

---

**From:** Amanda Hobson <[REDACTED]>  
**Sent:** Tuesday, October 4, 2016 5:50 PM  
**To:** Hazel, Jillian GPEB:EX; Jaggi-Smith, Michele FIN:EX; Swan, Angela FIN:EX; Rob Kroeker  
**Subject:** RE: BN for Minister - 2016 MNP Report on Anti-Money Laundering Practices in B.C.  
**Attachments:** 353271 - BN for Minister - 2016 MNP Report on Anti-Money Laundering Practices (BCLC revisions Oct 4).docx

All,

Please see attached revised draft with further proposed edits based on feedback and direction provided by Cheryl in today's meeting. As discussed with Jillian on the phone today, I have accepted / rejected the edits we were previously going back-and-forth on (we agreed to each give on one item to be fair, reasonable and keep this moving), and cleaned up the document a bit to highlight (via redline) just the new items Cheryl requested near the end of the document (highlighting the progress made since the MNP work was complete as well as context/considerations related to the recommendation around refusing unsourced cash deposits over a specified limit.) Jillian mentioned she would like to get Len's perspective on the last piece, so please let us know if you would like to arrange a call to discuss as a group. I believe the goal is to get this complete by the end of this week so that Cheryl can review before it goes to the Minister for the meeting next week.

Regards,

Amanda Hobson  
CFO and VP, Finance and Corporate Services  
BCLC, 74 Seymour St W, Kamloops BC V2C 1E2  
T [REDACTED] M [REDACTED]

Connect with us:

[Twitter @BCLC](#) | [Facebook BCCasinos](#) | [Blog](#) | [bclc.com](#)

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

---

**From:** Hazel, Jillian FIN:EX [mailto:[REDACTED]]  
**Sent:** Tuesday, October 04, 2016 2:27 PM  
**To:** Amanda Hobson  
**Subject:** RE: BN for Minister - 2016 MNP Report on Anti-Money Laundering Practices in B.C.

Hi Amanda,

Michele and Angela are out of the office today. I'm quite familiar with the briefing note, and so I'm happy to have a call with you this afternoon. I'm available until about 3:45 today. You can call me at [REDACTED] if you like.

Cheers,  
Jillian

---

**From:** Jaggi-Smith, Michele FIN:EX  
**Sent:** Tuesday, October 4, 2016 2:21 PM  
**To:** Hazel, Jillian FIN:EX  
**Subject:** Re: BN for Minister - 2016 MNP Report on Anti-Money Laundering Practices in B.C.

Angela moved house yesterday and so is probably still doing that today. Yes, if you can talk to Amanda I think that would be useful. Thanks Jillian.

Sent from my iPhone

On Oct 4, 2016, at 1:44 PM, Hazel, Jillian FIN:EX <[REDACTED]> wrote:

Hi Michele,  
 Angela is out of the office today, and staff over there are not sure whether she's doing some work from home today or not. I can talk with Amanda if that's helpful.

---

**From:** Jaggi-Smith, Michele FIN:EX  
**Sent:** Tuesday, October 4, 2016 1:39 PM  
**To:** Hazel, Jillian FIN:EX  
**Subject:** Fwd: BN for Minister - 2016 MNP Report on Anti-Money Laundering Practices in B.C.

Jillian - Can you connect with Angela on this and whether she is available?

Sent from my iPhone

Begin forwarded message:

**From:** Amanda Hobson <[REDACTED]>  
**Date:** October 4, 2016 at 12:06:13 PM PDT  
**To:** "Jaggi-Smith, Michele FIN:EX" <[REDACTED]>, Rob Kroeker <[REDACTED]>  
**Cc:** "Swan, Angela FIN:EX" <[REDACTED]>, Jen Viau <[REDACTED]>  
**Subject:** RE: BN for Minister - 2016 MNP Report on Anti-Money Laundering Practices in B.C.

