

ED Len Meilleur

Copies of Documents

Minister of Attorney General (D. Eby) Briefings Part 1 August 2, 2017

Binder of Information prepared by ADM Executive Assistant Maureen Vear for ADM reference for those briefings (copy provided to ED Meilleur)

- Table of Contents
- List of Updates requested by Minister from ADM
- Mandate Letter to BCLC Board Bud Smith signed December 5, 2016
- PowerPoint GPEB – Overview of Legal Framework and Authorities – Ministry of Attorney General dated August, 2017
- AML Chronology dated August 1, 2017
- AML Strategy PowerPoint Presentation referred to as Part I dated August 2017
- JIGIT, establishment of letters to Jim Lightbody CEO BCLC dated February 8, 2017 from Police Services/GPEB and a letter to Bud Smith from Minister M. DeJong dated January 30, 2017
- Briefing note of JIGIT being established to Minister DeJong dated November 28, 2016
- GPEB ADM letter to CEO BCLC Jim Lightbody regarding enhancements to AML Regime dated August 7, 2015
- BCLC CEO Jim Lightbody response to August 7, 2015 letter, dated September 16, 2015
- GPEB ADM letter to CEO BCLC Jim Lightbody regarding Source of Funds in BC Gaming Facilities dated, May 8, 2017
- BCLC CEO Jim Lightbody response to May 8, 2015 letter, dated September 2, 2015
- MNP Report dated July 26, 2016
- Horse Racing Review PowerPoint dated August, 2017
- Horse Racing Review Recommendations spreadsheet dated , May 11, 2017
- Document regarding Directives under the Gaming Control Act
- Copies of Minister Directives to BCLC dated October 20, 2005 and June 26, 2003
- Copy of Minister Directive to GPEB dated July 17, 2008
- Copy of ADM GPEB Directive to GPEB relating to Internal GPEB Review dated, April 1, 2016
- Copies of ADM GPEB Directive to BCLC dated May 17, 2007, March 13, 2014, April 19, 2007, March 22, 2007 and November 2, 2006
- Copy of Minister letter to BCLC Chair Mr. McLennon regarding proposition wagering dated, January 18, 2010
- Copy of ADM GPEB letter to BCLC CEO Graydon regarding Request to Offers for Gaming Equipment dated February 21, 2012
- Copy of Minister letter to BCLC Chair Mr. McLennon regarding supplying operational services, supplies, equipment dated March 4, 2010
- Copy of Minister letter to BCLC Chair Mr. Graydon regarding Edgewater relocation dated, April 11, 2013

- Copy of Minister letter to BCLC Chair Mr. Lightbody regarding novelty betting dated, October 9, 2014
- Copy of Minister letter to BCLC Chair Mr. Lightbody regarding entry into the business of supplying operational services to Charities, dated December 1, 2015
- Copy of Minister letter to BCLC Chair Mr. Lightbody regarding private service providers offering daily fantasy sports bets, dated July 20, 2016
- PowerPoint Slides regarding Top 4 Casinos and All Other Casinos by SCT \$ August 2015 to June 2017
- GPEB Communications compiled document on Estimates and Question Period around AML for years 2014, 2015, and 2016 as researched on Hansard
- Copy of BCLC PowerPoint presentation to Minister Eby on July 31, 2017

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<p>Directives</p> <ol style="list-style-type: none"> 1. Minister Directives to BCLC (Locate and relocate gaming facilities) 2. Minister to GM (Limit on number of Teletheatres) 3. GM Directives to BCLC 	10
<p>Direction to BCLC</p> <ol style="list-style-type: none"> 1. Approval of proposition wagering 2. Approval to supply operational services 3. Approval for Facility Development Commission for Parq 4. Approval of Novelty Bets 5. Approval to supply services to charities 6. Approval of Daily Fantasy Sports 	11
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Update on requested information/materials:

Directives	Minister/General Manager directives provided in briefing binder and also uploaded to Minister Office SharePoint.
Direction Letters	Letters provided in briefing binder and uploaded to Minister Office SharePoint.
BCLC Briefing	BCLC assuming responsibility of GameSense Advisor as of April 1, 2018. Requires a decision from the Minister in near future.
2017/18 Mandate Letter	Crown Corporations will be receiving new generic mandate letters. BCLC's previous mandate letter has specific direction regarding implementation and reporting requirements. CARO has advised any specific direction required needs to be given in a separate letter.
MNP Report	Included in briefing binder and uploaded to Minister Office SharePoint.
Crown Review	To be uploaded to Minister Office SharePoint.
Plan for Public Health and Gambling	To be uploaded to Minister Office SharePoint.
Chase the Ace	Briefing note being prepared that will provide a recommended proposal.
Horse Racing Review – Morfitt Report	Horse racing presentation and action plan included in the briefing binder. Morfitt Report has been provided to the DAG office.
Edgewater/Parq	Documents and history are being prepared, will be uploaded to the Minister Office SharePoint. Future briefing to be scheduled.
Prevalence Study 2013/14	To be uploaded to Minister Office SharePoint.
Perry Kendall Report	To be uploaded to Minister Office SharePoint.
Auditor General Report	To be uploaded to Minister Office SharePoint.



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

Dear Mr. Smith:

This Mandate Letter confirms your organization's mandate, provides government's annual strategic direction and sets out key performance expectations for the 2017/18 fiscal year. On behalf of the Province of British Columbia, thank you for your leadership and the contributions made by the British Columbia Lottery Corporation over the past year in support of government's objective of providing legal gaming in a safe and responsible manner benefiting all British Columbians. In particular, congratulations on the efforts made towards the following contributions and achievements:

- Contributing to the integrity of gambling through the conduct and management of gambling in a social responsible manner, while exceeding the 2015/16 net income target of \$1.216 billion by \$97.5 million;
- Working with government to combat illegal gaming and advancing government's Anti-Money Laundering strategy, including enhancing Customer Due Diligence, and by providing funding for the Joint Illegal Gaming Investigation Team (JIGIT);
- Working with government to implement commitments from the Plan for Public Health and Gambling (February 2015), including completing three and making significant progress on four of the commitments that pertain to the Corporation;
- Attaining a Comprehensive Cost Ratio of 42% and surpassing the 2015/16 target of 43.3%; and,
- Substantially completing the recommendations made by Internal Audit & Advisory Services (IAAS).

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B.C.'s Corporate Governance Framework takes a principles-based approach in providing direction for effective governance of ministries and Public Sector Organizations (PSOs). Since June 2014, the Taxpayer Accountability Principles (TAP) have provided guidance to ensure that the actions taken and services provided strengthen accountability and promote cost control while meeting the public policy objectives established by government on behalf of the citizens of B.C. I would also like to recognize the contributions BCLC makes to local and regional economies in British Columbia, and in particular the importance of the corporation's head office to the Kamloops area.

It is critical that public sector organizations operate as efficiently as possible, in order to ensure British Columbians are provided with effective services at the lowest cost possible. This requires constant focus on maintaining a cost-conscious and principled culture through the efficient delivery of services that stand the test of public scrutiny and help develop a prosperous economy in an environmentally sustainable manner. This is critical to government's commitment to control spending and balance the budget. For this reason, it is essential that BCLC contains costs and meets its projected revenue targets.

Government is making open information a priority across the public sector to enhance government transparency and accountability in the use of public resources, the delivery of programs and public services. With that in mind, it is government's expectation that BCLC will foster a culture of transparency and information sharing with government.

Government seeks to deliver legal gaming in a sound and responsible manner that promotes the integrity of gaming and public safety. Under the *Gaming Control Act*, the Lottery Corporation is responsible for the conduct and management of gaming on behalf of government.

The Lottery Corporation is directed to conduct its business in a manner that meets government's expectations for social responsibility, public safety, gaming integrity, and projected financial targets. This is achieved through a culture of innovation and cost containment as well as commitment to responsible gambling and anti-money laundering efforts.

To achieve this mandate, the British Columbia Lottery Corporation is specifically directed to take the following strategic actions:

1. BCLC will optimize the Corporation's financial performance and sustain net return to the Province in accordance with government direction on cost containment, responsible gambling, and anti-money laundering, and in alignment with the Taxpayer Accountability Principles by:
 - a) Continuing to seek business opportunities such as new gambling facilities and eGaming from a social responsible perspective with particular attention to impacts on problem gambling, money laundering, public safety, and subsequently developing strategies to mitigate risk;
 - b) Providing a long term Capital Plan to the Ministry of Finance setting out the corporation's capital and spending and management plans, including significant IT and Kamloops head office facility development projects, over the next five years;

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- c) Reviewing its approach to commissions paid to gaming service providers and implementing changes subject to the approval of its board of directors;
 - d) Achieving financial targets as approved by Treasury Board;
 - e) Reporting on the implementation of the new PlayNow subsidiary, which will be managed by the same controls and accountabilities to BCLC's Board; and
 - f) Providing quarterly reports to the Ministry of Finance that provide financial forecasts, and discuss and identify issues and risks.
2. Continue to support government in the implementation of its Anti-Money Laundering (AML) Strategy and mitigation of related illegal activities, including but not limited to:
- a) Undertaking activities to ensure the Corporation's compliance regime is focused on preserving the integrity and reputation of B.C.'s gaming industry in the public interest;
 - b) Working collaboratively with GPEB to determine and implement measures that effectively combat money laundering and illegal activities in B.C. gambling facilities;
 - c) Funding, in accordance with government's announced direction, the Joint Illegal Gaming Investigation Team (JIGIT), a dedicated, coordinated, multi-jurisdictional investigative and enforcement response to unlawful activities within B.C. gaming facilities and illegal gambling in B.C.;
 - d) Collecting and sharing information and data with GPEB that supports measures to address money laundering in B.C. gaming facilities, illegal gaming in the province, and JIGIT operations; and
 - e) Enhancing AML best practices with appropriate consideration of evaluating source of funds prior to cash acceptance within a risk-based framework; and
 - f) Providing a quarterly report to the Minister of Finance on BCLC's activities related to the above.
3. Implement the five remaining commitments that BCLC is responsible for in the *Plan for Public Health and Gambling (February 2015)*. This includes offering time and money budgeting tools to Encore Rewards members and PlayNow.com customers and implementing customized responsible gambling messaging on PlayNow.com. BCLC will continue to partner with GPEB in the implementation of the four remaining commitments for which they are jointly responsible, including implementing a GameSense Advisor presence in Community Gaming Centres and undertaking key research projects related to online problem gambling and high-risk features of Electronic Gaming Machines. BCLC will submit bi-annual progress reports to the Minister of Finance and the General Manager, GPEB on the implementation of commitments under the Plan.
4. BCLC will report out on the completion of implementation of the recommendations from the *Review of the British Columbia Lottery Corporation (December 2014)* by Internal Audit and Advisory Services by June 30, 2017.

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The ongoing culture shift to principled public sector governance remains a priority for government. PSOs are expected to undertake more comprehensive professional development to enhance orientation of their board members and senior executives. Government will be providing programming and resources designed to complement components of orientation to ensure understanding of the accountabilities and expectations of public sector boards and organizations. For detailed information about TAP directives, please refer to the following link, [Taxpayer Accountability Principles](#).

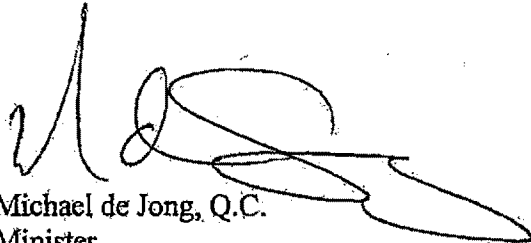
Government is committed to continue to revitalize the relationship between Government and PSOs. This strong focus on increased two-way communication supports and ensures a common understanding of Government's expectations. Timely communication of emerging issues which may affect the business of the British Columbia Lottery Corporation and/or the interests of government is critical to building trust and the effective delivery of public services, including information on any risks to achieving financial forecasts and performance targets. With the TAP embedded in the Annual Service Plans and Reports, this will support board chairs in assessing and communicating the organization's overall performance,

In addition, it is expected that your organization will continue to be diligent in ensuring familiarity with and adherence to statutory obligations and policies that have broad application across the public sector. Please refer to the following link for a summary of these accountabilities, [link to Crown Accountabilities](#).

Each board member is required to acknowledge the direction provided in the Mandate Letter by signing this letter. The Mandate Letter is to be posted publicly on your organization's website, and a copy signed by all board members provided to the ministry and made available to the public upon request.

I look forward to our regular meetings focusing on strategic priorities, performance against TAP, and working together to protect the public interest at all times.

Sincerely,

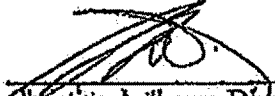


Michael de Jong, Q.C.
Minister


Signed by:


Bud Smith, Chair
British Columbia Lottery Corporation


December 5, 2016
Date


Christina Anthony, Director
British Columbia Lottery Corporation

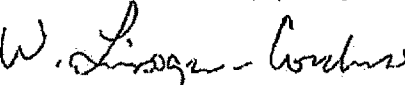
Dec 5, 2016
Date


Trudi Brown, Director
British Columbia Lottery Corporation

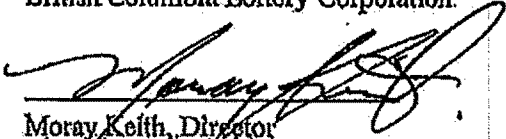
December 5, 2016
Date


Robert Holden, Director
British Columbia Lottery Corporation


Dec 5, 2016
Date


Wendy Lisogar-Cocchia, Director
British Columbia Lottery Corporation

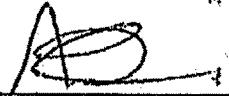
Dec 5/16
Date


Moray Keith, Director
British Columbia Lottery Corporation

Dec. 5/16
Date


Matthew Watson, Director
British Columbia Lottery Corporation

Dec 5, 2016
Date


Andrew Brown, Director
British Columbia Lottery Corporation

Dec 5 116
Date

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cc: Honourable Christy Clark
Premier

Kim Henderson
Deputy Minister to the Premier and Cabinet Secretary

Athana Mentzelopoulos
Deputy Minister and Secretary to Treasury Board
Ministry of Finance

Cheryl Wenezenki-Yolland
Associate Deputy Minister
Ministry of Finance

Christina Anthony
Trudi Brown
Robert Holden
Wendy Lisogar-Cocchia,
Moray Keith
Matthew Watson
Andrew Brown

Board Members
Public Sector Organization

Jim Lightbody
Chief Executive Officer
British Columbia Lottery Corporation

John Mazure
Assistant Deputy Minister
Gaming Policy and Enforcement Branch

Attachment: Taxpayer Accountability Principles

5. Crown's Accountability Principles

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

**1 Cost Consciousness
(Efficiency)**

Strengthen cost management capabilities and foster a culture of cost-consciousness at all levels of public sector organizations. Provide public services and programs as efficiently and effectively as possible to "bend the cost curve" and support sustainable public policies and programs as a lasting legacy for generations to come.

2 Accountability

Transparently manage responsibilities according to a set of common public sector principles in the best interest of the citizens of the province. By enhancing organizational efficiency and effectiveness in the planning, reporting and decision making, public sector organizations will ensure actions are aligned with government's strategic mandate.

3 Appropriate Compensation

Comply with a rigorous, standardized approach to performance management and employee compensation, which reflects appropriate compensation for work across the public sector that is consistent with government's taxpayer accountability principles and respectful of the taxpayer.

4 Service

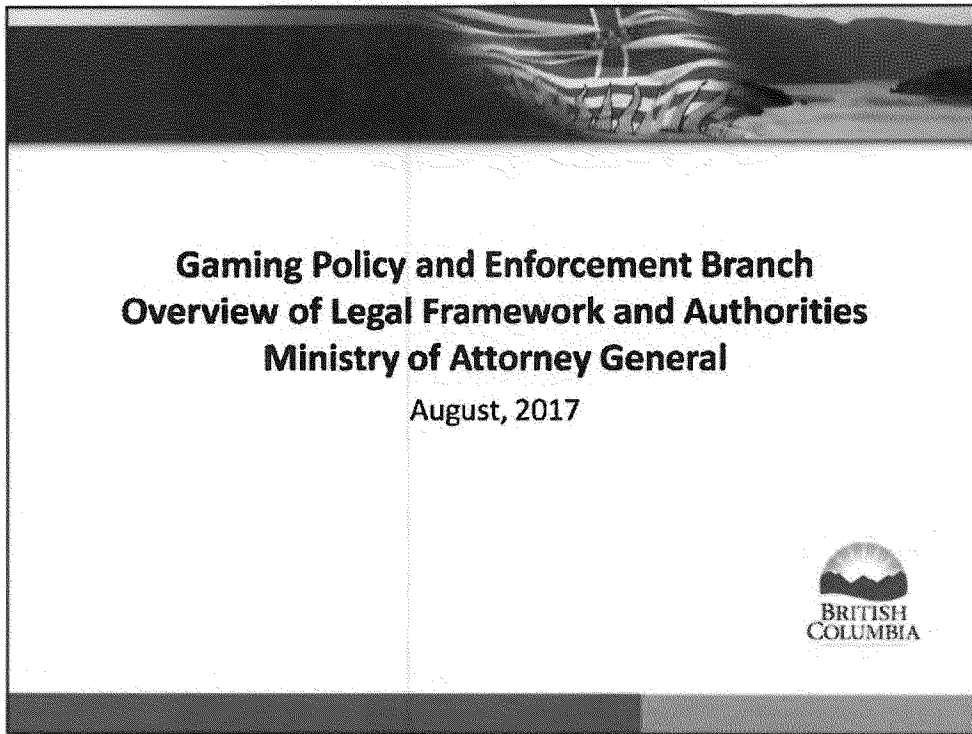
Maintain a clear focus on positive outcomes for citizens of British Columbia by delivering cost-efficient, effective, value-for-money public services and programs.

