◆ On June 15, 2010, BCLC received a notice of violation from FINTRAC advising \$695,750 in Administrative Monetary Penalties would be levied against the corporation for 1,185

violations of the Proceeds of Crime (Money Laundering) and Terrorist Financing Act. The administrative penalty included violations related to delays in filing reports and clerical errors.

- ◆ On October 29, 2010, BCLC filed an appeal of the penalty levied by FINTRAC in the Toronto registry of the Federal Court on a number of grounds.
- ◆ In September 2011, the Department of Justice, acting on behalf of FINTRAC, provided BCLC with a disclosure package and determined that 152 of the alleged violations were not violations and reduced the administrative monetary penalty by \$76,060.
- ◆ No date has been set for the hearing.

KEY FACTS REGARDING THE ISSUE

- ◆ Following a 2011 review (commissioned by the Province) of anti-money laundering (AML) practices in B.C. gaming facilities, recommendations were made to strengthen the existing AML regime.
- ◆ Both GPEB and BCLC, in cooperation with gaming service providers, have developed and implemented new measures outlined in the report, specifically moving the industry towards more cash-free alternatives. This includes:
 - ✓ Greater convenience in setting up Patron Gaming Fund Accounts for players
 - ✓ Expanded buy-in options (such as use of a debit card) as alternatives to cash
 - ✓ Revised policies and procedures for issuance of casino cheques
- ◆ A number of policy changes have been made, such as providing more common electronic deposit options and allowing players to transfer verified wins or the amount of their original buy-in back to into their bank account. Cash-free buy-in options are now available for large value transactions, which provide an added convenience for players while aligning with anti-money laundering best practices.
- ◆ These changes help to encourage the use of cash-free alternatives for large value transactions while deterring criminal activities and enhancing player security.
- ◆ In the upcoming year, BCLC will be analyzing the factors that contribute to high currency levels at certain gaming facilities and will be exploring opportunities to incent players to use alternatives to cash.
- ◆ There is ongoing dialogue with the police of jurisdiction and the Provincial and Federal RCMP in order to ensure those agencies better understand the gaming business, where the risks lie as well as keeping them abreast of plans to deter and detect any criminal conduct associated to gaming in the province.

Contact:

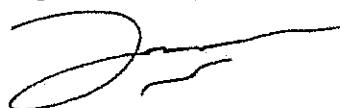
Michael Graydon, CEO, BCLC

Cell:



Douglas S. Scott, ADM GPEB

Cell:



File Created:
File Updated:
File Location:

June 11, 2013

ADVICE TO MINISTER ESTIMATES NOTE July 9, 2013

A Commissioner for taking affidavits for British Columbia

ISSUE: GAMING POLICY AND ENFORCEMENT BRANCH (GPEB) BUDGET AND FTEs

ADVICE AND RECOMMENDED RESPONSE:

- ◆ GPEB's programs and expenditures reflect government's commitment to ensure the integrity of B.C.'s gaming industry, to distribute gaming revenues to communities across the province and to do so cost-effectively.
- ◆ GPEB's core operating budget for 2013/14, is set at \$19.818 million, an increase of \$1.674 million over 2012/13⁽¹⁾.

CURRENT STATUS:

Budget	2011/12 (actual)	2012/13 (actual)	2013/14 (budget)
Branch Core Operations	13.907	13.638	13.580
Responsible Gambling Strategy	4.453	4.506	6.006
Corporate Services Support	0	0	⁽²⁾ 0.232
Total Branch Operating Budget	18.360	18.144	19.818
Capital Budget	0.885	⁽³⁾ 0.687	⁽⁴⁾ 0.021
Expenditures			
Branch Core Operations	13.249	12.309	-
Responsible Gambling Strategy	5.595	5.469	-
Total Operating Expenditures	18.844	17.778	-
Capital Expenditures	0.216	0.666	-
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Operating Costs	(0.484)	0.366	-
Capital Costs	0.669	.021	-
Staff			
Total Branch FTEs	156	156	156

¹ This increase is the result of a \$1.5M budget lift (to address a historical deficit) for the Responsible and Problem Gambling Program, plus \$232K corporate services support, less \$58K which was GPEB's portion of a ministry-wide budget reduction in the Ministry of Energy and Mines.