Is there any chance everyone is available for a call this afternoon on this? I received some direction from Cheryl this morning in our meeting with Jim and John as well, which I would like to share with you prior to submitting edits.

I cc Jen here to assist with coordinating.

Thanks,

Amanda Hobson  
 CFO and VP, Finance and Corporate Services  
 BCLC, 74 Seymour St W, Kamloops BC V2C 1E2  
 T [REDACTED] M [REDACTED]

Connect with us:

Twitter [@BCLC](#) | Facebook [BCCasinos](#) | Blog | [bclc.com](#)

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

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

From: Jaggi-Smith, Michele FIN:EX [mailto: [REDACTED]]  
 Sent: Monday, October 03, 2016 3:12 PM  
 To: Amanda Hobson; Rob Kroeker  
 Cc: Swan, Angela FIN:EX  
 Subject: FW: BN for Minister - 2016 MNP Report on Anti-Money Laundering Practices in B.C.

.....and with the attachment!

Michele Jaggi-Smith | Executive Director Strategic Policy and Projects Division  
 Gaming, Policy and Enforcement Branch

Direct: [REDACTED] | Fax: [REDACTED] | Email: [REDACTED]

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

From: Jaggi-Smith, Michele FIN:EX  
 Sent: Monday, October 3, 2016 3:11 PM  
 To: Amanda Hobson; Rob Kroeker  
 Cc: Swan, Angela FIN:EX  
 Subject: FW: BN for Minister - 2016 MNP Report on Anti-Money Laundering Practices in B.C.

Hi,

Thanks for your comments to the draft briefing note. Please find attached our edits for consideration. Please let us know your thoughts.

Michele

Michele Jaggi-Smith | Executive Director Strategic Policy and Projects Division  
 Gaming, Policy and Enforcement Branch

Direct: [REDACTED] | Fax: [REDACTED] | Email: [REDACTED]

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

From: Amanda Hobson [mailto: [REDACTED]]  
 Sent: Monday, October 3, 2016 6:52 AM  
 To: Jaggi-Smith, Michele FIN:EX; Rob Kroeker  
 Cc: Swan, Angela FIN:EX  
 Subject: RE: BN for Minister - 2016 MNP Report on Anti-Money Laundering Practices in B.C.

Michele, Angela,

Thanks for the draft; I think we are very close. The attached version includes our

comments/edits for consideration. Please let us know your thoughts.

Regards,

Amanda Hobson  
CFO and VP, Finance and Corporate Services BCLC, 74 Seymour St W,  
Kamloops BC V2C 1E2 T [REDACTED] M [REDACTED]

Connect with us:

Twitter @BCLC | Facebook BCCasinos | Blog | [bclc.com](http://bclc.com)

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

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

From: Jaggi-Smith, Michele FIN:EX [mailto:[REDACTED]]  
Sent: Saturday, October 01, 2016 11:43 AM  
To: Rob Kroeker; Amanda Hobson  
Cc: Swan, Angela FIN:EX  
Subject: BN for Minister - 2016 MNP Report on Anti-Money Laundering Practices in B.C.

Hi

We have a significantly altered BN for your review. Please let us know your thoughts. Thanks.

Michele

---

This email is intended only for the addressee. It may contain confidential or proprietary information that cannot be disclosed without BCLC's permission. If you have received this email in error, please notify the sender immediately and delete the email.

---

This email is intended only for the addressee. It may contain confidential or proprietary information that cannot be disclosed without BCLC's permission. If you have received this email in error, please notify the sender immediately and delete the email.

---

This email is intended only for the addressee. It may contain confidential or proprietary information that cannot be disclosed without BCLC's permission. If you have received this email in error, please notify the sender immediately and delete the email.