5 Respect

Engage in equitable, compassionate, respectful and effective communications that ensure all parties are properly informed or consulted on actions, decisions and public communications in a timely manner. Proactively collaborate in a spirit of partnership that respects the use of taxpayers' monies.

6 Integrity

Make decisions and take actions that are transparent, ethical and free from conflict of interest. Require the establishment of a strong ethical code of conduct for all employees and executives. Serve the citizens of British Columbia by respecting the shared public trust and acting in accordance with the taxpayer accountability principles.



Legal Framework for Gambling in B.C.

Criminal Code of Canada

- The underlying framework for gambling in B.C. is derived from Part VII of the federal *Criminal Code* of Canada.
- Under the *Criminal Code*, all gambling and betting is prohibited and is a criminal offence, unless it is specifically exempted from the prohibition. The broad exemptions are:
 - *Gambling conducted and managed by a province in accordance with any law enacted by the legislation of that province*
 - *Pari-mutual betting systems (Horse Racing)*
 - *Gambling where the proceeds are used for a charitable or religious purpose, subject to a licence issued by the province*
 - *Private bets between individuals (also known as social betting)*

Gaming conducted and managed by a province (also referred to as commercial gambling in B.C.)

- Under section 207(1) (a) of the Criminal Code, only provincial governments or agents of government are permitted to conduct and manage "lottery schemes".
- In B.C., the Gaming Control Act establishes the British Columbia Lottery Corporation (BCLC) as an agent of the provincial government to conduct and manage all commercial gambling, including casinos and lotteries, on behalf of the provincial government.

Pari-mutual betting system - Horse racing

- Section 204 of the Criminal Code allows for the establishment of pari-mutuel betting systems; these arise principally in the context of horse racing.
- The federal government, through the Canadian Pari-Mutuel Association (CPMA), regulates wagering on horse races, and the Province, through GPEB, regulates and licenses the conduct of race events.

Licensed gambling

The Code permits provinces to issue gambling licences to organizations where the proceeds are used for a charitable or religious purpose.

The Gaming Control Act and Regulation establish the framework for issuing licenses in B.C.

Private Bets (Social betting)

The Code permits private bets between individuals who are not engaged in any way in the business of betting.

Legal Framework for Gambling in B.C.

Gaming Control Act

- The *Gaming Control Act* (GCA) governs how gambling, including horse racing, is regulated and operated in B.C.
- Broadly speaking the GCA covers two principal matters:
 - (1) the framework within which the Province conducts and manages provincial gambling permitted by the *Criminal Code*, and
 - (2) the framework within which the Province regulates those who are involved with lawful gambling.
- The GCA articulates the roles and responsibilities of:
 - (1) the Minister responsible for gambling,
 - (2) the General Manager of GPEB, and
 - (3) BCLC.

The Minister Responsible for Gaming

Under the *Gaming Control Act*, the responsible Minister's authority includes the following:

- Appointment of the BCLC Board of Directors;
- Direction as to matters of general policy (the Minister may issue policy directives to BCLC and GPEB; such directives must be published and made available to the public in the gazette);
- Approval of new types of lottery schemes that BCLC or a licensee may wish to implement; and
- BCLC must do "other things the Minister may require".

Ministerial Responsibilities:

- Because BCLC is the agent of the government and exists for the purpose of conducting and managing gambling on behalf of the government, the government's powers relating to BCLC are extensive.
- GPEB will be uploading all Minister and General Manager to the SharePoint site for the Minister to review as well as any direction to BCLC provided in letter format.

General Manager of the Gaming Policy and Enforcement Branch

GPEB's purpose is to carry out its responsibilities under the Act. Primary responsibilities of the General Manager are:

- Advise the Minister on broad policy, standards and regulatory issues and, with the Minister's direction, manage government's gambling policy.
- Issue gambling event licences to allow eligible organizations to fundraise by holding gambling events.
- Ensure the integrity of gambling industry companies, people and equipment, and compliance with policies and standards and enforcement of the Gaming Control Act.
- Deliver responsible and problem gambling programs in the province.

General Manager Responsibilities:

- The general manager must, under the minister's direction, develop, manage and maintain the government's gambling policy. This is achieved mainly through the regulatory oversight of the gambling industry, service providers and charity organizations engaged in gambling.

Core responsibilities of the general manager, as outlined in the Gaming Control Act, include:

- Establishing public interest standards for gaming operations and establishing policies to address problem gambling at gaming facilities;
- Licensing charitable gaming events;
- Regulating certain aspects of horse racing;
- Conducting financial and personal background checks and registering 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
- Conducting investigations for the purpose of ensuring compliance with the Gaming Control Act.

The regulatory powers of the general manager do not extend to BCLC's activities to

conduct and manage of gambling.

The general manager has some specific authority to conduct audits and investigations to monitor BCLC's compliance with the Gaming Control Act and standards by which the corporation must abide. However, the general manager's role does not include regulating BCLC's conduct and management of gambling because the Act assumes that the Minister, GPEB and BCLC act in concert.

The British Columbia Lottery Corporation

- BCLC is a Crown Agency responsible for the conduct and management of lottery, casino, PlayNow.com and commercial bingo halls on behalf of the Province of British Columbia, in accordance with the Gaming Control Act. BCLC is an agent of the government.
- The Board reports to the Minister responsible for BCLC. The Minister may issue written directives to BCLC on matters of general policy.
- The Minister also provides government's strategic direction and sets out key performance expectations for the year for BCLC through an annual mandate letter.

BCLC Responsibilities:

The affairs of the corporation are managed by a nine-member board of directors. This board is appointed by the Lieutenant Governor in Council.

BCLC's powers and duties arise from the GCA, and it is subject to:

- Regulations made by government;
- Direction from the Minister; and
- Directives from the General Manager of GPEB made under section 28(1).

BCLC is also subject to core government policy direction such as the annual mandate letters and Taxpayer Accountability Principles.

BCLC's core responsibilities outlined in the Gaming Control Act include:

- Ensuring commercial gaming facilities operate according to government policy and corporation standards, policies and procedures;
- Setting operational rules of play for the lottery schemes that BCLC is authorized to conduct and manage;
- Managing the location or relocation of, and any substantial changes to, gaming facilities;
- Managing contracts with gaming services providers;
- Monitoring compliance by gaming service providers with the Gaming Control Act and Regulation and the rules of the lottery corporation; and

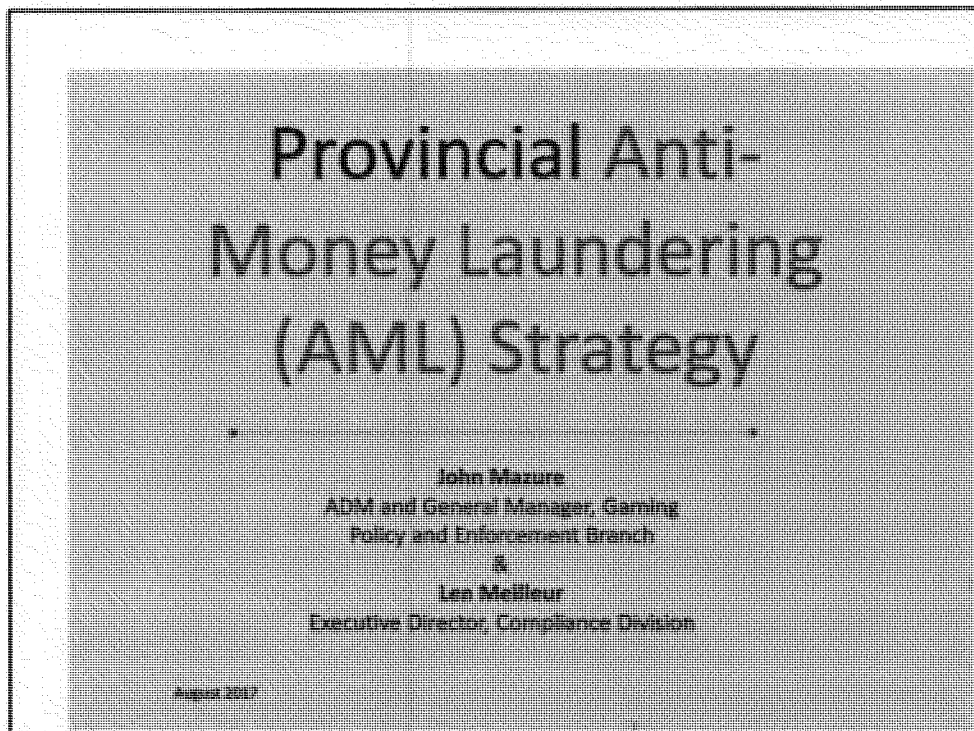
- Transferring net income to the consolidated revenue fund.

Anti-Money Laundering Chronology

Date	Event
January 2011	Minister of Public Safety and Solicitor General ordered review of AML strategies at BC gaming facilities
February 2011	Review completed - <i>Summary Review: Anti-Money Laundering Measures at BC Gaming Facilities</i> – generally found appropriate AML strategies employed, but made recommendations to BCLC and GPEB
August 2011	GPEB responded with <i>Action Plan to Review of Anti-Money Laundering Measures at BC Gaming Facilities</i>
2011 – 2016	Cash Alternatives implemented, promoted and enhanced - Patron Gaming Fund Accounts, convenience cheques (de-limited), debit at cash cage, ATM withdrawals within gambling facilities, electronic transfers (international) to PGF accounts.
September 2014	GPEB commissioned report by Malysk Associates – researched best practices for cash acceptance in cash-based businesses, including gambling, banking, and money service businesses.
June 2015	GPEB and BCLC hosted AML Workshop – Exploring Common Ground – to discuss AML strategies with broad participant group, including B.C. gambling industry, RCMP, financial institutions, CBSA, CRA and FINTRAC.
July 2015	Section 86 reports indicated \$20 million in SCTs, including \$13 million in \$20 bills at River Rock in single month
August 2015	Letter from GPEB GM John Mazure to BCLC CEO Jim Lightbody – direction for AML enhancements, including customer due diligence with a focus on identifying source of wealth and funds
September 2015	GPEB engaged MNP to analyze current practices at River Rock Casino 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
October 2015	Letter from the Minister of Finance to BCLC Board Chair Bud Smith – direction to address large and suspicious cash transactions, including evaluation of source of funds prior to cash acceptance
October 2015	Shift from cash to PGF Accounts – as BCLC bans some patrons and bars others from using unsourced cash, SCTs begin to decrease while PGF deposits increase significantly
September 2015	GPEB approached RCMP regarding JIGIT – negotiations began to establish integrated team to investigate organized crime involvement in gambling.
January 2016	Letter from GPEB GM John Mazure to BCLC CEO Jim Lightbody – follow up to Minister's letter to go beyond reporting transactions and implement best practices, including evaluating source of funds prior to cash acceptance and implementing robust customer due diligence policies
January 2016	MNP completed field work, included 23 interviews with River Rock and BCLC staff, observations made at River Rock and BCLC, and a review of data from September 1, 2013 to August 31, 2015 of reportable transactions or play records provided by BCLC
January 2016	BCLC 2016/17 Mandate Letter – included direction regarding AML Strategy, including implementation of anti-money laundering compliance best practices with appropriate consideration of evaluating source of funds prior to cash acceptance within a risk-based framework
April 2016	JIGIT Announced – Established based on evidence gathered by police and GPEB showing that the potential use of legal and illegal gambling by organized crime for the purpose of laundering money was substantial.
May 2016	GPEB Intelligence Unit commenced work – Established to provide stakeholders, management, executive and government with situational awareness of threats to the integrity of gambling.
July 2016	Letter from GPEB GM John Mazure to BCLC CEO Jim Lightbody – Response to cash alternatives submitted by BCLC (de-limiting of convenience cheques and international electronic fund transfers) providing support for proposals but emphasizing need to evaluate the source of funds and make a risk-based determination of their legitimacy prior to acceptance

August 1, 2017

Date	Event
July 2016	MNP Final Report submitted – included 30 recommendations focused on risk, training, enhanced due diligence and technology and monitoring
December 2016	BCLC 2017/18 Mandate Letter – included direction regarding AML Strategy, including quarterly reporting, enhancing AML best practices and funding JIGIT
February 2017	CFSEU announced 1 st JIGIT arrests and charges - A dealer and a patron were arrested and charged after an investigation into an incident of cheating –at-play in a Kelowna casino. The investigation was conducted by CFSEU-BC, JIGIT and GPEB.
May 2017	Letter from GPEB GM John Mazure to BCLC CEO Jim Lightbody – Expressing continued concern with large volumes of unsourced cash, circumstances of cash acceptance, and shifting of risk to PGF accounts due to lack of customer due diligence
June 2017	CFSEU announced JIGIT arrests –The investigation is ongoing; however it was determined that a criminal organization operated illegal gaming houses, facilitated money laundering for drug traffickers, loan sharking, kidnappings, and extortions.
June 2017	FOI Request related to money laundering – request for all reports from GPEB related to concerns of money laundering in B.C. and criminal activity related to money laundering, or investigations, research, or surveillance of people or institutions suspected of connections to potential money laundering or criminal activity (January 2016 to May 2017).



- I wish to speak about my background, role, and the support received on the matter of AML and governments strategy to date.

BACKGROUND – RCMP/Air Canada/Ombudsperson/GPEB *IFUTURE*

SUPPORT – Role of current ADM – courage - misfit in MOF – things changed in 2013 – lack of autonomy

STRATEGY has elements which will be explained but GPEB has been the lead in many of the components that has allowed us to arrive at today. X-DAWG working group, Exploring Common Ground summit, Malysh report, MNP report, Peter German review, JIGIT, Intelligence Team, Transaction Assessment Team. GPEB continues to understand that balance of revenue and regulations is essential but during this presentation I will emphasise it has been and remains a very challenging portfolio based on reality vs. reputation and a notion of “victimization.”

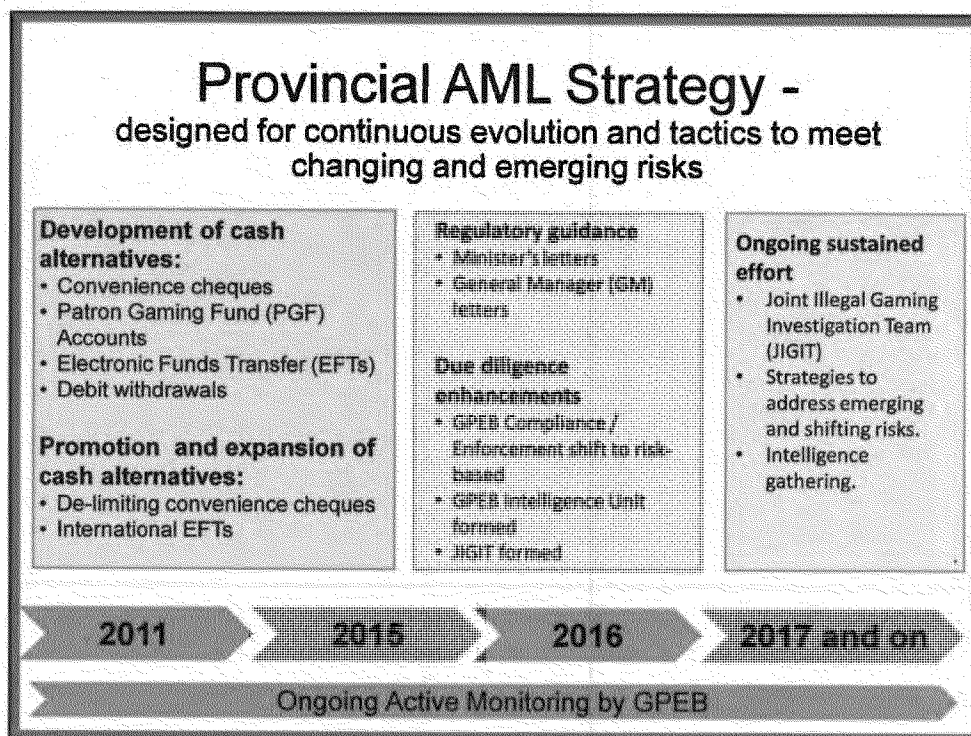
- *GOLDEN BOY!*

(REPUTATION - MENTAL STATE)

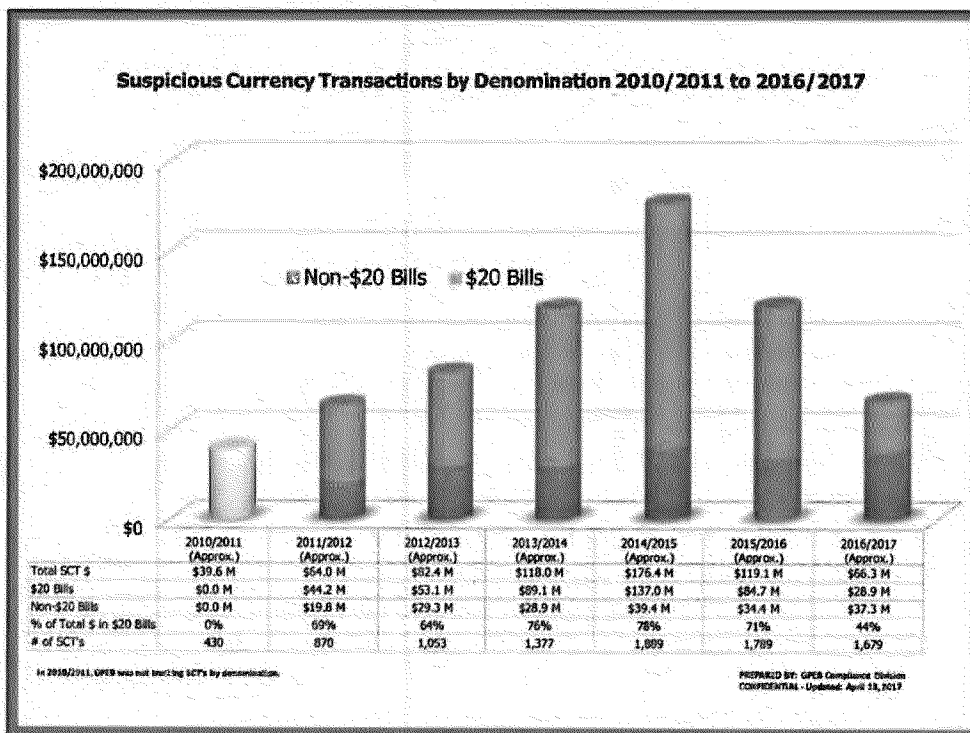
*CHALLENGES
MORALITY/ETHICS*

DO THE RIGHT THING.