² Corporate support funding was previously held at the ministry level but the budget was transferred into GPEB with the ministry change to Finance

³ The budget reflects the amount of capital funding transferred from the Ministry of Justice to the Ministry of Finance.

⁴ The remainder of the capital budget will be spent in 2013/14.

Contact: ADM, GPEB

Douglas S. Scott




File Created: June 14, 2013

File Updated: July 9, 2013

File Location: G:\GPE_Enforcement\Financial Records\Estimates Notes\Estimates Notes
2013-14

This is EXHIBIT "31" referred to in the affidavit of DOUGLAS SCOTT affirmed before me at Victoria, British Columbia, this 3rd day of February, 2021.

**ADVICE TO MINISTER
CONFIDENTIAL**


A Commissioner for taking affidavits for British Columbia

**CONFIDENTIAL
ISSUES NOTE**

**Ministry: Energy and Mines
Date: Feb. 23, 2012**

Minister Responsible: Hon. Rich Coleman

**Anti-money-laundering
Strategy Update**

SUGGESTED RESPONSE:

- **Money laundering is an issue worldwide for organizations that deal with large amounts of cash.**
- **In B.C., the Gaming Policy and Enforcement Branch and the B.C. Lottery Corporation remain vigilant about money laundering activity in gaming facilities and, in cooperation with the RCMP and local police, continue to deter and report such activity.**
- **To ensure we're doing everything we can to prevent these activities, the Province commissioned an independent review of anti-money-laundering measures in B.C. casinos in spring 2011.**
- **The findings were publicly released last August, revealing that the Province already has a robust anti-money-laundering regime in place.**
- **The review contained recommendations to further strengthen our anti-money-laundering efforts; GPEB and BCLC are working together to address these recommendations.**
- **The primary strategy focuses on moving the gaming industry away from cash transactions, by exploring alternatives such as electronic funds transfers. Work on this strategy will be ongoing through 2012/13, as it involves a significant culture shift in the industry.**

BACKGROUND:

In spring 2011, the Province commissioned a review to examine current anti-money-laundering practices in B.C. gaming facilities. The review found that there already is a robust anti-money-laundering regime in place, and made recommendations on how to further improve this regime. Based on these recommendations, GPEB is working closely with BCLC, the RCMP and FINTRAC to develop an enhanced anti-money-laundering strategy. Work to date includes:

- **Conducting interviews with other jurisdictions to identify innovative anti-money-laundering strategies and best practices.**
- **Developing initiatives to move the gaming industry away from being a cash-based business. Examples of such initiatives include:**
 - **Emphasizing the convenience of, and providing incentives for, establishing Patron Gaming Fund Accounts;**
 - **Expanding buy-in options (e.g., using debit cards) to provide alternatives to cash buy-ins;**
 - **Revising policies and procedures for issuing casino cheques.**

**ADVICE TO MINISTER
CONFIDENTIAL**

Current anti-money-laundering measures in B.C. casinos

- BCLC reviews all large cash transactions daily. Gaming staff receive mandatory anti-money-laundering training and must take a refresher course every two years.
- B.C. gambling facilities only issue cheques for verified wins, which means that players are unable to convert cash – other than winnings – into cheques.
- Players are not allowed to exchange small denomination bills for larger bills and cannot pass chips on the casino floor.
- When players cash out, they receive cash in the same denominations originally used to purchase casino chips.
- Casino chips cannot be redeemed at any facility other than where they were initially purchased.
- BCLC's Patron Gaming Fund Account program enables players to transfer funds from a Canadian banking institution. The patron can draw from these funds to play, which means less cash coming in, and leaving, casinos.

To: Michael Graydon [REDACTED]
From: Scott, Douglas S MEM:EX
Sent: Fri 2013-01-18 12:57:40 AM
Subject: RE: GPEB letter - Privileged and Confidential

Hi Mike,

Thank you for this email. As you know I have reviewed the letter that is the subject of your message. This afternoon I spoke to Larry Vander Graaf regarding your concerns as well as mine.

By way of this email, I want you to know that I regret this communication from our office. As I discussed with Larry, my greatest concern is that our correspondence on this and indeed all matters should be constructive and move issues forward. I recognize that this letter may have given your office the impression that it was accusatory in nature, and I want to assure you that GPEB recognizes that the AML issue is a joint responsibility that we must work on together to resolve. Further, I also note that BCLC has undertaken everything that we have asked and agreed to as part of the comprehensive AML strategy.