Ministry of Finance

**BRIEFING DOCUMENT**

**To:** Honourable Michael de Jong, Q.C  
Minister of Finance **Date Requested:** Sep 28, 2016  
**Date Required:** Sept 30, 2016

**Initiated by:** Cheryl Wenezenki-Yolland  
Associate Deputy Minister **Date Prepared:** Sept 30, 2016

**Ministry Contact:** John Mazure **Phone Number:** [REDACTED]  
Assistant Deputy Minister **Email:** [REDACTED]  
Gaming Policy and Enforcement Branch

Jim Lightbody  
President and CEO  
British Columbia Lottery Corporation

XXXXXX

---

**TITLE:** 2016 MNP Report on Anti-Money Laundering Practices in Gaming Facilities

---

**PURPOSE:**

**(X) FOR INFORMATION**

---

---

Executive Director approval: \_\_\_\_\_ ADM approval: \_\_jm\_\_\_\_\_ Associate DM approval: \_\_\_\_\_

**DATE PREPARED:** September 30, 2016

**TITLE:** 2016 MNP Report on Anti-Money Laundering Practices in Gaming Facilities

**ISSUE:** Report Findings / Recommendations / Next Steps

**BACKGROUND:**

As a part of the Province's Anti-Money Laundering strategy, the Gaming Policy and Enforcement Branch (GPEB) reviewed copies of a number of suspicious transaction reports provided to it by BCLC and service providers and concluded that approximately \$13.5 million in \$20 bills were accepted by River Rock Casino Resort (RRCR) during July 2015. Based on this review, GPEB engaged MNP to review the current practices regarding large volumes of unsourced cash being accepted at RRCR.

MNP was engaged by GPEB to analyze current practices at RRCR with respect to source of funds, source of wealth, handling of cash, use of cash alternatives and overall Customer Due Diligence (CDD) and identify immediate near-term actions to address any gaps. The report was intended to be a snapshot in time of one gaming facility and was not intended to be a full review of BCLC's AML program.

MNP's final report, dated July 26, 2016, was based on field work completed through January 22, 2016. The report findings and recommendations were based on information obtained through:

- 23 interviews with RRCR and BCLC staff,
- observations made at RRCR and BCLC,
- a review of data from September 1, 2013 to August 31, 2015 of reportable ~~cash~~ transactions or play records provided by BCLC.

**Commented [RA1]:** The data also included Casino disbursement reports which include Cheques etc

MNP provided both GPEB and BCLC the opportunity to provide feedback on a penultimate draft of the report. The report was revised to reflect feedback provided as deemed appropriate by MNP.

BCLC has concerns about the accuracy of the data used in the analysis, and thus has concerns about some of the report's findings and recommendations. MNP worked from a customized data extraction BCLC. Some of the data in the extraction MNP received was corrupted. In addition to data, MNP's findings were based on interviews and observations.

BCLC and GPEB, however, have agreed to move forward to address those findings where BCLC does not have such concerns. BCLC and GPEB will work together to better understand those areas where BCLC does have concerns and develop responses accordingly and as appropriate.

**DISCUSSION:**

Overall, the report found BCLC and staff at the River Rock Casino Resort were generally meeting reporting requirements under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (PCMLTFA). The report also found that BCLC's CDD processes meet Federal regulatory requirements for standard risk patrons.

In its report, MNP observes that there was an over-reporting of non-cash deposits to and from Patron Gaming Fund accounts as Large Cash Transactions (LCT) or Casino Disbursement Reports (CDR), and that some staff at RRRCR had not been reporting transactions where there were indicators of suspicion to BCLC which led to an underreporting of suspicious transactions to FinTRAC. MNP notes that both circumstances are potential instances of non-compliance with the PCMLTFA. The over-reporting issue was identified by BCLC and had been the subject of on-going discussions between FinTRAC and BCLC. It had not been identified as an issue in any previous FinTRAC or independent AML audits however FinTRAC provided written guidance in June 2016 and corrective action has since been taken. The under-reporting issue was identified by BCLC in November of 2015, immediately reported to FinTRAC by BCLC, and corrective actions have been taken to FinTRAC's satisfaction.

