



OCT 01 2015

345904

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

Dear Mr. Smith:

Re: Anti-Money Laundering Strategy

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

Despite the introduction and promotion of non-cash alternatives in gaming facilities through earlier phases of the AML strategy; I am advised that large and suspicious cash transactions remain prevalent. This situation must be addressed. As such, BCLC is directed to take the following actions with respect to AML:

1. Ensure that BCLC's AML compliance regime is focused on preserving the integrity and reputation of British Columbia's gaming industry in the public interest, including those actions set out in the General Manager's letter of August 7 (enclosed) and any subsequent actions or standards that may follow;
2. Participate in the development of a coordinated enforcement approach with the Gaming Policy and Enforcement Branch (GPEB), the RCMP and local police to mitigate the risks of criminal activities in the gaming industry; and
3. Enhance customer due diligence to mitigate the risk of money laundering in British Columbia gaming facilities through the implementation of AML compliance best practices including processes for evaluating the source of wealth and source of funds prior to cash acceptance.

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

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

Sincerely,



Michael de Jong, Q.C.
Minister

Enclosure: Letter dated August 7, 2015, to BCLC from GPEB, *Enhancements to Anti-Money Laundering Regime in BC Gaming Facilities*

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



Know your limit, play within it.

August 7, 2015

[345004]

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

Dear Mr. Lightbody

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

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

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

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

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

- Phase 1 - the development and implementation of cash alternatives;
- Phase 2 - the promotion of cash alternatives by gaming facility patrons; and
- Phase 3 - the consideration of regulatory guidance about potential additional measures for enhancing AML due diligence.

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

Ministry of Finance

Gaming Policy and
 Enforcement Branch
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 Office

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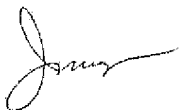
Web: www.gaming.gov.bc.ca

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

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

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

Yours sincerely,



John Mazure
General Manager
Gaming Policy and Enforcement Branch