(BASED ON FACTS, STATISTICS, OBS. INTEL & SUFF)



- AML Strategy launched in 2011 focused on reducing the use of cash to minimize the opportunity for money laundering to take place through gaming facilities. From the beginning, GPEB has been actively monitoring money laundering indicators such as section 86 Suspicious Cash Transactions (SCT's) and FINTRAC's large cash transactions (LCT's) and Suspicious Transaction Reports (STR's). Section 86 of the Act a requirement to report specific activities is unique and a valuable authority. BCLC has challenged and continues to challenge what should be reported and why. I will provide more detail on that authority but advise that we have recently agreed on an information sharing protocol with BCLC. This provision is absolutely essential or we as regulators would be in the dark.
- 2011-15 - The strategy focused on the development of cash alternatives and the promotion of their use by patrons to minimize the need to access cash outside of gaming facilities. BCLC also inquired about the notion to extend credit to 'screened' patrons but a detailed business case has not been submitted.
- 2016 – the strategy centered on enforcement, regulatory guidance, and additional measures for enhancing AML due diligence. As such, GPEB has shifted its focus to target its resources at analyzing the areas of highest risk to the integrity of gaming such as large and suspicious currency transactions, source of funds, who the customers are and patron gaming fund accounts.



- Casino service providers are required to report potential the commission of an offence under the GCA or CCC under section 86 of the Gaming Control Act.
- GPEB uses “section 86 reports” to monitor suspicious currency transactions (SCTs) and other activities such as cheating at play, targeted thefts, collusion amongst players.
- Note that data is approximate because it reflects section 86 reports received from service providers over a period of time where the understood reporting criteria has changed and when information was not initially being collected for the purpose of statistical reporting (rather it was being used to identify trends and look for criminality related to money laundering, cash facilitation, employee collusion, and other irregularities).
- Based on data from section 86 reports, GPEB has noted a downward trend in the dollar value of SCTs in B.C. gambling facilities.
 - Peak of over \$20 million in July 2015,
 - Declined to \$3.8 million in December 2016.
 - Yearly downward trend in SCTs from over \$176 million in 2014/15 to \$66 million in 2016/17
- Along with the reduction in SCTs, the number of STRs filed with FINTRAC by BCLC has reduced, particularly over the last half of 2016.
- BCLC advised that the reduction of STRs specifically involving high value cash transactions (greater than \$50,000) coincides with:
 - Increased capabilities to conduct ongoing monitoring and risk assessment of players and transactions flowing from its ISA with police. For example, BCLC

has banned some patrons due to criminal activity; however vast majority of names on the list are not top money players, it is common gangsters, gang affiliates. For example just this Monday we had notification of a "known-criminal" in casino with a gun. The ISA provides names of those patrons who should be banned.

- An increased use of buy-in conditions on some players based on risk. For example, BCLC has issued "source of funds directives" to some patrons, barring them from bringing unsourced cash into casinos while others are required to complete a source of funds questionnaire;
- Increased efforts by BCLC and its service providers to shift players to non-cash transactions such as bank drafts; and
- Actions taken by the Chinese government to reduce capital outflows from that country.
- GPEB compared the trends of PGF growth SCT decline which will be explained in an upcoming slide.

MNP Report

- GPEB engaged MNP to analyze BCLC's Customer Due Diligence (CCD) in industry best practice.
- MNP made 30 recommendations to BCLC and GPEB:
 1. **Risk** – Refuse unsourced cash and province define acceptable level of risk
 2. **Training** – indicators of suspicious cash
 3. **Enhanced Due Diligence** – know your customer
 4. **Technology and Monitoring** – implement business intelligence tool

- Initiated on a recommendation from me after the reporting of \$13 million in \$20 bills being accepted by River Rock Casino Resort (RRCR) during July 2015.
- Based on increasing trend in SCTs to July 2015 and the nature of SCTs (e.g. large amounts of cash delivered from vehicles, cash bundled in elastic bands, prevalence of \$20 bills), GPEB engaged MNP to conduct a review with a main focus on River Rock Casino and Resort.
- MNP asked 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.
- Overall, the July 2016 report found nothing to indicate that BCLC and staff at the River Rock Casino Resort were not meeting FINTRAC reporting requirements (other than underreporting issue – only reporting SCTs of \$50,000 or higher).
- However, MNP made 30 distinct recommendations that can be categorized into four general themes:
- **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.
- MNP recommended that province define its accepted level of risk for unsourced cash to drive the development of clear roles and responsibilities for GPEB, BCLC and service providers.
- **Training** - MNP made 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.

- **Enhanced Due Diligence (EDD)** - MNP recommended that BCLC review EDD processes to ensure data and information collected provide a clear picture of the risks and profile of the patron for risk assessment and mitigation.
- **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.
- BCLC challenged the work by way of filing a concern with the OIPC about our authority to allow MNP to do the work, the reports findings and the credentials of MNP experts. In conclusion BCLC indicated that they were already doing what MNP recommended, did not concur with any of the findings and found no value in what was recommended.

FINTRAC

- The Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) is Canada's financial intelligence unit
- **Mandate** - to facilitate the detection, prevention and deterrence of money laundering and terrorist financing activities
- BCLC is the reporting entity for BC casinos

- The Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) is Canada's financial intelligence unit.
- Its mandate is to facilitate the detection, prevention and deterrence of money laundering and terrorist financing. FINTRAC is not an enforcement agency.
- Casinos are required to report under the Proceeds of Crime (Money Laundering) and Terrorist Financing Act and its associated regulations.
- BCLC is the reporting entity for BC casinos.
- Suspicious Transaction Reports (STRs) – reported when reasonable grounds to suspect that the transaction is related to the commission or attempted commission of a money laundering or terrorist activity financing offence. No dollar amount.
- Large Cash Transactions (LCTs) - \$10,000 or more in cash in the course of a single transaction, or when it receives two or more cash amounts totalling \$10,000 or more made within 24 consecutive hours.
- BCLC is generally meeting FINTRAC requirements, although the most recent FINTRAC audit of BCLC flagged some staff training deficiencies at River Rock. This is consistent with findings in the MNP review.
- FINTRAC requires reporting, but does not require that BCLC or service providers to refuse cash. They actually encourage the reporting as a priority, which has been at odds with our compliance philosophy of an evidence based reduction of the # of STR's being a positive outcome.
- GPEB works closely with FINTRAC, consulting around additional steps the province may take around money laundering (e.g. GPEB shares information with FINTRAC on

trends, vulnerability and upon our consultation acknowledge that FINTRAC supports our establishing a Transaction Assessment Team or TAT).

Provincial Direction to BCLC

- Oct 2015
- 2016/17 Mandate Letter
- 2017/18 Mandate Letter

“...evaluating the source of wealth and source of funds prior to cash acceptance...”

Minister of Finance to BCLC Board Chair

- Aug 2015
- Jan 2016
- July 2016
- May 2017

...establish source of funds prior to cash acceptance.

GPEB GM to BCLC CEO

- As part of Phase 3, the Province has provided specific direction to BCLC about suspicious cash.
- In an October 1, 2015 letter and the 2016/17 fiscal year Mandate Letter, the Minister of Finance provided the following direction to Bud Smith, BCLC board chair:

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...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.

- General Manager (GM) of GPEB sent letters dated August 7, 2015, January 15, 2016, July 14, 2016 and May 8, 2017 to BCLC's CEO emphasizing the need for BCLC to establish the source of funds coming into B.C. gambling facilities, including cash and bank drafts, prior to accepting those funds.
- Through all correspondence, GPEB has emphasized the difference between meeting FINTRAC report requirements and taking action based on the information included in the reports. Emphasis on must go beyond reporting.
- BCLC does not easily acknowledge any vulnerability or accountability for the AML climate in BC casinos. In fact, they challenge current police findings as to validity of

"money laundering" relative to the ongoing investigation. Victimized/Complainant

Joint Illegal Gaming Investigation Team

MANDATE - To address organized crime involvement in illegal gambling and prevent criminals from using B.C. gambling facilities to legalize the proceeds of crime.

AREAS OF FOCUS:

- Organized crime involvement in illegal gambling and money laundering in casinos
- Public education

STATUS:

- Arrests announced June 13, 2017
- Investigations into illegal gaming and money laundering in BC casinos ongoing

- A significant milestone for GPEB was that JIGIT was formed on our recommendation and from our ongoing monitoring of SCTs.
- JIGIT's mandate is to address organized crime involvement in illegal gambling and prevent criminals from using B.C. gambling facilities to legalize the proceeds of crime.
- Made up of two operational teams consisting of 22 law enforcement personnel and four investigators and a manager from GPEB.
- Housed in the Combined Forces Special Enforcement Unit of British Columbia (CFSEU-BC) - province's co-ordinated response to violent organized crime and gangs as well as their associates. *JIGIT difference + we knew it.*
- JIGIT has access to significant anti-gang and organized crime resources that allow them to disrupt and suppress illegal activity right across the province.
- CFSEU-BC is required to provide the Ministry of Attorney General and the Ministry of Public Safety and Solicitor General (PSSG) with quarterly financial reporting and bi-annual performance reporting. The performance report will outline the efforts and successes of JIGIT and include gaming specific outcomes. CFSEU-BC reporting that is of a sensitive nature will only be provided to the Director of Police Services, PSSG.
- JIGIT focuses primarily on organized crime and criminal gang involvement in illegal gambling and money-laundering. Has it brought value for the public funding. Yes, as GPEB is confident that significant charges with a strong likelihood of conviction will result. Project E-Nationalize. Police would provide a briefing if requested. Done in one year, up an running and a major project. Not common in policing.
- This change of working on issues inside casinos reflects GPEB's move to a more risk-based approach, focusing on high-risk organized crime involvement in gambling.

- **JIGIT also has a public education component aimed at increasing awareness of how to identify and report illegal gambling.**

JIGIT Funding

- The total budget for JIGIT is \$4.3 million per year:
 - \$3.0 million annually provincial share (70%)
 - \$1.3 million annually federal share (30%)
- Five year mandate, provincial funding committed for three years.
- Funding for the final two years of JIGIT's mandate (2019/20 and 2020/21) requires a Treasury Board decision.
- BCLC provided this funding under the direction of its 2016/17 mandate letter. This funding is restricted to use for JIGIT purposes.

The province is engaged in a master agreement concerning the provision of policing services by the RCMP in British Columbia. Generally, the contract provides policing services on the basis of 70 per cent of the costs being assumed by the province, and 30 per cent of the costs being assumed by the Government of Canada. JIGIT is funded under this model. The current forecast of the **provincial share** of the total JIGIT budget, on a full year, ongoing basis are:

- \$1.8 million in fiscal year 2016/17;
- \$3.0 million in fiscal years 2017/18 and 18/19;
- \$3.1 million in fiscal year 2019/20
- \$3.1 million in fiscal year 2020/21

When JIGIT was established, funding was confirmed for 3-years consistent with the government fiscal planning cycle. It is expected that the final two years of JIGITs funding will be materially similar to the first 3 years, meaning a provincial commitment of approximately \$3.1 million annually for the remaining two years.

All provincial funds committed to JIGIT are restricted; no provincial funds allocated to JIGIT can be used for any other purpose. All funds would be directed towards maintaining investigations consistent with the three service agreements that will establish JIGIT. This is preferable to a general funding model in which revenues are used for a wide-variety of enforcement initiatives.

GPEB Intelligence Unit

MANDATE - To provide stakeholders, management, executive and government with situational awareness of threats to the integrity of gambling.

Shares intelligence with:

- RCMP
- Vancouver PD
- International law enforcement agencies

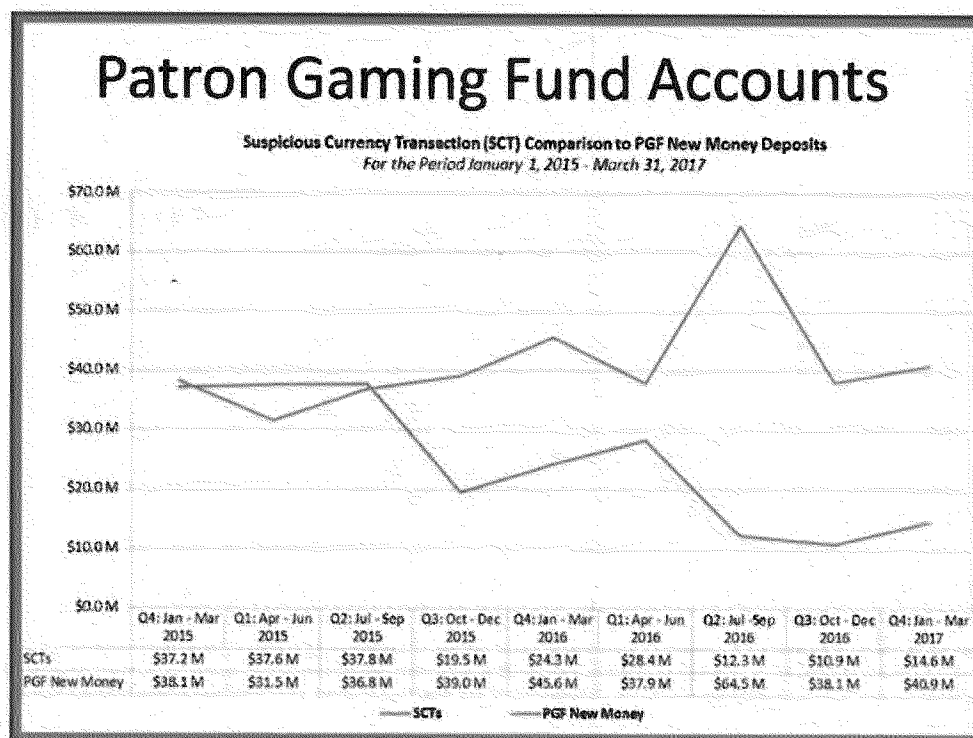
Compliance and Enforcement Secretariat – leads to better communication on mutual challenges

GPEB Intelligence Unit

- GPEB's Intelligence Unit, made up of a manager and senior field intelligence officer, commenced work in May 2016. The unit's mandate is to provide stakeholders, management, executive and government with situational awareness of threats to the integrity of gambling.
- The unit conducts the intelligence function by working with local, regional, national and international law enforcement, security and intelligence agencies.
- The unit, through its collaborative work with other law enforcement organizations, including the RCMP, Vancouver Police Department and international law enforcement agencies, have reason to believe that known Asian organized crime networks linked to transnational organized crime groups are using the proceeds of crime to facilitate patrons' cash buy-ins in BC casinos. (comment that Minister was correct in his assessment).
- Org Crime presence in and around BC casinos presents a viable threat to public safety. GPEB's Intelligence Unit has shared intelligence with federal, provincial and municipal law enforcement agencies, providing situational awareness about the extent of the presence of organized crime and well as contributing to active investigations related to BC's gambling industry.
- The Government Compliance and Enforcement Secretariat has identified a shared need for open source intelligence and is looking to roll out an open source pilot program with interested organizations jointly contributing resources for two open source intelligence analyst positions. GPEB Intelligence has volunteered to be the lead.
- GPEB is proposing that the positions be housed within our Intelligence unit which has

an established infrastructure and provide synergy with other public sector groups' intelligence needs and also allow us to build on and expand the deliverables of our Intelligence function.

* - unusual vs. suspicious language



- As mentioned the amount of suspicious cash entering B.C. casinos has declined, the amount of new money entering through Patron Gaming Fund (PGF) accounts has increased and virtually all of this “new money” is deposited through bank drafts.
- Note that “new money” does not include “churn” which is money withdrawn by a patron and then re-deposited to their PGF account after a period of continuous play.
- Some measures implemented by BCLC and service providers have led to a shift from cash to PGF accounts (e.g. source of funds questionnaires and source of funds directives where patrons are barred from using unsourced cash).
- The increased use of PGF Accounts is generally positive, **but**:
 1. Majority of deposits are bank drafts accepted without knowing whether the funds are coming from the PGF account holder’s own bank account (service providers ask patron to confirm that bank draft comes from their own account, but no verification). SAS does not help in that regard.
 2. CDD being conducted for some high-activity account holders is not sufficient, many are the same individuals who were responsible for high volumes of unsourced cash. Students/ housewives/ cash from safety deposit or my bank account but not what bank and what safety deposit box. BCLC and service providers don’t want to intrude on customer privacy.
 3. JIGIT investigating PGF account holders and recent evidence validates a significant GPEB/law enforcement concern around bank drafts, including

whether the patron actually has a bank account in Canada. One case \$175,000 first TAT test case, referral to CFO. Bank drafts blank and obtained from car near Costco.

Data Source: PGF data is obtained from service provider PGF trust ledgers.