One of MNP's observations is the "inherent conflicts between the mandates of GPEB and BCLC and the Service Provider." MNP noted "a cultural difference regarding unsourced cash and the potential AML activity occurring within BC casinos which undermines collaboration and the sharing of ideas and information."

MNP made 30 distinct recommendations that can be categorized into four general themes :

1. **Risk** - MNP recommended that GPEB consider implementing a policy requirement that Service Providers refuse unsourced cash deposits exceeding an established dollar limit or refuse frequent unsourced cash deposits exceeding an established threshold and time period. GPEB should also continue to work with BCLC to support cash-alternatives for Service Providers and should work with BCLC to jointly evaluate the resourcing and functioning of existing investigative units.
2. **Training** - MNP made a number of recommendations related to BCLC training and suggested its training program for service providers would benefit from enhancements to remind service providers of the indicators of suspicious transactions and reporting requirements.
3. **Enhanced Due Diligence (EDD)** - MNP recommends that BCLC review EDD processes to ensure the data and information collected provide a clear picture of the risks and profile of the patron for risk assessment and mitigation.
4. **Technology and Monitoring** - MNP emphasized the need for BCLC to appropriately resource the SAS implementation project to improve the quality of the data used for ongoing risk assessment and compliance monitoring and reporting.

MNP recommends that BCLC augment the Enhanced Due Diligence, Risk Assessment and Training components of its anti-money laundering regime to go beyond the FinTRAC guidelines.

In June 2016, FinTRAC conducted a compliance examination of all aspects of BCLC's AML program. The review found that BCLC was in full compliance with federal AML legislation with one exception: BCLC's current training program for service providers required improvement because some service provider employees were not able to clearly articulate how money laundering risks in the industry directly related to their specific job functions.

#### CURRENT TRENDS:

Based on data from Suspicious Transaction Section 86 reports, GPEB's Compliance Division has noted a downward trend in the number-dollar value of suspicious currency transactions in B.C. gaming facilities. Since a monthly high of more than over \$23 million in July 2015 for ~~For~~ the subsequent year, the monthly amounts of suspicious currency has ranged between \$3.2 and \$11.6 million.

The downward trend likely reflects the increased measures taken by BCLC's AML program continues to focus on:

1. Limiting the use of un sourced funds for high-risk players.
2. Increased use of player gaming fund accounts.
3. Implementing additional cash alternative options such as international wire transfers.

#### **NEXT STEPS:**

MNP has recommended that a dollar threshold be imposed where service providers will be required to refuse cash transactions.

Be implementing When considering this recommendation, BCLC and GPEB will jointly take into account there are a number of factors considerations:

1. More than 70% of all transactions at casinos in BC are currently conducted in cash.
2. The Financial Action Task Force (FATF), the international body responsible for international anti-money laundering standards recommends that anti-money laundering programs to be risk based as opposed to prescriptive.
3. A directive issued under the provincial Gaming Control Act requiring a prescriptive AML approach may give rise to a direct conflict of laws between the federal risk based approach under FinTRAC (PCMLTFA) and provincial requirements.
4. Should severe financial impact to Service Providers result, and where provincial directives are out of step with FATF recommendations and federal legislation, service providers affected may have a strong basis from which to seek compensation from the province or pursue litigation against the province.
5. Since July 2015 there has been a noted downward trend in the dollar value of suspicious transaction reports and there has been an increase in the use of cash alternatives by patrons. This information was likely not considered in the MNP report as the data review period was Septemeber 1, 2013 to August 31, 2015.

GPEB and BCLC have established an executive working group that will be working together to address the MNP report findings and carefully consider the residual recommendations and work on next steps.

**Commented [RA2]:** I would suggest this change. Sect 86 reports are not the most accurate measurement as they contain all "Unusual Financial Transactions" (UFT's) 2025% of all UFT's are unsubstantiated by BCLC as NOT suspicious Sect 86 would also indicate that an offence has been committed which is not the case with a UFT or STR. GPEB and BCLC are currently working toward changing the notification type to (from 86of GCA to 34T of GCR) to better reflect the actual occurrence. Using STR data is far more accurate.