As you are likely aware, Bill McCrea is preparing a report on the efficacy of our joint AML efforts to date. I hope this will be a valuable base from which we consider the next phase of our AML response. I expect to have that report by the beginning of March. Bill will continue to be in communication with your team during its preparation.

During our discussion, Larry emphasized that correspondence such as the letter in question have gone back and forth between GPEB Investigations and BCLC Security for years. I do believe Larry did not think this letter was outside past practice, and thereby misunderstood the potential implications – including on important relationships between our organizations. No malice was intended to be sure. That said, communications of this type will stop going forward, and I look forward to expanding constructive formal and informal discussions to tackle this critical issue.

Feel free to have your office respond directly to the letter of December 27th if you wish, however, no response is required or expected.

Regards,

Doug

Douglas S. Scott
 Assistant Deputy Minister
 Gaming Policy and Enforcement Branch
 Ministry of Energy and Mines

PO Box 9311, Stn Prov Govt
 Victoria, BC
 V8W 9N1

Website: www.pssg.gov.bc.ca/gaming

Know your limit, play within it.

This is EXHIBIT "32" referred to in the affidavit of DOUGLAS SCOTT affirmed before me at Victoria, British Columbia, this 3rd day of February, 2021.


 A Commissioner for taking affidavits for British Columbia



From: Michael Graydon [REDACTED]
Sent: Monday, January 7, 2013 12:17 PM
To: Scott, Douglas S MEM:EX
Subject: GPEB letter - Privileged and Confidential

Hi Doug:

Please find attached a letter directed to Bryon Hodgkin from Joe Schalk which I was very surprised and disappointed to receive given the work we have undertaken over the past year.

Mr. Schalk has made a number of statistical comparisons and drawn conclusions from them that, in my opinion, are not only without foundation and simply erroneous, but could be perceived as inflammatory and offensive. He has also inferred that all STRs are money laundering files, which of course is not correct.

In the first paragraph on page 2, it seems obvious that certain provocative statements are personal opinion and are not supported by fact or proper analysis. To the contrary, BCLC has worked closely with numerous enforcement departments and units to ensure organized crime is not associated to BC casinos and such statements undermines both BCLC and GPEB's efforts. In my opinion, the depiction of Asians is also very risky, particularly to set out such a characterization in a permanent record which is now held in the files of two public bodies.

By way of further example, on page three he has made the statement that it has "become routine" for patrons to buy in with currency totalling \$200 to \$400 thousand and on two occasions \$500 and \$580 thousand. Although these amounts are large, given the limited number of transactions, they are not routine. In addition, all of these transactions are reviewed and reported on as per the legislation and regulations.

BCLC is required to report on all suspicious activity and clearly we are reporting via Suspicious Transaction Reports (STR's) as supported by statistics in GPEB's letter. The increase in the number of reports is not totally reflective of increased activity as it also reflects the changes to reporting requirements as well as additional training relating to reporting of STRs.

In addition, we are collecting information, including occupation, of all large cash buy ins and disbursements and reporting to Fintrac. The information collected by BCLC is also analyzed by Fintrac and passed on to enforcement agencies. We are also actively working with law enforcement to deter and ban organized crime members and activities from BC gaming facilities. In addition we are working closely with GPEB to reduce the flow of cash to gaming facilities. These efforts have resulted in total non-street cash used in casinos since April 1, 2012 in the amount of \$911,555,058.00

Lastly, the closing comments and assertions on page three are opinion and are not supported by fact or proper analysis.

BCLC and Service Providers make substantial efforts to provide information and assistance to GEPB and other law enforcement agencies to ensure we are compliant with legislation and are acting responsibly. I would be remiss if I did not state that we have made huge collective progress with our Service Providers on the AML front but this type of unsophisticated analysis and assertions based on opinion by GPEB Investigations and Regional Operations will only negatively impacted our efforts and GPEB's reputation. We understand and respect that you are the regulator, but a collaborative approach is both possible and beneficial in maintaining the integrity of gaming.

Sorry to start off the year on this foot but it is important to address this. Regards, Michael

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