Note: SCT is approximate

BCLC Response

BCLC is generally meeting FINTRAC reporting requirements but GPEB requires more

BCLC also advised of changes made in 2016:

1. Increased AML staffing
2. Enhanced customer monitoring
3. Updated and enhanced Information Sharing Agreements with RCMP
4. Increased source of wealth / funds inquiries

BCLC has responded by repeatedly advising that they are meeting FINTRAC reporting requirements (note that the most recent FINTRAC audit flagged some training issues at River Rock), *but* direction from GPEB sets expectation for them to go further with respect to establishing source of funds *prior* to cash acceptance and customer due diligence, particularly for PGF account holders. They hold out that they are leaders in AML initiative and a gold standard by FINTRAC.

- Cash buy-ins are smaller but still occurring when all common indicators of money laundering are present (e.g. cash deliver, bills wrapped in elastics).

BCLC also advised that it made a number of enhancements to its AML program in 2016, including:

- restructuring of BCLC's investigative and AML departments to increase the staff resources dedicated to AML;
- creation of new AML analytical capability and enhanced customer ongoing monitoring;
- updated and enhanced Information Sharing Agreement (ISA) with the RCMP to better support JIGIT; and
- increased capabilities in regard to source of wealth and source of funds inquiries flowing from improved information sharing with law enforcement. Scope creep wanting to be in the game of enforcement.

GPEB is not aware of the degree to which SAS has been implemented, Minister James in QP asked about SAS in 2016, however it has only recently been activated. Not a

criminal intelligence tool it is a business tool. Huge difference. Other Provinces don't use/have.

Next Steps for AML Strategy

- Ongoing work of JIGIT
- Monitoring of cash alternatives
- Increased training and money laundering analysis capacity of Intelligence Unit
- Transaction Assessment Team –early intervention field team
- Trust and verify
 - Implement robust source of funds controls

Going forward, the AML strategy will require a sustained effort that includes:

- Ongoing support of the work being conducted by JIGIT;
 - GPEB has asked JIGIT what additional steps could be taken to combat illegal activity around gambling. JIGIT has told GPEB to wait while investigations are ongoing and will make recommendations in future. GPEB will take action or instruct BCLC / service providers to take further action.
- Ongoing monitoring of cash alternatives (e.g. PGF accounts, electronic fund transfers, source of funds, any extension of credit);
- Ongoing work by GPEB's Intelligence Unit to ensure responsiveness to criminal trends; and
- Exploration and implementation of new AML initiatives, leveraging the resources of JIGIT, GPEB and the BCLC, to combat constantly evolving criminal behaviour. For example, Transaction Assessment Team (TAT), a proposed JIGIT led collaboration that will involve GPEB, BCLC and law enforcement and focus on the collection of intelligence and the investigation of suspicious transactions, potentially resulting in recommendations to BCLC and gambling facility service providers for consideration regarding patron sanctions.
- BCLC and service providers have a concern about TAT and the impact on customers and revenue.
- GPEB training on AML needs to be improved. We need to be at the table of ACAMS, CAMLI, Gaming Summit. Why? BCLC is seen as the voice in BC as we have not been supported in attending these events in the past 4 years.

- Malcolm Sparrow book The Regulatory Craft. Trust and verify. We need to do that.
i.e. Mancini case.

"Unusual vs. suspicious transactions"
Categorized by BCLC.



Know your limit, play within it.

FEB 08 2017

350705

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

Dear Mr. Lightbody

Re: Joint Illegal Gaming Investigation Team

The Ministry of Finance's Gaming Policy Enforcement Branch (GPEB), The Ministry of Public Safety and Solicitor General's (PSSG) Policing and Security Branch (PSB), and the RCMP "E" Division have agreed to the creation of the Joint Illegal Gaming and Investigation Team (JIGIT) within the Combined Forces Special Enforcement Unit B.C. (CFSEU-BC). JIGIT is an initiative to help combat police-reported increases in illegal gambling and to increase investigation into the manner in which funds flow through provincial gambling facilities.

I want to thank you for the financial contribution that the British Columbia Lottery Corporation (BCLC) will make to JIGIT and the continued cooperation between our two organizations on compliance.

PSB and GPEB have entered into a Letter of Understanding, which outlines the purpose, structure, governance, funding, duration, performance reporting, and confidentiality requirements of JIGIT. The Letter of Understanding is confidential in nature and is attached for your reference.

This letter provides for the agreement between BCLC and GPEB regarding performance reporting, financial reporting, confidentiality and public communications, as specified below.

Performance Reporting

GPEB will provide BCLC with bi-annual performance information based on reporting received from CFSEU-BC. The report will outline the efforts of JIGIT and include gambling specific metrics.

... /2

Ministry of
 Finance

Gaming Policy and
 Enforcement Branch
 Assistant Deputy
 Minister's office

Mailing Address:
 PO BOX 9202 STN PROV GOVT
 VICTORIA BC V8W 9N1

Location / Courier Address:
 Third Floor, 910 Government Street
 Victoria, BC V8W 1X3

Web: www.gaming.gov.bc.ca

-2-

The report provided to BCLC may include:

- Number of active JIGIT files
- Total number of investigative techniques [investigative efforts against targets (e.g. surveillance, judicial authorizations, warrants, interviews etc.)]
- Total number of police seizures (including a breakdown of what those were and the value)
- Total number of arrests, charges, convictions and dispositions.

Financial Reporting

Financial reporting on JIGIT will be provided to BCLC on a quarterly basis, in a mutually agreeable form, noting the province cannot disclose information that would be detrimental to JIGIT operations or compromise police investigations. I understand discussions are underway between our two financial departments to determine what format this reporting will take.

Confidentiality

Any reports generated or produced in connection to JIGIT, including performance reports and financial reports, shall remain confidential unless otherwise agreed to by PSB and GPEB or where required by law or regulatory disclosure requirements.

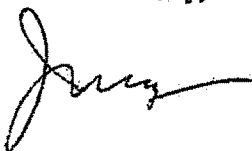
The attached Letter of Understanding between GPEB and PSB must also remain confidential.

Public Communications

External, public-facing communications of JIGIT activities, such as media releases and press conferences, are within CFSEU-BC jurisdiction. The Ministry of Finance and the Ministry of Public Safety and Solicitor General have requested that JIGIT communication of investigative matters pre and post operation be shared by the RCMP with both Ministries as early as possible to the extent advisable by the CFSEU-BC. The Ministry of Finance will ensure that BCLC is briefed on these issues where advisable by the CFSEU-BC.

The attached Letter of Understanding may be amended as required.

Yours sincerely,



John Mazure
Assistant Deputy Minister and General Manager
Gaming Policy and Enforcement Branch
Ministry of Finance

pc: Mr. Clayton J. D. Pecknold, Assistant Deputy Minister and Director of Police Services
Mr. J.E.L. (Len) Meilleur, Executive Director, Compliance Division
Ms. Amanda Hobson, Vice-President, Chief Financial Officer, Finance and Corporate Services,
BCLC
Mr. Rob Kroeker, Vice-President, Corporate Security and Compliance, BCLC



February 7, 2017
Ref: 515516

John Mazure
Assistant Deputy Minister and General Manager
Gaming Policy and Enforcement Branch
Ministry of Finance
3rd Floor – 910 Government Street
Victoria BC V8W 9J4

Dear Mr. Mazure,

This letter confirms the understanding between the Ministry of Public Safety and Solicitor General (PSSG) and the Ministry of Finance (MoF) regarding the creation, operation and funding of the Joint Illegal Gaming Investigation Team (JIGIT).

I. Purpose and Intent

The MoF's Gaming Policy and Enforcement Branch (GPEB) identified an increase in illegal gambling activities and the possible legitimization of the proceeds of crime through B.C.'s provincial gaming facilities. This finding is supported by information and intelligence from police. This evidence suggests that organized crime may be "laundering" money in both provincial gaming facilities and through illegal gambling means.

GPEB, PSSG's Policing and Security Branch (PSB), and the RCMP "E" Division have agreed to the creation of JIGIT as an initiative to help combat police-reported increases in illegal gaming and to increase investigation into the manner in which funds flow through provincial gambling facilities and illegal gaming activities.

From within the Combined Forces Special Enforcement Unit – British Columbia (CFSEU-BC), JIGIT will provide a dedicated, coordinated, multi-jurisdictional investigative and enforcement response to unlawful activities within B.C. gaming facilities (with an emphasis on anti-money laundering strategies) and illegal gambling in B.C. (with an emphasis on organized crime).

JIGIT will have three key strategic objectives:

- The targeting and disruption of organized crime and gang involvement in illegal gaming;
- Criminal investigation of illegal gambling activities; and
- The prevention of criminal attempts to legalize the proceeds of crime through gaming facilities.

JIGIT will have a further strategic objective of a public education function with respect to the identification and reporting of illegal gambling in B.C. in collaboration with its provincial partners.

Ministry of Public Safety and
Solicitor General

Policing and Security Branch

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Website: www.gov.bc.ca/pseg

JIGIT will also educate and advise local police of jurisdiction on organized crime matters involving gaming.

2. Organizational Structure

At full capacity, JIGIT will be comprised of two operational teams (22 law enforcement positions) located within CFSEU-BC at the RCMP "E" Division Headquarters, in Surrey BC.

JIGIT will be staffed in two stages. The first stage will consist of nine positions filled during the first year of operation (2016/17). The second stage will consist of the remaining 13 positions filled during the second year of operation (2017/18). Police investigators will be drawn from federal, provincial and municipal agencies.

Five GPEB personnel, appointed as investigators under the *Gaming Control Act* (GCA) will act as subject-matter-experts within JIGIT. The scope of duties of these GPEB investigators is limited by what is legally permissible under their SPC appointments under the *Police Act*. The selection of GPEB investigators for JIGIT will be done in consultation with CFSEU-BC. Funding for these positions will remain the responsibility of GPEB.

The British Columbia Lottery Corporation (BCLC) is statutorily required to gather and report information to the General Manager of GPEB in respect of investigations related to the integrity of lottery schemes, including reporting on occurrences where the conduct, activity or incidents in, around or related to provincial gaming involves the commission of an offence under the *Criminal Code* or the *Gaming Control Act*. This letter does not change these reporting obligations. This letter of understanding has no impact on the current relationship between BCLC and the police of jurisdiction.

3. Governance

Operational governance over JIGIT will be the responsibility of the CFSEU-BC Board of Governance. The mandate of the Board of Governance includes strategic-level governance and provides a process to make certain that all teams including JIGIT are targeting organized crime and gang involvement in illegal gaming in British Columbia. Given that governance is the responsibility of the CFSEU-BC Board of Governance, any issues of concern that GPEB may have regarding JIGIT will need to be raised through the Director of Police Services who will consider them and bring them forward to the Board where deemed appropriate.

Within the strategic-level governance, the Board's responsibilities include reviewing and approving operational plans which are submitted prior to beginning an investigation, and the setting of unit performance measurements and outcomes. This includes financial and budget oversight.

Internally in the case of JIGIT, the Chief Officer of CFSEU-BC will be utilizing existing accountability mechanisms currently in place to monitor, assess, and provide quarterly reporting on the actions of JIGIT to the Board. CFSEU-BC also provides performance accounts to the RCMP "E" Division Investigative Services and Organized Crime (ISOC) bi-annual report as well as the bi-annual BC RCMP Performance Plan. The activities of the new operational teams will form an additional chapter to the current reporting requirements.

4. Funding Structure

Funding for JIGIT will be provided by BCLC via the Ministry of Finance for the first three years of the Team's current mandate. The Ministry of Finance will submit a quarterly invoice to BCLC and upon receipt of funds, journal voucher the proceeds to the Ministry of Public Safety and Solicitor General. Funding for JIGIT for the first three years of the agreement is as follows:

- 2016/17 - \$1.8 million
- 2017/18 - \$3.0 million
- 2018/19 - \$3.0 million

This provincial funding is 70 per cent under the Provincial Police Service Agreement (PPSA) with the federal government providing the remaining 30 percent. All funds provided for JIGIT will be fenced, meaning they are fully committed to the unit and its agreed mandate and will not be used for any other purpose.

Some extraordinary costs related to ongoing investigations have been included in the budget. This includes costs for wiretap, surveillance and document management related to the prosecution of complex investigations. There is no reasonable methodology to predict the totality of these costs, as they are situation specific to each investigation. In special circumstances should a more complex investigation require investigative costs above and beyond what has been budgeted for, CFSEU-BC would approach and seek approval from all interested parties to enter into extraordinary cost recovery agreements. Timely approvals would be required to take advantage of appropriate investigational techniques.

On a quarterly basis, the RCMP will report to PSSG and MoF on the estimated cost of JIGIT. These reports will be monitored by our two ministries. Discussions will occur if costs are forecasted to go over the set budgets and corrective action will be taken to ensure overall annual funding amounts are not exceeded.

As final costs for each fiscal year will not be known by March 31, the RCMP will provide a detailed reconciliation in the following months. Any differences from this reconciliation will be adjusted in the following fiscal year's funding. The RCMP will provide advice about predicted costs for the final period of the year, based on the information available at the time. This information will be received by the second week of April each year in order to facilitate proper accounting of accounts by the MoF.

The funding levels for the remaining two years of this agreement will be determined at a later date between MoF and PSSG, in consultation with the RCMP. It is expected that the funding structure for the final two years will be materially similar to the established three years, and that any difference will be incremental, and communicated in advance.

5. Duration

The agreement will remain in force for a period of five years, from April 1, 2016 to March 31, 2021.

A review will be undertaken by PSSG, MoF and the RCMP / CFSEU-BC late in year two to determine if JIGIT will continue beyond this five year mandate. Another review would take place in the fourth year of operation to determine whether JIGIT should continue to deliver on its mandate

after year five. Terms of the review will be established through consultation and agreement between the parties.

If it is determined that JIGIT will continue beyond the five year mandate, MoF and PSSG commit to enter into discussions before the end of fiscal 2017/18 to either extend this agreement, or draft a new agreement.

If it is determined that JIGIT will not continue beyond the five year mandate, MoF and PSSG agree to the following:

- A period of time following the term of this agreement may be needed to allow investigators to wind down and conclude their investigations already underway;
- In the last September before this agreement ends JIGIT will provide an estimate of the wind down time required, based on the information then-available;
- Any judicial proceedings already in progress at the end of the five year period will continue beyond the term;
- Any costs related to any of the above activities will be payable by MoF, as per the terms of the agreement.

6. Performance and Reporting

CFSEU-BC will provide both PSSG and GPEB with a JIGIT bi-annual performance outcomes report. The report will outline the efforts and successes of JIGIT and include gaming specific outcomes. CFSEU-BC reporting that is of a sensitive nature will only be provided to the Director of Police Services.

The performance outcomes report will also include an impact assessment of how the outcomes have impacted the criminal networks targeted. While not an indication of performance, this impact assessment will contribute to the overall picture of JIGIT's impact on organized criminal networks involved in illegal and legal gaming.

The General Manager of Gaming will provide quarterly, and as needed, briefings to MoF officials on JIGIT efforts.

In addition to the bi-annual outcomes report, CFSEU-BC will provide MoF and PSSG with quarterly financial reporting. The format of these reports (quarterly financial and bi-annual performance) will follow the current best practices in place and, at the request of MoF/PSSG, may be refined to better suit MoF and/or PSSG's needs over time.

7. Confidentiality


Terms of the agreement shall be confidential with the following exceptions: (1) each Participant may disclose the same on a "need to know" basis to their agents, advisors, consultants, directors, officers, contractors, affiliates and such other persons as may reasonably be required, and (2) the Participants may disclose the information as required by law or in connection with any regulatory disclosure requirements which must be satisfied in connection with JIGIT.

The Participants agree that any documents or reports generated or produced in connection to this agreement shall remain confidential unless otherwise agreed to by both Participants or where disclosure is required by law or regulatory disclosure requirements.

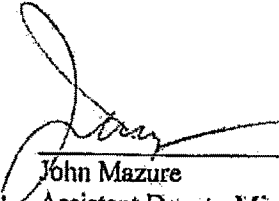
8. General

All external, public-facing communications of JIGIT activities, such as media releases and press conferences, are within CFSEU-BC jurisdiction. When JIGIT determines it is necessary and appropriate to brief PSSG and MoF on pending public announcements, PSSG and MoF will initiate a reporting protocol. This protocol will include briefing the Deputy Ministers of Finance and PSSG, and if needed, the Minister of Finance and Minister of PSSG.

Yours truly,



Clayton J. D. Pecknold
Assistant Deputy Minister and Director of Police Services
Policing and Security Branch
Ministry of Public Safety and Solicitor General



John Mazure
Assistant Deputy Minister and General Manager
Gaming Policy and Enforcement Branch
Ministry of Finance

pc: Ms. Tonia Enger, Executive Director and Deputy Director, Policing and Security Branch
Ms. Alana Best, Executive Director, Policing, Security, and Law Enforcement Infrastructure and Finance
Mr. J.E.L. (Len) Meilleur, Executive Director, Compliance Division, Gaming Policy Enforcement Branch



JAN 30 2017

355016

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

Dear Mr. Smith:

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 with police to combat illegal activities in gaming facilities in our province. The purpose of this letter is to provide you with direction on funding the Joint Illegal Gaming Investigation Team (JIGIT) over its five-year mandate.

Funding for JIGIT will be provided by BCLC via the Ministry of Finance for the first three years of the Team's current mandate. The agreed-upon funding level for JIGIT for the first three years of the Team's mandate are as follows:

- 2016/17 - \$1.8 million
- 2017/18 - \$3.0 million
- 2018/19 - \$3.0 million

The Comprehensive Cost Ratio target for BCLC was adjusted to reflect this funding.