**Formatted:** Highlight

**Commented [RA3]:** These figures have not been validated by BCLC. I did provide GPEB with BCLC's figures for 2015 and 2016 to date on Sept 19. Those monthly totals range from \$4.4 (July 2016) to 19 million (\*The \$19 million was in Jan 2016 and contains historical reporting )

**Commented [RA4]:** As per Rob's comments there may be a number of contributing factors to a downward trend. Globally until recently we have seen high limit Baccarat decline. Also the number of STR's haven't gone down much and in some cases increased. It is the dollar value in the STR's that has gone down markedly.

**Formatted:** List Paragraph, Numbered + Level: 1 + Numbering Style: 1, 2, 3, ... + Start at: 1 + Alignment: Left + Aligned at: 0.63 cm + Indent at: 1.27 cm

**Formatted:** Font: 11 pt

**Formatted:** Font: 11 pt

**Formatted:** Font: 11 pt

**Formatted:** List Paragraph

**Formatted:** Font: 11 pt

**Formatted:** List Paragraph, Numbered + Level: 1 + Numbering Style: 1, 2, 3, ... + Start at: 1 + Alignment: Left + Aligned at: 0.63 cm + Indent at: 1.27 cm

**Formatted:** Font: 11 pt

**Formatted:** Font: 11 pt

**Formatted:** Font: 11 pt

**Formatted:** Font: 11 pt

**Formatted:** List Paragraph



**APPENDIX A: DETAILED TABLE OF RECOMMENDATIONS:**

The following table includes all of MNP's recommendations, broken down by the areas identified above and the organization that would be responsible for implementation.

Responsible organization	Section	Recommendation
<b>Risk</b>		
<b>GPEB</b>	4.2 5.69	Should consider implementing a policy requirement that Service Providers refuse unsourced cash deposits exceeding an established dollar threshold or to refuse frequent unsourced cash deposits exceeding an established threshold and time period until the source of the cash can be determined and validated.
	5.6	Define its accepted level of risk for unsourced cash and then develop clear roles and responsibilities for:  GPEB – Regulator, Enforcement BCLC – Manage gaming and reporting entity Service Provider – Risk identification
	5.35 5.52 5.74	At the direction of the Minister responsible for gaming, consider issuing a directive pertaining to the rejection of funds where the source of cash cannot be determined or verified at specific thresholds.  Source of funds can only be verified by obtaining documentation for the withdrawal of cash from a financial institution or entity covered under the PCMLTFA.  A directive from GPEB may also support BCLC in creating a policy which would mandate the Service Provider to decline a transaction when mandatory occupation data is no provided by the patron.
	4.3 5.67 5.68	The review of proposed cash alternative solutions, including credit, and the impact of these solutions should remain a priority for both GPEB and BCLC. Cash alternatives allow Service Providers to receive funds, strengthening the overall compliance regime with minimal impact on revenue generation.
<b>BCLC</b>	5.56	Depending on GPEB / Minister's risk tolerance for large unsourced cash transactions, revise policies