The funding levels for the remaining two years of the Team's mandate will be determined at a later date, but are expected to be materially similar to the 2018/19 level.

All funds provided for JIGIT will be fully committed to the unit and will only be used to fund JIGIT operations and no other police purpose. This direction is codified in an agreement between the Ministry of Finance and the Ministry of Public Safety and Solicitor General (PSSG).

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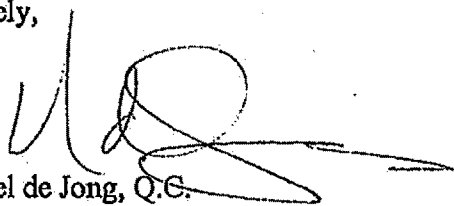
- 2 -

From time to time because of the team's mandate, extraordinary costs may arise. These will be communicated by the RCMP in advance to PSSG and the Assistant Deputy Minister, Gaming Policy and Enforcement Branch (GPEB). It is expected that GPEB will bring forward a Treasury Board Submission to address these costs with funding options including BCLC funding some or all of these extraordinary costs. GPEB will communicate any special investigative costs, regardless of the prospective funding mechanism, to you as soon as the Branch becomes aware of them, and will engage with you as appropriate throughout the process of securing funding.

Financial reporting will be provided to BCLC on a quarterly basis, in a mutually agreeable form, noting that the province cannot disclose information that would be detrimental to JIGIT operations or compromise police investigations.

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

Sincerely,



Michael de Jong, Q.C.
Minister

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

Ministry of Finance
BRIEFING DOCUMENT

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

Date Requested: Nov. 23, 2016
Date Required: Nov. 29, 2016

Initiated by: John Mazure

Date Prepared: Nov. 28, 2016

Ministry Contact: John Mazure
Assistant Deputy Minister
Gaming Policy and
Enforcement Branch

Phone Number: [REDACTED]

Email: [REDACTED]
355016

TITLE: Letter to the British Columbia Lottery Corporation regarding the funding of the
Joint Illegal Gaming Investigation Team

PURPOSE:

DECISION REQUIRED

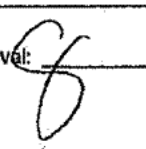
COMMENTS:

The Minister's approval and signature on the attached letter to BCLC Board Chair, Bud Smith, is required as soon as possible to enable the flow of funds from BCLC to the Ministry of Finance to fund the Joint Illegal Gaming Investigation Team (JIGIT). This letter should be signed in advance of December 13th when the Minister is scheduled to attend a joint press conference on JIGIT with the Minister of Public Safety and Solicitor General.

Executive Director approval: _____

ADM approval: _____

Associate DM approval: _____



DATE PREPARED: November 28, 2016

TITLE: Letter for the funding of the Joint Illegal Gaming Investigation Team to the British Columbia Lottery Corporation

ISSUE:

The Minister's approval and signature on the attached letter to BCLC Board Chair, Bud Smith, are required to enable flow of funds from BCLC to the Ministry of Finance to fund the Joint Illegal Gaming Investigation Team (JIGIT). This letter should be signed in advance of December 13th when the Minister is scheduled to attend a joint press conference on JIGIT with the Minister of Public Safety and Solicitor General.

BACKGROUND:

December 13th Press Conference

- On December 13, 2016, the Minister is scheduled to provide an update to the public on JIGIT at a press conference held at RCMP 'E' Division headquarters at Green Timbers. Minister of Public Safety and Solicitor General, Mike Morris, will also attend the press conference to provide a public update on the Office of the Crime Reduction.

Establishment and Funding of JIGIT

- The Minister of Finance, the Minister of Public Safety and Solicitor General and the chief operating officer of the Combined Forces Special Enforcement Unit of B.C. (CFSEU-BC) announced the creation of the Province's Joint Illegal Gaming Investigation Team (JIGIT) on April 11, 2016.
- JIGIT's five-year mandate is to disrupt organized crime and gang involvement in illegal gaming activities and prevent criminals from using B.C. gaming facilities to legalize the proceeds of crime.
- In March 2016, the Minister of Finance directed the British Columbia Lottery Corporation (BCLC) to fund the provincial share of JIGIT¹ in an in person meeting. The Comprehensive Cost Ratio target for BCLC was adjusted accordingly. BCLC has adjusted expenditure targets and forecast net revenue to reflect this expense through the entire three year financial planning cycle.
- Funding for the joint team is planned for five years, and the unit's effectiveness will be reviewed by the Province and the CFSEU-BC governance board before the agreement is up for renewal after five years.

¹ Funding for the unit will be shared between BC Lottery Corporation (70%) and the federal government through the Provincial Police Service Agreement (30%).

- To date BCLC has not paid out money for JIGIT; however accruals have been properly recorded, such that when agreements are finalized and funding flows, funding will have been recognized as an expense in the proper period.
- The agreed upon funding level for JIGIT for the first three years of the Team's mandate are as follows:
 - 2016/17 - \$1.8 million
 - 2017/18 - \$3.0 million
 - 2018/19 - \$3.0 million

DISCUSSION:

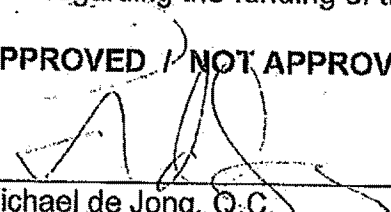
Solicitor Client Privilege

- The attached letter summarizes government's funding expectations of BCLC for the first three years of JIGIT's mandate. The remaining two years will be determined at a later date by the Ministry of Finance and the Ministry of Public Safety and Solicitor General. It is expected that the funding structure will be materially similar.
- The letter includes consideration of extraordinary costs related to JIGIT operations. It notes that BCLC may be asked to contribute to these costs.
- The letter does not provide additional information regarding financial reporting or other matters as this will be provided to BCLC in a letter from the GPEB's general manager.

RECOMMENDATION:

- Approve and sign the attached letter to the British Columbia Lottery Corporation regarding the funding of the Joint Illegal Gaming Investigation Team (Appendix A)

APPROVED / NOT APPROVED



 Michael de Jong, Q.C.
 Minister

Jan. 24, 2017

 Date



OCT 01 2015

345904

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

Dear Mr. Smith:

Re: Anti-Money Laundering Strategy

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

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

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

.../2

Ministry of Finance

Office of the Minister

Mailing Address:
 PO Box 9048 Stn Prov Govt
 Victoria BC V8W 9L2
 Telephone: [REDACTED]
 Facsimile: [REDACTED]

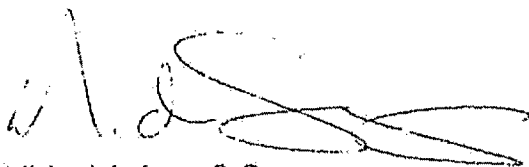
Location:
 501 Belleville Street
 Parliament Buildings, Victoria
 website:
www.gov.bc.ca/fin

- 2 -

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

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

Sincerely,



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.

January 15, 2016

RECEIVED 347194
JAN 20 2016

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

Dear Mr. Lightbody

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

Thank you for your letter of September 16, 2015, regarding the efforts of the British Columbia Lottery Corporation (BCLC) to implement the multi-phased Anti-Money Laundering (AML) Strategy.

Thank you for highlighting BCLC's efforts in pursuing the four activities identified in my letter of August 7, 2015. Again, I wish to acknowledge BCLC's critical role in delivering the AML Strategy and efforts to date.

For clarity, I have set out my responses with respect to each of the four activities I requested in my original letter.

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.*

I appreciate the efforts of the BCLC in tracking and reporting suspicious cash transactions (SCTs). However, I continue to be concerned by the prevalence of SCTs at British Columbia casinos. Further to the letter from the Minister of Finance addressed to Mr. Bud Smith on October 1, 2015, I expect BCLC to implement AML best practices with appropriate consideration of evaluating the source of wealth and source of funds prior to cash acceptance as well as robust CDD policies and KYC requirements. These processes and policies should be based on a sound risk based framework that considers SCTs as one element of the framework. In addition, I may provide further direction after considering the work being undertaken by MNP LLP and the resulting report.

... /2

Ministry of Finance

Gaming Policy and
Enforcement Branch
Assistant Deputy Minister's
Office

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PO BOX 9311 STN PROV GOVT
VICTORIA BC V8W 9N1
Telephone: [REDACTED]
Facsimile: [REDACTED]

Location:
Third Floor, 910 Government Street
Victoria, BC

Web: www.gaming.gov.bc.ca

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.*

As I advised in my letter dated September 1, 2015, Gaming Policy and Enforcement Branch (GPEB) has provided approval in principle for BCLC to further explore the initiatives proposed in "Cash Alternatives in BC Casinos". However, further work is required before GPEB can approve any specific cash alternative initiatives. Specifically, GPEB requires business cases on each of the proposed cash alternatives. These business cases should include detailed analysis of how the initiative will further the AML Strategy as well as a detailed risk assessment of the initiative.

GPEB has assigned a senior policy analyst, Jeff Henderson, to coordinate a review of these business cases and to work directly with Mr. Ross Alderson (BCLC) to ensure that the information that is required for decision making is fulsome and clear. This review may also be informed, where appropriate, by the work being undertaken by MNP LLP.

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.*

To assist in this process, I have enclosed a matrix with this letter that reflects, at a high level, the roles and responsibilities of the police, GPEB and the BCLC with respect to the *Gaming Control Act (GCA)* and the *Criminal Code of Canada (CCC)*. Moving forward, GPEB and BCLC need to ensure their activities are consistent with and adhere to the legislated framework provided. I expect Mr. Rob Kroeker (BCLC) and Mr. Len Meilleur (GPEB) will work together to ensure both organizations understand their roles and responsibilities with respect to compliance and enforcement generally, and in implementing the AML Strategy specifically.

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 propose that our Communications Officer, Niki Pandachuck work with BCLC's communication unit to develop an AML public information and education communication strategy and action plan, incorporating the work on roles and responsibilities noted above. GPEB will also coordinate with Government Communication and Public Engagement (GCPE) to ensure all communications are consistent with GCPE requirements and have been approved by GCPE.

I would also like to address the additional issue you raised in your letter concerning reports of high stakes illegal gaming houses in Richmond. GPEB acknowledges your concern about the impact of these unlawful activities on both the integrity of gaming and revenue generated through lawful gaming.

I would like to assure you that GPEB takes these illegal matters seriously. When gaming service providers or BCLC report matters of concern to GPEB, we work with the appropriate police agencies where there may be criminal matters related to gaming. GPEB is currently exploring opportunities to further strengthen our relationship with relevant police agencies. As a result, it is important that BCLC and its service providers continue to fulfill their obligations under the CCC and GCA and file reports with GPEB and the appropriate police agencies.

I would be happy to discuss any of the above with you further and look forward to further collaboration between GPEB and BCLC in delivering the AML Strategy.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'John Mazure', written in a cursive style.

John Mazure
General Manager
Gaming Policy and Enforcement Branch

Table of Responsibilities and Authorities - GPEB, BCLC, Police Agencies and FinTRAC.

	<i>Status</i>	<i>Gaming Control Act</i>	<i>Criminal Code of Canada</i>	<i>Proceeds of Crime (Money Laundering) Terrorist Financing Act</i>
GPEB	GCA Investigator and/or Auditor upon designation of the general manager. Special Provincial Constable upon appointment by provincial director of police services.	GPEB Investigators have authority to investigate and to issue violation tickets in relation to offences under the GCA	Authority to investigate and enforce provisions of the CC, but these would be restricted to gaming matters or matters which impact the integrity of gaming. GPEB must notify local police when doing so.	No authority or responsibilities
BCLC	No peace officer status	BCLC has the authority to investigate matters related to corporate operations. Monitor compliance of gaming services providers. Monitor operation of provincial gaming or horse racing and the associated premises and facilities. Right to refuse entry. Conduct due diligence investigations in relation to assisting reporting requirement of PCMLFTA.	Authority to investigate matters related to corporate operations. General non-peace officer powers of arrest and protection of property.	Designated reporting entity responsible for anti-money laundering regime at casinos in the province.
Police	Police Officer	Can investigate and issue violation tickets in relation to the GCA.	Full jurisdictional enforcement authority. Can make arrests, issue appearance notices, recommend charges, etc.	Jurisdiction to investigate and enforce laws related to money laundering and proceeds of crime.
FinTRAC	Financial Intelligence Unit	N/A	N/A	Responsible for receiving and analyzing information from reporting entities, making disclosures to police on money laundering offences, and regulating and auditing reporting entities.



Know your limit, play within it.

August 7, 2015

[345004]

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

Dear Mr. Lightbody

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

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

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

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

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

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

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

Ministry of Finance

Gaming Policy and
 Enforcement Branch
 Assistant Deputy Minister's
 Office

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

Location:
 Third Floor, 910 Government Street
 Victoria, BC

Web: www.gaming.gov.bc.ca

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

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

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

Yours sincerely,



John Mazure
General Manager
Gaming Policy and Enforcement Branch

September 16, 2015

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

Attention: **John Mazure**
General Manager



Dear John:

Re: Anti-Money Laundering Regime Enhancements

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

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

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

The first activity you suggest is:

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

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

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

74 West Seymour Street
Kamloops, BC V2C 1E2

2940 Virtual Way
Vancouver, BC V5M 0A6

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

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

The second suggestion you provide is:

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

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

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

The third suggestion you make is:

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

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

Your fourth and final suggestion is:


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

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

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

I look forward to the continuation of our collaborative efforts.

Yours truly,


Jim Lightbody
President & CEO

cc: File

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

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

5. Ongoing Monitoring of Business Relationship and Related Records

Business relationship

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

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

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

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

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

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

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

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

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

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

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

Once the business relationship is established, you must also:

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

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Ongoing monitoring

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

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

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

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

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

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

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

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

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



Know your limit, play within it.

May 8, 2017

358450

Jim Lightbody
 CEO and President
 British Columbia Lottery Corporation
 2940 Virtual Way
 Vancouver, B.C. V5M 0A6

Dear Mr. Lightbody

Re: Source of Funds in B.C. Gambling Facilities

I am writing concerning the source of funds coming into B.C. gambling facilities and to follow-up on my July 14, 2016 letter to you. My previous letter included a reminder of the expectations of the province with respect to the British Columbia Lottery Corporation (BCLC) establishing patron's source of funds in B.C. gambling facilities. This expectation was set out in an October 1, 2015 letter from the Minister of Finance to Bud Smith, BCLC board chair, which included the following direction:

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... 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.

My letter of July 14, 2016 also included the suggestion that BCLC should consider not accepting funds where the source of the funds cannot be determined or verified. The letter also provided examples of how such a policy could be implemented.

The Gaming Policy and Enforcement Branch (GPEB) has noted a downward trend in the total dollar value of cash entering B.C. gambling facilities through suspicious transactions. According to GPEB's data, suspicious cash transactions, which are based on reports provided to GPEB by service providers in accordance with section 86 of the *Gaming Control Act*, have declined from approximately \$177 million in 2014 to \$132 million in 2015 and to \$72 million in 2016. This is a significant reduction and reflects the actions taken to date by BCLC to reduce suspicious cash. However, \$72 million is still a significant amount of suspicious cash.

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Ministry of
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GPEB remains concerned by both the large volume of un sourced cash that continues to enter B.C. gambling facilities and the circumstances under which the cash was accepted as detailed in the section 86 reports. The following information was taken from section 86 reports during December 2016:

- Approximately \$2.3 million of the \$3.8 million accepted were \$20 bills, often bundled in elastic bands,
- 13 incidents in which cash was observed to be delivered to patrons by a third party; and,
- Of 124 suspicious cash transactions from December 2016, service providers refused the transaction on only four occasions.

As the amount of suspicious cash entering gambling facilities has decreased, the deposit of new funds into Patron Gaming Fund (PGF) accounts has increased (from approximately \$145 million in new money in 2015 to \$186 million in new money in 2016). The shift from cash to non-cash alternatives is a key component of the provincial Anti-Money Laundering (AML) Strategy and the increased use of PGF accounts is encouraging.

However, GPEB has some new concerns with the potential risks presented through PGF accounts. Bank drafts account for virtually all of the new money deposited into PGF accounts (\$185 of \$186 million in 2016) and, as the funds cannot always be attributed to the patron's own bank account, they can present similar risks to un sourced cash. As a result, it is particularly important that the customer due diligence (CDD) being conducted for PGF account holders, both at the point of account opening and through ongoing account monitoring, aligns with the potential risk.

GPEB has worked with the Joint Illegal Gaming Investigation Team (JIGIT) to develop a new initiative to help address the risks presented by both cash and PGF account transactions. The Transaction Assessment Team (TAT) is a proposed JIGIT led collaboration that will involve GPEB, BCLC and law enforcement and focus on the collection of intelligence and investigation of suspicious transactions. These investigations may result in recommendations to BCLC and gambling facility service providers for consideration regarding patron sanctions.

BCLC's 2017/18 mandate letter from the Minister of Finance includes direction for BCLC to take the following actions in continuing to support government in the implementation of its AML Strategy and mitigation of related illegal activities:

- *Undertake activities to ensure the Corporation's compliance regime is focused on preserving the integrity and reputation of B.C.'s gaming industry in the public interest;*
- *Work collaboratively with GPEB to determine and implement measures that effectively combat money laundering and illegal activities in BC gambling facilities;*
- *Collecting and sharing information and data with GPEB that supports measures to address money laundering in B.C. gaming facilities, illegal gaming in the province, and JIGIT operations; and*
- *Enhancing AML best practices with appropriate consideration of evaluating source of funds prior to cash acceptance within a risk-based framework.*

I would like to acknowledge the work that BCLC has done to reduce the acceptance of unsourced cash and shift patrons to non-cash alternatives. Despite this good work, further action is still required to mitigate the risk presented by the proceeds of crime entering B.C. gambling facilities. This risk is not limited to unsourced cash or bank draft deposits into PGF accounts. It is important that the provincial AML Strategy continues to evolve to address any new risk of the proceeds of crime entering B.C. gambling facilities and undermining the integrity of B.C.'s gambling industry.

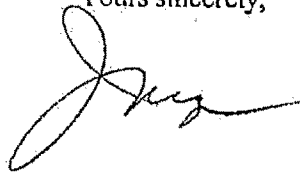
I am interested in receiving an update on how BCLC's de-segmentation process is progressing through the implementation of the SAS tool which was described by BCLC as a new AML information technology system used to streamline processes to meet the new FINTRAC requirements. Expected results were to include increased capacity, improved accuracy, better reporting and identification of high-risk persons, and the ability to highlight patterns of activity using data analytics.

The need for a sustained effort to mitigate risk is consistent with BCLC's 2017/18 mandate letter, specifically the direction by the Minister to undertake activities to ensure BCLC's compliance regime is focused on preserving the integrity and reputation of B.C.'s gambling industry in the public interest.

To maintain a sustained effort in risk mitigation, I expect BCLC, GPEB and law enforcement to work collaboratively and proactively to determine and implement appropriate and specific measures that effectively keep proceeds of crime out of B.C. gambling facilities. The proposed TAT provides an opportunity for this type of collaboration.

I trust that BCLC will continue to work together with GPEB to maintain the sustained effort required to support the provincial AML strategy and protect the integrity of gambling in B.C.

Yours sincerely,



John Mazure
Assistant Deputy Minister and General Manager
Gaming Policy and Enforcement Branch
Ministry of Finance

CC:

Cheryl Wenzelki-Yolland, Associate Deputy Minister

THE UNIVERSITY OF MICHIGAN LIBRARY



Know your limit, play within it.

September 1, 2015

(344887)

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

Dear Jim:

Thank you for providing the Gaming Policy and Enforcement Branch (GPEB) with BCLC's submission titled, "*Cash Alternatives in BC Casinos.*" This document dated, April 2015 which was originally sent to our Compliance Division was in turn referred to GPEB's Strategic Policy and Projects Division. They reviewed the document's three proposed policy changes which are:

- 1) To allow cash deposits into PGF accounts at the initial account opening and for subsequent deposits for VVIP's;
- 2) To allow VVIP's to receive the full amount of cash outs via convenience cheque, without a weekly cheque issuance limit; and
- 3) To allow PGF overdraft privileges, at no cost, to VVIP's who meet specific criteria.

My recent letter of August 7, 2015 titled "*Enhancements to Anti-Money Laundering Regime in BC Gaming Facilities*" outlines four activities that BCLC is requested to expand upon in order to enhance the AML regime. One of these included BCLC's need to develop and implement additional CDD policies and practices which are constructed around financial industry standards. This would include robust Know Your Customer (KYC) requirements with a focus on source of wealth and funds as being integral to the overall risk assessment process.

GPEB provided an approval in principle for BCLC to continue with these proposed changes but with a caveat that more detail of the risks both pro and con was required by GPEB. Mr. Ross Alderson was working with Michele Jaggi-Smith on the type of information required.

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Ministry of Finance

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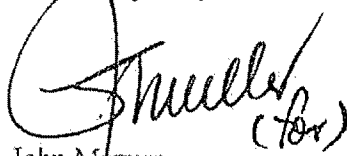
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It is my understanding that BCLC is drafting a response to my letter of August 7, 2015. Once that proposal is received it will be examined to determine if the recommendations align with GPEB's expectations in terms of enhanced Customer Due Diligence (CDD) and KYC. It is at that time that GPEB will consider all proposed initiative including the a/n cash alternatives.

I wanted to ensure that you were advised as to the status of the April request. Please contact us if you if you require further clarification or have any questions.

Sincerely yours,



(for)

John Mizure
Assistant Deputy Minister

Appendix A: BCLC Corporate Security & Compliance, April 2015. "Cash Alternatives in BC Casinos"

Appendix B: General Manager of Gaming, August 2015. "Enhancements to Anti-Money Laundering Regime in BC Gaming Facilities"

Appendix A: BCLC Corporate Security & Compliance, April 2015. "Cash Alternatives in BC Casinos"

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Know your limit, play within it.

July 14, 2016

351679

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

Dear Mr. Lightbody,

Re: Cash Alternative Proposals and Source of Funds

This letter is in response to the two policy documents proposing cash alternatives that were submitted to the Gaming Policy and Enforcement Branch (GPEB) on April 20, 2015 by Ross Alderson of the B.C. Lottery Corporation (BCLC).

Thank you for sharing these documents and I appreciate the work BCLC has undertaken in preparing these proposals. While there is no requirement for BCLC to seek GPEB approval of these specific proposals in and of themselves, I appreciate the opportunity to review them and provide comment in the broader context of government's anti-money laundering (AML) efforts. Indeed, BCLC has appropriately characterized both proposals as AML initiatives because they provide alternatives to cash entering or leaving gaming facilities. Fundamental to the success of these initiatives and B.C.'s AML Strategy as a whole, however, is the need to evaluate the source of funds and make a risk-based determination of their legitimacy prior to acceptance.

Due diligence on source of funds resulting from the cash alternatives proposed is important to ensure the AML Strategy is not undermined by providing a means to convert illicit funds. In the case of convenience cheques, the conversion would occur upon provision of a convenience cheque by the service provider. In the case of international BFTs, BCLC would be relying primarily on information provided to Canadian institutions from a foreign bank and ultimately the robustness of that country's banking system, their AML legislation and, specifically, that they will investigate source of funds. The Province has previously provided written direction to BCLC to establish the source of funds prior to accepting cash at gaming facilities:

1. **In the 2016/17 mandate letter to BCLC**, the Minister of Finance directed BCLC to provide a quarterly report on implementation of the government's AML Strategy, including "implementation of anti-money laundering compliance best practices with appropriate consideration of evaluating the source of wealth and source of funds prior to cash acceptance within a risk based framework."

Ministry of
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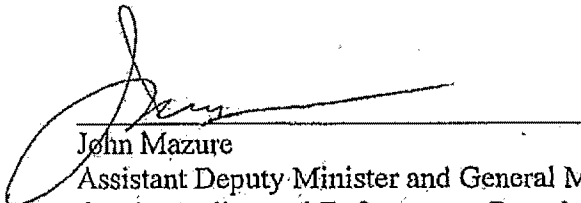
2. **The January 2016 letter from John Mazure, General Manager, GPEB, to Jim Lightbody, CEO and President, BCLC, included the expectation that "BCLC implement AML best practices with appropriate consideration of evaluating source of wealth and source of funds prior to cash acceptance."**
3. **In the October 2015 letter from the Honourable Michael de Jong, Minister of Finance to Bud Smith, BCLC Board Chair, BCLC was directed to take the following action in response to the prevalence of large and suspicious cash transactions: "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."**
4. **The August 2015 letter from John Mazure, General Manager, GPEB, to Jim Lightbody, CEO and President, BCLC, asked BCLC to pursue specific activities related to enhancing the AML Strategy, including: "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..."**

In providing comments to BCLC on the cash alternative proposals, I understand that FINTRAC also emphasized the need to establish source of funds to ensure the proposed cash alternatives do not introduce additional risks with respect to money laundering.

To ensure the Province is taking the steps necessary to eliminate the proceeds of crime from B.C. gaming facilities and to support the AML Strategy and the integrity of gaming in B.C., BCLC should contemplate not accepting funds where the source of those funds cannot be determined or verified, within a risk-based framework. This approach could include, for example, a source of funds questionnaire and a threshold amount over which BCLC would require service providers to refuse to accept unsourced funds, or a maximum number of instances where unsourced funds would be accepted from a patron before refusal.

I trust that BCLC will continue to work with GPEB to support the AML Strategy and the integrity of gaming in B.C. by evaluating source of funds prior to acceptance at gaming facilities.

Yours sincerely,



John Mazure
Assistant Deputy Minister and General Manager
Gaming Policy and Enforcement Branch
Ministry of Finance

September 2, 2015

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

Dear John:

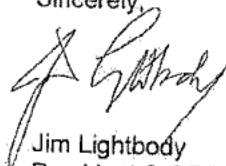
Re: Enhancements to Anti-Money Laundering Regime in B.C. Gaming Facilities

I am writing in response to your letter dated August 7, 2015 requesting that BCLC increase its efforts to develop and promote the use of cash alternatives and implement enhancements to our due diligence and compliance program as part of our anti-money laundering (AML) regime in gaming facilities and your subsequent letter dated September 1st referencing BCLC's April Submission titled "Cash Alternatives in BC Casinos".

BCLC is currently developing a response to these letters and will provide it by September 18. This timing will allow us to include feedback and perspective from our incoming Vice-President of Security and Compliance, Mr. Robert Kroeker, who commences employment with BCLC on September 8, 2015.

The corporation is deeply committed to best practices and continuous improvement to our programs. Since Mr. Kroeker will be overseeing this important aspect of our business going forward, I want to take some additional time to finalize our response with his input.

Sincerely,



Jim Lightbody
President & CEO

cc: Len Meilleur, Executive Director, Compliance

bclc
playing it right

74 West Seymour Street
Kamloops, BC V2C 1E2

2940 Virtual Way
Vancouver, BC V5M 0A6



British Columbia Gaming Policy Enforcement Branch

AML Report

Private & Confidential

PREPARED FOR: Dave Boychuk
Gaming Policy Enforcement Branch
3rd Floor, 910 Government Street
Victoria, BC V8W 1X3

PREPARED BY: MNP LLP
1500, 640 – 5th Avenue SW
Calgary, AB T2P 3G4

DATE: July 26, 2016



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1.0 TERMS OF REFERENCE

- 1.1 MNP was engaged by British Columbia's ("BC") Gaming Policy and Enforcement Branch ("GPEB") on September 8, 2015. MNP was directed to work directly with senior GPEB managers to:
- a. Analyze current practices in respect of source of funds, source of wealth, handling of cash, use of cash alternatives and overall Customer Due Diligence ("CDD") in gaming facilities compared to financial institutions;
 - b. Analyze best practices in the gaming sector in relation to 'know your customer' frameworks, particularly in respect of the regulatory framework in British Columbia, as set out in the Gaming Control Act [S.BC 2002, c. 14];
 - c. Assess British Columbia Lottery Corporation ("BCLC's") Customer Due Diligence ("CDD") regime and overall compliance with the above-noted practices;
 - d. Receive information from the General Manager (as defined in the *Gaming Control Act*) or delegate regarding certain transactions, and assess this information in the context of compliance with a, and b above;
 - e. Identify immediate near term actions to be taken in order to address any gaps and provide recommendations on longer term new solutions or enhancements to current practices; and
 - f. Provide any other recommendations to address any gaps identified in the above-described analysis.
- 1.2 This engagement is not an audit and did not include any control testing. The findings and recommendations are based on information obtained through interviews as well as observations made at the River Rock Casino Resort ("RRCR" or "River Rock") and at BCLC.
- 1.3 We have not independently verified the information provided to us from any source. We reserve the right to review all information included or referred to in our report and, if we consider it necessary, to revise our report in light of any new information which becomes known to us after the date of the report.
- 1.4 Our findings and recommendations are based upon our observations and understanding as at the completion of our field work on January 22, 2016. Actions taken by GPEB, BCLC, or any other party to respond to matters described in our report have not been assessed by MNP.
- 1.5 Our Report is intended to be read in its entirety. We caution against drawing conclusions from any part of our Report in isolation. Our findings are based on procedures performed and information available to us as of the completion of our field work. Instruction to proceed with further analysis and information received subsequent to this date may significantly alter our findings.
- 1.6 The field work, interviews and the corresponding report was prepared independently and objectively by the authors.



2.0 BACKGROUND

- 2.1 The Gaming Policy and Enforcement Branch ("GPEB") Compliance Division compiled a document which identified approximately \$13.5 million in \$20 bills being accepted at RRCR in Richmond during July 2015. Information provided to MNP, containing synopsis details indicated as being sourced from the iTrak system by GPEB, indicated unsourced cash from unknown persons or persons believed to be connected to or participating in illicit activity, was dropped off at the casino or "just-off" casino property for patrons at unusual times, generally late at night. This information caused increased concern and prompted action to be taken by GPEB to review the current practices regarding large volumes of unsourced cash being accepted at RRCR.
- 2.2 Law enforcement intelligence has indicated that this currency may be the direct proceeds of crime. The majority of this cash is being presented by persons commonly referred to as high roller Asian VIP clients. Single cash buy-ins in excess of \$500,000 with no known source of funds have been accepted at RRCR.
- 2.3 GPEB considers the regulatory requirements imposed by the *Gaming Control Act* and the *Federal Proceeds of Crime (Money Laundering) and Terrorist Financing Act* ("PCMLTFA") and its associated regulations to be a minimum standard of conduct. GPEB is mindful of its responsibility for the integrity of gaming including mitigating the risks of money laundering in gaming facilities.
- 2.4 In addition to the regulatory reporting obligations imposed on BCLC by the PCMLTFA in its operation of the casinos in British Columbia ("BC"), GPEB has an interest in reducing the influx of unsourced cash into gaming facilities in BC to protect the integrity of gaming in BC. In our view, this can only be accomplished through the acknowledgement, from all parties, that the proceeds of crime may be being injected into the gaming system despite the controls in place. The reduction of unsourced cash and the expulsion of high risk patrons will contribute to the goal of maintaining the integrity of the gaming system.
- 2.5 In conducting our review we identified that there are three distinct entities in the casino gaming model in BC:
- The Gaming Policy and Enforcement Branch;
 - The British Columbia Lottery Corporation; and
 - The Facility Operator/Service Provider.
- 2.6 GPEB¹ regulates all legal gaming in BC. It ensures the integrity of gaming industry companies, people and equipment, and investigates allegations of wrongdoing. This mandate includes regulatory oversight of BCLC (which conducts and manages lotteries, casinos, community gaming centres and commercial bingo halls), all gaming services providers and gaming workers, BC's horse racing industry and licensed gaming events.

¹ <https://www.gaming.gov.bc.ca/legislation-policies/>

- 2.7 In addition, GPEB is responsible for the following:
- Conducting audits of charitable and commercial gaming activities to ensure compliance;
 - Investigating regulatory offences and providing support to police of local jurisdiction for the investigation of criminal offences connected to gaming facilities²;
 - Managing the Province's Responsible Gambling Strategy including the Problem Gambling Program, in order to minimize harm and promote responsible gambling practices; and
 - Distributing gaming funds to community organizations.
- 2.8 According to the BCLC website³, BCLC is a Crown Corporation, owned by the Province of BC it was established to meet the requirements of the Criminal Code of Canada, and balance the need for revenue generation with a commitment to social responsibility and integrity. In 1998, the Province added casino gambling to this mandate and made BCLC responsible for the operation of the casino industry in BC.
- 2.9 BCLC is responsible for managing the following:
- Setting and overseeing operating standards;
 - Creating policies and procedures for all gambling facilities, including security and surveillance;
 - Monitoring private sector Service Providers to ensure they conform to policies and procedures, to legislation, regulations and federal anti-money laundering laws; and
 - Improving security systems, procedures and employee training programs.
- 2.10 According the BCLC website, Service Providers⁴ are the companies who own and operate BC gambling facilities. They own or lease gambling facilities like casinos and community gaming centers and maintain the facility operations on a day-to-day basis. With respect to gaming, Service Providers enter into operational service agreements with BCLC and earn commissions based on gambling revenues. They must operate in strict adherence to the rules and regulations set out by both BCLC and GPEB.
- 2.11 Service Providers are responsible for:
- Complying with terms of registration and reporting matters as required under the *Gaming Control Act* and *Gaming Control Regulations*;
 - Providing and maintaining facilities;
 - Hiring qualified staff;

² <https://www.gaming.gov.bc.ca/legislation-policies/docs/regulatory-responsibility-gpeb-bclc.pdf>

³ <http://corporate.bclc.com/what-we-do/casinos/our-role.html>

⁴ <http://corporate.bclc.com/what-we-do/casinos/service-providers.html>



- Following BCLC gambling standards, policies and procedures;
- Implementing the anti-money laundering program as prescribed by BCLC;
- Providing and operating surveillance equipment;
- Managing slot machines, table games and bingo games;
- Providing accounting and financial management; and
- Participating in compliance reviews and audits.

2.12 Service Providers are paid a commission based on the net gambling revenue for providing day-to-day services in casinos, community gaming centres and bingo halls. There are two different kinds of commissions:

- An operating commission for operating the facility; and
- A facility development commission which provides incentive for Service Providers to develop high quality facilities.

2.13 The Service Provider implements procedures in response to BCLC's policies, however, as the profit of the operator would be adversely impacted by implementing any control procedures that may reduce revenue, there is an inherent risk that the implemented procedures are designed to meet minimum regulatory requirements. Any guidance from the Province on the reduction of bulk cash will need to be implemented through additional policy from BCLC.



3.0 SCOPE OF REVIEW, APPROACH AND LIMITATIONS

3.1 MNP relied on the following documents and information sources for reference throughout the engagement:

- Background documents provided by GPEB related to the subject matter;
- BCLC organizational charts (November 2015);
- RRCR organizational charts (November 26, 2015);
- BCLC Policies and Procedures (2015);
- BCLC internal procedure documents (2015);
- Data extracts regarding regulatory reports filed between September 1, 2013 and August 31, 2015;
- Website information from BCLC;
- *Gaming Control Act BC*; and
- *PCMLTFA and Regulations*.