		regarding tolerance of high risk play and consequences of unacceptable high risk activity
	4.8	Consider whether its risk assessment process adequately reflects current thinking around money laundering and terrorist financing risk. The risks associated to specific facilities should be evaluated, rather than simply drawing geographic boundaries for risk.
	5.48 5.49	Rather than base a facilities risk assessment by region, risk assessments should include factors specific to the facility. Consider if the risk register reflects the current environment as it is not as granular as other jurisdictions reviewed by MNP.
	5.70	Consider developing new cash alternative programs and products that include:  the ability of non-Canadian players to fund PGF accounts and repay credit if subject to cash restrictions in their home country (i.e. China), and  allocating how defaults on repayment will be determined (i.e. between BCLC and service provider.
<b>Training</b>		
<b>BCLC</b>	4.5	If GPEB implements a policy regarding the refusal of large or frequent unsourced cash deposits, BCLC's procedures to address the policy should include refresher training to Service Providers pertaining to BCLC's reporting requirements of attempted transactions to ensure reports are appropriately identified.
	4.11 5.47	Facility staff should be regularly trained on the completion of the forms used for reporting, including UFT reporting.
	4.12	Anti-money laundering training programs should be evaluated for up-to-date content and effectiveness.
	4.12 5.55	Training should be provided in the primary language of the candidate, particularly for its high risk exposed employees (those working in high-limit rooms).
	4.14	The KYP framework at RRCR is a task-driven compliance activity rather than a risk management activity. Provide further guidance as the manager and responsible entity for AML regulatory obligations to enhance and enforce appropriate KYP measures.

	5.54	Additional training for employees in the VIP area focused specifically on suspicious indicators and required actions to improve independent thinking.
<b>Enhanced Due Diligence (EDD)</b>		
<b>BCLC</b>	4.7	Enhance the CDD processes from both a risk management and revenue generation perspective with modifications and additional resources to meet EDD expectations for high risk patrons.
	4.9 5.83	Review its EDD process to ensure the data collected and information gleaned provides a clear picture of the risks and profile of the patron for risk assessment and mitigation.
	5.15	EDD measures could be more qualitative, and a formal response to specified risk ratings could be created.
	5.16	Outsourcing the EDD process for higher risk patrons should be considered to clear the current backlog.
<b>Technology and Monitoring</b>		
<b>BCLC</b>	4.10 5.24 5.28 5.29	Prioritize and appropriately resource the ongoing SAS implementation project (schedule for roll out in fall of 2016) to improve the quality of the data used for ongoing risk assessment and compliance monitoring and reporting.
	4.11	Ensure that reporting forms used by the facilities are up to date and include valuable information fields for mandatory completion for unsourced or high volume cash transactions such as source of funds, source of wealth and purpose and intended nature of relationship information.
	4.13	MNP identified instances where non-cash transactions processed to RRRCR's PGFs were over-reported to FINTRAC, and instances where mandatory fields in LCTRs were left blank. Both issues are contrary to the PCMLTFA and require remediation and disclosure to FINTRAC.
	5.27	Due diligence on large volumes of slot Cash Disbursement Reports (CDR) should be monitored for suspicious activity.
	5.36 5.32	Review all of the FINTRAC reporting (LCTR/CDR) for non-cash for all facilities which offer PGF accounts should be done immediately to stop unnecessary and incorrect reports.

	5.44	Create a template for Unusual Financial Transaction (UFT) reports for service providers to use to ensure that all required information is included and to create consistency in the quality of submissions between facilities .
<b>Service Providers</b>	5.4	VIP Hosts have the most significant interaction and knowledge of the VIPs and ability to flag instances of receipt and use of un sourced cash for suspicious transaction reporting. Consideration should be given to cross functional reporting lines to the Director, Table Games for a consistent approach to compliance across all table game points of access susceptible to the acceptance of un sourced cash.
	5.46	Floor staff should have more active involvement in the UFT reporting process. UFT reporting is currently carried out by surveillance staff who only have limited info based on video surveillance.
<b>Other recommendations</b>		
<b>GPEB</b>	5.19	Establish a dedicated, cooperative inter-agency AML investigations unit comprised of GPEB and BCLC investigators to delineate the roles between operational and AML investigations and regulatory compliance investigations .
<b>BCLC</b>	5.1	Operating levels for BCLC Investigators may need to be reviewed as the current staffing levels assigned to RRRCR do not appear to be sufficient
<b>All</b>	4.4	Jointly evaluate the resourcing and functioning of existing investigative units. Effective multi-agency units would promote the sharing of information and resources.