3.2 To obtain independent information on the current regime and the prevalence of bulk cash, MNP conducted a total of 23 interviews with employees and management of both RRCR and BCLC. These interviews, with the exception of one conducted with senior management of BCLC, were all done in conjunction with a GPEB Compliance Division auditor assigned by GPEB. Some interviews and operational walkthroughs at RRCR were also observed by a second member of the GPEB Compliance Division. MNP also conducted onsite observations at RRCR which included process walkthroughs for activities relating to acceptance of bulk cash, record keeping and regulatory reporting. MNP also conducted limited statistical analysis of cash transactions related to VIP patron activity at the RRCR.

3.3 Information was gathered through 11 interviews with management level staff from a number of relevant areas of the operations at RRCR including table games, slots, cash cage, VIP Hosts, surveillance and security. Senior Management was interviewed to obtain insight into the operations and policies of accepting large amounts of unsourced cash from patrons. In addition to the interviews, we observed operations on the gaming floor and in the cash cages on both the main gaming floor and VIP gaming areas (Salon Privé and Salon Phoenix) asking questions of staff to confirm documented policies and confirm information provided through the interview process.

3.4 12 interviews were conducted at BCLC to provide staff and management an opportunity to provide feedback, clarify policies and procedures and gain insight into the issues at hand.

3.5 Data regarding reportable cash transactions or play records was provided by BCLC for trending analysis. The period of data used for trending was September 1, 2013 to August 31, 2015. The data was used to identify trends and correlations between the frequencies of Large Cash Transaction Reports ("LCTRs"), the filing of Suspicious Transaction Reports ("STRs") and the ultimate banning of some players due in part to large and frequent play with unsourced cash.



- 3.6 During our analysis an error in the statistical reporting was identified and communicated to BCLC. This error related to the over reporting of non-cash transactions deposited to Patron Gaming Fund Accounts ("PGF") and the redeposit of funds from cashed out chips back into the PGF. BCLC advised they were aware of the issue and was in the process of obtaining a Policy Interpretation from the Financial Transactions and Analysis Centre of Canada ("FINTRAC"). This error resulted in significant over reporting of non-cash transactions to FINTRAC. As a result of the over reporting being included in the produced statistical play records, MNP was unable to determine the actual number and amounts of large cash transactions and as such this limited our ability to obtain reliable results from our data analytics. Due to the complexity of the reporting issue, it is not possible to segregate and remove duplicate transactions. There is no identifier to confirm new cash to the facility versus funds previously played and retained in the PGF for future game-play.
- 3.7 This report does not represent a comprehensive review of all aspects of the existing AML compliance processes. As such, we are not expressing an opinion regarding the adequacy, completeness or effectiveness of existing compliance activities as they relate to anti-money laundering or anti-terrorist financing activities. This engagement was not designed to nor does this report provide any analysis about whether money laundering or terrorist financing is actually occurring, nor does it provide any analysis about the potential that money laundering or terrorist financing will occur through the organization in the future.



4.0 SUMMARY OF FINDINGS/RECOMMENDATIONS

GPEB:

- 4.1 Regulatory regimes for gaming typically seek to balance revenue generation with risk mitigation. Contemplated changes to the gaming regulatory regime must recognize the unique role of each of the main participants, as these roles may create conflicting mandates. Specifically:
- GPEB is the regulator, primarily responsible for ensuring that gaming is conducted with integrity;
 - BCLC is the manager of gaming, primarily responsible to the Province for revenue generation and risk management and responsible to FINTRAC for regulatory compliance; and
 - The Service Providers are the gaming operators, and, via contract with BCLC, are primarily responsible for revenue generation for both the Province and the companies that own the casinos.
- 4.2 Currently, casinos are only required to report LCTRs after they have accepted the cash transaction. GPEB 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.
- 4.3 GPEB should continue to work with BCLC to support cash-alternatives for Service Providers to receive funds, strengthening the overall compliance regime with minimal impact on revenue generation.
- 4.4 GPEB, BCLC, and to some extent the Service Providers should jointly evaluate the resourcing and functioning of existing investigative units. Effective multi-agency units would promote the sharing of information and resources.

BCLC:

- 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.
- 4.6 Although a specific compliance effectiveness review of gaming operations was not within the scope of this review, MNP did review a number of processes and did not observe anything material to suggest that the compliance program in effect at BCLC and RRRCR is not functionally suitable to meet obligations under the PCMLTFA and implementing regulations.



- 4.7 BCLC's CDD process meets Federal regulatory requirements for standard risk patrons. However, the process could be enhanced from both a risk management and revenue generation perspective with modifications and additional resources to meet Enhanced Due Diligence ("EDD") expectations for high risk patrons. This may include confirmation or verification of key customer data including: source of wealth; source of cash; and occupation by the Service Provider or BCLC for higher risk patrons. The gathering of this additional information may assist the Service Provider in providing enhanced service to high valued patrons.
- 4.8 BCLC should 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.
- 4.9 BCLC should review its EDD process to ensure it appropriately mitigates identified risks. Additional resources may be required to clear the current backlog and support timely completion of the EDD process as required. BCLC should also identify reliable sources of information for persons and businesses based outside of Canada.
- 4.10 BCLC should prioritize and appropriately resource the ongoing SAS implementation project to improve the quality of the data used for ongoing risk assessment and compliance monitoring and reporting. Data from other sources, particularly slot machine play, should be incorporated into the process. Improved data will support province-wide monitoring of activities posing compliance risks.
- 4.11 BCLC should 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. Facility staff should be regularly trained on the completion of the forms. This will encourage consistent and appropriate reporting across the Province.
- 4.12 BCLC's anti-money laundering training programs should be evaluated for up-to-date content and effectiveness. Emphasis should be placed on behavioural red flags, as facility staff have the direct customer interaction. Training should be provided in the primary language of the candidate.
- 4.13 MNP identified instances where non-cash transactions processed to RRRC'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. BCLC advised they were aware of the over-reporting issue and were working with FINTRAC to obtain a Policy Interpretation and determine action to be taken regarding the issue.
- 4.14 While generally consistent with the regulatory requirements, the Know Your Patron ("KYP") framework at River Rock is a task-driven compliance activity rather than a risk management activity. Given the Service Provider's inherent motivation to maximize revenue, it should not be expected to lead compliance and risk management efforts within the gaming industry. BCLC should provide further guidance as the manager and responsible entity for AML regulatory obligations to enhance and enforce appropriate KYP measures.



5.0 DETAILED FINDINGS/RECOMMENDATIONS

Staffing Observations

BCLC:

- 5.1 Operating levels for BCLC Investigators may need to be reviewed as the current staffing levels assigned to River Rock do not appear to be sufficient to address the volume of reports and incidents on a timely basis. In interviews with BCLC, investigators have self-assessed that approximately 95% of their time is focused on AML reporting activities. Non-compliance tasks which used to be completed by investigators located at RRRCR are now being assigned to other investigators with the Lower Mainland region. Additional duties included in the mandates of the investigators at RRRCR may not be being completed or may not be adequately completed to manage the risk associated with the activity at River Rock.

Service Provider:

- 5.2 Experienced managers and supervisory staff who are fully engaged and fully executing on their entire position mandate are able to identify risks within their areas of supervision and apply reasonable assessments and measures to address activity which may be considered unusual. This becomes a first line of defense when identifying potential compliance issues. However, due to high turnover at the Service Provider, management level positions are held by incumbents who have been in the positions less than one year. When asked about issues and risks related to large volumes of unsourced cash being accepted, they advise they are still learning the positions, and feel they are meeting all requirements associated with AML compliance.
- 5.3 Positions with recent turnover at RRRCR include: Interim Chief Compliance Officer, Table Games Manager, Cage Manager, Slot Director, and the Manager of Player Relations. RRRCR has undergone significant turn over in staff including three terminations which further resulted in four additional resignations in table games supervision. At the time of the onsite interviews eight of ten Relief Gaming Manager positions were staffed.
- 5.4 RRRCR employs VIP hosts who report to the manager of Marketing. VIP Hosts are responsible for managing the client experience, which includes managing the amounts of complementary items and services given to players (commonly referred to as player comps), and providing custom gaming experiences with the intention of maximizing patron play. VIP hosts have the most significant interaction and knowledge of the VIPs and ability to flag instances of receipt and use of unsourced cash for suspicious transaction reporting. Due to the reporting structure, we would expect that the VIP Hosts have a primary responsibility for revenue generation rather than regulatory compliance or a social responsibility to reduce illicit cash flow. 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 unsourced cash.



- 5.5 It was noted on the Service Provider Organizational Chart, dated November 26, 2015 that the Manager, Player Relations did not have a direct reporting relationship to Senior Management. The Director, Surveillance does not show a reporting line to Senior Management. A VP Compliance position reporting to the President and CEO also did not exist on the Chart.

Compliance Program observations

GPEB:

- 5.6 GPEB should 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

BCLC:

- 5.7 BCLC is the reporting entity for the purpose of compliance with PCMLTFR obligations to FINTRAC. AML programs were the responsibility of the Casino Investigations Unit up to 2013. The AML unit was created in 2013 and at that time took over responsibility for all aspects of the AML Program.

Enhanced Due Diligence (“EDD”)

BCLC:

- 5.8 Through iTrak, BCLC has access to all Know You Patron/Player (“KYP”) due diligence, activity records and incident reports including Unusual Financial Transactions (“UFTs”), Suspicious Transaction Reports (“STRs”), and Section 86 reports submitted to GPEB regardless of the facility of play. This allows BCLC to identify patrons at a provincial level who represent higher risks and then perform EDD, risk assessment and ongoing monitoring of these patrons.
- 5.9 BCLC has identified two segments of patrons who have been assessed as requiring EDD to manage the risk of the frequency and value of play. The first segment is comprised of the Top 100 players by volume. The second list, known as the Conditions List, relates to known associates of a high risk player who has been identified by law enforcement to be involved in the provision of large volumes of unsourced bulk cash to VIP patrons. In some instances, the lists overlap. For example, at the time of the review, 36 patrons identified on the Conditions List also appear on the Top 100 list.
- 5.10 All EDD efforts undertaken by BCLC are manual investigations. At the current time, systems do not identify higher risk patterns through an automated alert system. iTrak does not have capabilities for business analytics.
- 5.11 The EDD or “Deep Dive Dossiers” are created using open source information to identify owned properties and business ownership. The one file reviewed during the interviews with BCLC did not include key information such as a synopsis of overall activity, play value or frequency, determined or verified source of funds or wealth information, or an indication of whether the player was cleared for play or had restrictions in place. The file did not present any negative findings, however, the player was indicated as being “on watch.”



- 5.12 There is limited open source information available for Chinese Nationals, which comprise the majority of the identified high risk demographic at RRRCR. As, most of the VIP patrons are Asian and many are recent immigrants to Canada or Chinese Nationals there is limited Canadian open source information on which to base risk assessment determinations.
- 5.13 Based on staffing levels and time required to complete an EDD file in the current manner there is a considerable backlog of files to be completed which may increase the risk to all stakeholders as appropriate actions may not be taken in a timely manner. It is anticipated that the volume of patrons requiring ongoing EDD will increase over time.
- 5.14 The Service Provider facilitates gaming through slot machines as well as table games. As at the time of the review, we were not made aware of any EDD on business relationships created due to slot play. In addition there is no review or analytics on slot play including ongoing review of Cash Disbursement Reports ("CDRs") to identify possible anomalies which require further investigation.
- 5.15 BCLC's EDD program for high risk patrons was reviewed to identify if improvements are warranted. EDD measures could be more qualitative, and a formal response to specified risk ratings, similar to other jurisdictions such as Alberta, could be created.
- 5.16 Outsourcing the EDD process for higher risk patrons should be considered to clear the current backlog.

Service Provider:

- 5.17 The Service Provider gathers required information from patrons at particular trigger events during play. This would include when a patron reaches the threshold for the reporting of large cash transactions, which is \$10,000. The Service Provider is responsible for requesting that an acceptable identification document be produced and then recording the type, number and place of issuance as well as gathering mandatory information required for BCLC to file regulatory reports with FINTRAC. Information includes name, address, occupation and date of birth. Policy indicates that the ID document is scanned into the iTrak system. Information gathered at the facility, other than the ID document, is not verified by the Service Provider.
- 5.18 The iTrak system is universal to all facilities under BCLC's supervision. User access controls limit the amount of KYP information visible to individuals at the Service Provider level. This means that a Service Provider is unable to see the full picture of a patron's activity across all BC casinos to assess the risk a player brings to a particular facility.

Investigative Capabilities

GPEB:

- 5.19 The establishment of a dedicated, cooperative inter-agency AML investigations unit comprised of GPEB and BCLC investigators would delineate the roles between operational and AML investigations and regulatory compliance investigations. This would allow for improved tracking of activities related to regulatory compliance and ensure that employees tasked with compliance and risk management are suitably resourced.

**BCLC:**

- 5.20 BCLC has three onsite investigators at RRRCR. This was a result of the recognition of the increased risk at the facility as well as the volume of play that requires ongoing BCLC oversight. These investigators have access to iTrak and the facility's surveillance recordings which allow for prompt investigations. AML compliance investigations are supposed to be a component of the investigators duties as defined by BCLC procedures, however the significant volume of reportable transactions at RRRCR and the required reporting due diligence are consuming upwards of 95-100% of investigators' time. Regional investigators not assigned to RRRCR are now being regularly assigned all non AML duties at RRRCR such as theft or patron complaint investigations as the local investigators do not have time to deal with non-regulatory matters.
- 5.21 BCLC investigators regularly provide information to law enforcement on ongoing investigations. In the spring of 2015 BCLC identified an individual who was providing Asian high rollers with large cash loans for the purpose of play in RRRCR. BCLC approached law enforcement on several occasions to conduct an investigation into the activity. Subsequent to the investigation and working in cooperation with GPEB and law enforcement, BCLC identified upwards of an additional 50 individuals who were known to be accepting large amounts of un sourced cash from the identified subject. This investigation is ongoing and BCLC continues to work with law enforcement by providing intelligence gathered from investigations in RRRCR as well as through analytics to assess and determine risk in relation to players associated with the subject.
- 5.22 BCLC has entered into an information sharing agreement with the RCMP that allows both parties to share intelligence on ongoing investigations and high risk patron activity.

Service Provider:

- 5.23 MNP has significant experience working with gaming operators and as such has observed numerous surveillance operations including infrastructure and investigative methodologies and procedures. The RRRCR's infrastructure is comparable to other large Canadian casino surveillance operations such as Casino Montreal or Manitoba's combined provincial facility. The operators and supervisors have significant experience in surveillance operations and utilize iTrak to monitor and report all suspicious activity. iTrak is the most common investigative and operations management software utilized by Canadian Casinos.



iTrak

Systems and Data

BCLC:

- 5.24 BCLC identified a growing need for enhanced capabilities in relation to analytics and the ability to conduct meaningful analysis on the data in its custody. As a result, the AML Operational Analysis Group was formed in 2013 with the mandate to perform statistical analysis of patron transaction data as well as to identify high risk patrons and perform enhanced due diligence on those individuals. With the hire of an AML data analyst in February 2014 it was determined that the data analytics capabilities of iTrak were limited and that exporting the data and using third party tools such as Excel were the preferred method. These limitations led to the identified need for a formal analytics solution and an RFP was issued. SAS was selected as the vendor. The implementation of this software tool is ongoing and has been subject to numerous delays and a work stoppage to clarify scope and estimate over runs. We understand that SAS is scheduled for roll out in the fall of 2016. This is 18 months later than initially anticipated. The successful implementation of this tool should be a priority for BCLC as the current processes are contributing to delays in effectively conducting transactional analysis.
- 5.25 Despite the limitations of the current tools, BCLC undertook an internal project in 2015 to conduct review of individuals known to be affiliating with a person known for providing large volumes of unsourced cash to RRRCR patrons. This information was then shared with law enforcement agencies for the purpose of investigating criminal activity related to the large volumes of unsourced cash. After several attempts by BCLC to refer information, law enforcement undertook an investigation into the activities identified through the BCLC analytics. This work resulted in the 60+ patron risk list. This is a positive effort by BCLC to detect and report suspicious activity with the intent of reducing unsourced cash from entering the gaming facilities.
- 5.26 BCLC provided data to MNP for the period September 1, 2013 to August 31, 2015 ("the Period") to analyze transactional data regarding the volumes of unsourced cash being accepted at River Rock. The analysis would also address efforts taken by BCLC and the Service Provider to gather Know Your Player ("KYP") or CDD information and perform EDD where appropriate; file STRs; and where appropriate impose bans on high risk patrons for participating in suspicious activity. After conducting significant analytical work it was determined, and confirmed by BCLC, that the data was not accurate and included significant numbers over-reported LCTRs and CDRs making trending analysis unreliable. For further details on the reporting issue, refer to 5.32. We were able to make the following limited observations:
- Play with significant volumes of cash was being conducted by patrons with non-Canadian addresses and identification, primarily Chinese; and
 - While significant volumes of LCTRs were filed during the Period the number of STRs filed was relatively small and the number of bans for potential money laundering activity was few.
 - 41,187 LCTRS filed during the period;



- 1,194 STRs filed during the period⁵;
- 1,209 BCLC Prohibition Bans⁶.

- 5.27 The limitations of the current analytics tools and the time required to manually process transactions diminishes the effectiveness of a monitoring program for slot disbursements. The risk of money laundering is significantly lower with slots than with table games, due to the limits on how much money can be fed into a machine in one session as well as the limits on single payouts for Ticket In Ticket out ("TITO") ticket redemption at Ticket Redemption Kiosk ("TRK") machines. Although the risk is lower than table games, due diligence on large volumes of slot CDRs should be monitored for suspicious activity.
- 5.28 Completion of the SAS implementation should remain a high priority for BCLC. Improved data analytics and systems for transaction monitoring and reporting will allow for the early detection of potential money laundering or high risk transactions.
- 5.29 The analytic capability of the iTrak system limits BCLC's AML Operational Analysis group in its ability to identify suspicious activity. The reporting is primarily restricted to the identification of thresholds that aid in the identification of mandatory record keeping or reporting. BCLC has made significant investments in advanced analytics in the proposed SAS solution. The continued development and rollout of this product needs to be a priority for BCLC to allow it to conduct meaningful assessment of the data collected in iTrak.

Reporting

BCLC:

- 5.30 Casinos are required to file the following reports with FINTRAC:
- Large Cash Transaction Reports;
 - Casino Disbursement Reports;
 - Suspicious Transaction Reports; and
 - Terrorist Property Reports.
- 5.31 MNP did not conduct an audit of the processes surrounding reporting requirements, nor of the accuracy or timeliness of the reports submitted to FINTRAC. Through interviews and observation MNP is able to make summary comments on the reporting requirements at the Service Provider and by BCLC, who is responsible for filing the reports from information provided by the facility operators.

⁵ STRs identified by incident number which could relate to multiple people.

⁶ Bans are also based on incident numbers and could relate to multiple people and include site bans.



- 5.32 Observed processes appear to be in place to track instances where cash transactions require the completion and filing of reports. This may be done through buy-ins at the table or through transactions at the cash cage. However, it was ascertained that funds credited to a player's PGF, regardless of the source of funds (Cash, drafts or EFTs from a Canadian bank) are being over-reported as cash. This is resulting in a significant number of unnecessary LCTR and CDR reports. In addition, withdrawals from the PGF account for play are being reported as CDRs and appear to be re-reported as cash based on table buy-ins. Review of the transaction and reporting process for all PGF enabled facilities should be done immediately to stop the number of unnecessary and incorrect reports. This over reporting has been disclosed to FINTRAC.
- 5.33 During our interviews with the Service Provider, BCLC, and GPEB, there was ongoing reference to a historical undocumented threshold of \$50,000 which was the trigger value to consider a transaction suspicious at the Service Provider location. The issue of the threshold preceded this report. FINTRAC guidelines confirm there is no minimum dollar value related to the filing of an STR. Suspicious transactions are financial transactions where there is reasonable grounds to suspect they are related to the commission of a money laundering offence. This includes transactions that you have reasonable grounds to suspect are related to the attempted commission of a money laundering offence. As a result, BCLC has undertaken a review of LCTR transactions to determine if STR transactions had been overlooked. BCLC made a self-disclosure to FINTRAC regarding the issue in December 2015.
- 5.34 BCLC's Internal Audit group conducts a Quality Assurance ("QA") of STR and unfiled UFTs. Audit conducts a review regarding timeliness of filings on LCTRs. The BCLC Investigations group also has a process and procedure in place to verify reports for mandatory information. It was noted through our data analysis of the data provided by BCLC that 385 (0.1%) of LCTRs did not contain one of the mandatory fields such as address, occupation or a unique identifier. Of the 41,187 reports contained in the data file:
- 297 addresses were reported as Null
 - 49 occupations were reported as Null
 - 39 reports contained no unique identification number, but rather a generic BCDL or similar descriptor.
- 5.35 A review of the BCLC policy and procedure documents allows for Service Provider staff to accept cash transactions at the cash cage and submit files with certain missing mandatory occupation information if the patron declines to provide full information⁷. Currently casinos are only required to report LCTRs after they have accepted the cash transaction. A directive from GPEB may support BCLC in the creation of a policy which would mandate the Service Provider to decline a transaction or issue a stop play when mandatory occupation data is not provided on the casino floor or at the cash cage. Submitting reports with missing mandatory information is contrary to the PCMLTFA and Regulations.

⁷ Reference to BCLC Casino and Community Gaming Centre Standards, Policies and Procedures section 1-2.3.



- 5.36 BCLC should review all of the FINTRAC reporting (LCTR/CDR) for non-cash for all facilities which offer PGF accounts due to over-reporting of LCTRs and CDRs in relation to churn⁸ within the patron gaming accounts.
- 5.37 Review of Terrorist Property reports was out of scope for the review.

Identification and Reporting of UFTs

BCLC:

- 5.38 BCLC is the reporting entity for gaming activities in BC and is responsible for filing all required reports with FINTRAC. BCLC operates at an arm's length from the facility and relies heavily on the Service Provider to identify instances where UFTs should be submitted for further review and decision making regarding suspicious activity that would require filing. As the Service Provider only has visibility to the patron's activity at its own facility (or facilities) within the iTrak system it may under- or over-report based on restricted intelligence.
- 5.39 BCLC Internal Audit provided feedback that UFT/STR reports are inconsistent in the assessment approach and narrative format from the Service Providers which may lead to valid UFTs not being reported by BCLC.
- 5.40 The BCLC investigators assigned to gaming facilities are currently reviewing 10-15% of LCTRs to determine if STR reports should be filed. This method of review does not appear to be effective as it did not identify the existence of the ongoing practice of only reporting transactions above an undocumented \$50,000 threshold.
- 5.41 BCLC has access to complete patron activity records, however does not conduct facility or province-wide monitoring and analytics due to system capability restrictions and resourcing.
- 5.42 BCLC's and the Service Provider's monitoring and reporting activities did identify the issue of large volumes of unsourced and unusual cash activity in October 2014, which resulted in an ongoing law enforcement investigation and the 60+ high risk patron registry.
- 5.43 Other industries, such as Money Service Businesses ("MSBs") have similar reporting models. The reporting entity (BCLC) with access to full data information should be conducting the bulk of the comprehensive monitoring and identifying transactions for review based on analytical indicators. The Service Provider should be responsible for filing UFTs that involve behavioural information or indicators for money laundering activity to BCLC. In many instances, the behavioural red flag information will supplement the data report which will provide valuable and wholesome information to FINTRAC when submitted by BCLC.
- 5.44 BCLC should create a template for UFT reports to ensure that all required information is included and to create consistency in the quality of submissions between facilities.

⁸ Churn is the terminology where a patron buys in with the same cash which they previously played with and cashed out. As a result, an active player can appear to be bringing in and cashing out large amounts of cash, which the iTRAK system records as new and separate funds for each transaction.



Service Provider:

- 5.45 From observations and interviews conducted with RRRCR staff, the majority of UFTs are identified by surveillance rather than floor staff who have direct interaction with the patron. Employees (floor staff) are not required to document UFT interactions or provide narratives. Relying only on Surveillance observations increases the risk of missing behavioral red flags from direct interactions.
- 5.46 UFT witness narratives (form/document) are not completed by floor staff. Floor staff should have more active involvement in the reporting process as surveillance only has limited information based on video surveillance.
- 5.47 The Service Provider indicated that additional guidance on UFT reporting would be beneficial to meet the needs and expectations of BCLC and would make the process more effective for both entities. Additional on-site training was provided by BCLC in December 2015. Review of the training materials for the on-site training was not in the scope of the current engagement.

Risk Based Approach

BCLC:

- 5.48 As the FINTRAC reporting entity, BCLC is required to take on the role of conducting facility risk assessments. This is consistent with other Canadian jurisdictions. BCLC has developed its risk assessments by region. RRRCR is included in the Lower Mainland risk assessment. This is not consistent with other jurisdictions in Canada who conduct their reviews by facility. As facilities are not operated by a single vendor they have inherent differences in their internal procedures. The patron base varies by facility as well, including a wide variance in the number of VIP patrons and their volume of play. We recommend that these risk assessments include factors specific to the facility. RRRCR, for example is unique in its VIP play and warrants specific attention to its risks and the ongoing mitigation measures.
- 5.49 We also observed that the risk register is not as granular as other jurisdictions we have reviewed. We recommend that BCLC consider if the risk register reflects the current environment.

Know Your Patron (KYP) or standard CDD

- 5.50 Understanding the patrons using BC's gaming facilities is a line of defense against the use of illicit funds. KYP goes beyond recognizing a frequent player or knowing the time of day that they come into play and details about their family. It is about understanding the potential money laundering risk the patron poses to the facility and managing that risk accordingly.
- 5.51 PCMLTF Regulations⁹ require the identification of business relationships, ongoing monitoring and risk assessment of the business relationships as well as the implementation of appropriate special measures to mitigate high risk relationships. One measure is the gathering and verification of source of funds and source of wealth information.

⁹ Reference PCMLTFR 71.1



GPEB:

- 5.52 GPEB, at the direction of the Minister responsible for gaming, should consider issuing a directive pertaining to the rejection of funds where the source of cash cannot be determined or verified at specific thresholds. This would then provide specific guidance for BCLC to create policies and procedures for compliance by all operators.

BCLC:

- 5.53 BCLC investigators do not investigate to confirm the source of funds or source of wealth unless specifically requested at the time an EDD file is created.
- 5.54 BCLC AML manuals and training content appears to be sufficient, however additional training for employees in the VIP area focused specifically on suspicious indicators and required actions to improve independent thinking would be beneficial.
- 5.55 It was observed that most of the employees in the high limits rooms at RRCR speak Cantonese or Mandarin as a first language. Although the game play must be conducted in English, the language of general communication amongst the employees was not English. The mastery of a technical subject as defined in the BCLC Anti Money Laundering online training may be impacted by the presentation of the materials solely in English. BCLC should consider providing training in the primary language of its high risk exposed employees.
- 5.56 Based on the results of GPEB and the Minister responsible for gaming's risk assessment and risk threshold for large unsourced cash transactions, BCLC should revise policies regarding tolerance of high risk play and consequences of unacceptable high risk activity.

Service Provider:

- 5.57 From interviews and observations at the Service Provider, it is determined that source of funds and/or source of wealth information is not gathered for high risk, high volume cash players. Customer profiles do not require this information for continued play except when opening a PGF.
- 5.58 KYP at the Service Provider is based on repetitive observation of high limit player behaviour (no information is verified), and the expectation that BCLC is responsible for all due diligence activities. Additional information on the player is not shared with the Service Provider and is maintained in the iTrak system, to which only BCLC has full access. This process, and the associated accountability gaps, may have contributed to an organizational de-sensitization to cash through continued exposure to high volume bulk cash, especially in the VIP areas.

Business Relationship Risk

BCLC:

- 5.59 BCLC is in the process of fully implementing the Business Relationship requirements and has identified a list of 670+ high risk patrons. This list is in addition to the previously referenced Top 100 list and the Conditions list which currently includes 75 patrons. The AML and Operational Analysis team is in the process of doing deep dives, however there is a considerable backlog.



- 5.60 At the time of the review, the Top 100 list contained 36 names also appearing on the Conditions list of 75 patrons. Of the 36 names, only 13 had received a comprehensive EDD review. Of all the patrons appearing on Top 100 list, a total of 34 files had received Comprehensive EDD review.
- 5.61 BCLC is working on enhancements to their loyalty program, "Encore" which is intended to increase the amount of carded play which will provide additional KYP for analytics especially for slot play.
- 5.62 As a result of the BCLC's identification of patrons associated to the criminal investigation of unsourced cash utilization, 60+ individuals associated with the activity have been identified for EDD, restricted play and interviews with the BCLC's staff.

Industry Practice

- 5.63 The objectives of the PCMLTFA include:

*"to implement specific measures to detect and deter money laundering... ",
 "to respond to the threat posed by organized crime by providing law enforcement officials with the information they need to investigate and prosecute money laundering or terrorist financing offences" and "to assist in fulfilling Canada's international commitments to participate in the fight against transnational crime, particularly money laundering..."*

The PCMLTFA does not specifically legislate the requirements of an entity in relation to how it handles high risk transactions outside of record keeping and reporting obligations.

- 5.64 It is difficult to compare best practices for the management of AML/ATF risk to other industries. We do not believe that the banking sector is a good comparison as there is a significant difference in how banks handle account based risk when compared to transient casino play that is often anonymous. Where reportable transactions do occur, the Casino often only has limited information on which to base its risk assessment. Due to the significant volume of cash and the transient nature of its patrons Casinos are most similar to MSBs in their AML/ATF risk management models. In the absence of specific guidance, other industries regulated under the Act have developed controls and measures to reduce or eliminate the risk associated to the receipt of unsourced bulk cash.
- 5.65 The implementation of controls around bulk cash vary by industry:
- MSBs – Money Services Businesses place limits on the amount of bulk cash accepted from clients. This practice forces alternative funding such as bank drafts, certified cheques or wire transfers.
 - Financial Institutions – Although most financial institutions will not refuse a cash deposit they will close client accounts that exceed their defined risk thresholds. Account based relationships also offer greater monitoring capabilities which aid in managing risk.
 - Security Dealers – The majority of Securities Dealers place outright bans on cash deposits. This is impractical in the gaming industry.



- 5.66 In gaming models where casinos are provincially operated, the ability to implement revenue impacting, socially guided controls and restrictions is simplified in that the revenue of the private operator is not a consideration. Implementing cash controls on private operated facilities requires a greater assessment of revenue impact and how best to ensure the operators remain reasonably compensated.

Cash Alternatives

GPEB:

- 5.67 BCLC's mandate of revenue generation, and GPEB's mandate to ensure the overall integrity of gambling in the province requires a balanced approach to support a restriction or significant reduction in the amount of cash accepted at the casino facilities. The review of proposed cash alternative solutions and the impact of these solutions should remain a priority for both entities to promote gaming integrity and reduce the amount of unsourced cash being used in game play.
- 5.68 We understand that a concept document addressing extension of credit to VIP patrons has been put before GPEB. This concept has not yet been approved or denied as additional information is required by GPEB. Once the information is provided by BCLC, it should be a priority for GPEB to determine feasibility and the implementation criteria.
- 5.69 GPEB and BCLC should undertake a review of large cash transactions to determine if a bulk cash limit can be reasonably set for transactions where no source of funds can be determined. Currently patrons who have not been placed on a watch list can buy in with unlimited cash until flagged for an interview by BCLC.

BCLC:

- 5.70 BCLC has staffed a position to investigate the viability of a number of cash alternative options which need GPEB's approval to move forward. Considerations in developing cash alternative programs and products should include:
- The ability for non-Canadian players to fund PGF accounts if they are subject to cash restrictions in their home country (i.e. China)
 - The ability for non-Canadian player to repay credit extended at facilities if they are subject to cash restriction in their home country (i.e. China)
 - Allocating how defaults on repayments will be determined.(i.e. between BCLC and Service Provider and potentially the tax payer)
- 5.71 It is understood that any controls placed on the acceptance of bulk cash may reduce the volume of play and subsequently the revenue generated for both the operator and the province. BCLC reports that high limit play is a small part of BCLC revenue. As such, it will marginally impact BCLC revenues overall. However these controls may have a significant impact on revenue for the RRCR operator, Great Canadian Gaming Corporation. The level of acceptable risk, impact on revenue generation and reducing the facilitation of layering of bulk cash must all be considered when determining adequate controls.



5.72 The implementation of cash alternatives is likely to bring the greatest reduction in unsolicited cash while having the least impact on overall level of play for VIP patrons. Although we cannot recommend specific options without additional analysis we do acknowledge that the most common options are:

- Domestic and international wires to fund PGFs;
- The ability to transfer funds between PGFs;
- Specified limits on chip passing amounts;
- Front Money accounts and the extension of credit;
- Removing the current limits for Convenience Cheques for non-verified wins and return of funds.

5.73 The Cheque Hold program has been approved, developed and implemented as a cash alternative. However, there has been no utilization to date by Service Providers due to the risk of non-payments.

5.74 A verifiable source of funds determination for cash amounts above a defined threshold to be obtained prior to game play should be mandated by GPEB and implemented by BCLC. In our opinion, the only way to verify funds is to obtain documentation for the withdrawal of cash from a financial institution (bank) or entity covered under the PCMLTFA such as a MSB.

Environmental Factors

5.75 The issue of casinos, RRRCR in particular, accepting large volumes of cash has been a growing issue in the province for a number of years. The source of the cash is now in question, and social and moral responsibility around the unsourced cash has resulted in negative media around gaming operations in BC. A number of factors within the regulatory and guidance documents can be identified as the root cause of the issue.

- There are inherent conflicts between the mandates of GPEB and BCLC and the Service Provider. GPEB is responsible for regulation and the integrity of the gaming industry in BC. BCLC has statutory obligations under the *Gaming Control Act* to GPEB, is accountable to the Province for revenue generation, manages the Service Providers, and responsible to FINTRAC for regulatory compliance. Service Providers, are not covered entities under the PCMLTFA and therefore have limited regulatory obligations and exposure, instead focusing on revenue generation.
- From discussion with staff and management, examples provided by both GPEB and BCLC identify 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. This has contributed to an increased risk of compliance short-falls, misaligned priorities for implementing cash alternatives, and gaps in the oversight of day-to-day processes.

5.76 The PCMLTFA and implementing regulations require that reporting entities report prescribed transactions and identify suspicious transactions. There is no provision within the regulation that requires that funds which may be associated with a predicate offense to be rejected by a reporting entity.



- 5.77 The ongoing investigation by law enforcement into the potential use of proceeds of crime to fund VIP gaming activities prompted BCLC to implement a list of patrons who would be restricted from playing using unsourced cash.
- 5.78 In other industries, such as banking, securities dealers and MSBs, internal policies and procedures are developed based on the entity's risk based approach to determine when transactions should be rejected. Through review of policies and procedures at GPEB, BCLC and the Service Provider, it was noted that there has been no directives made to reject funds where the source of the cash cannot be determined and verified.
- 5.79 Reasonable grounds to suspect Money Laundering activity through the use of unsourced funds has been confirmed by the Service Providers and BCLC through the EDD processes. Interviews have confirmed that players are indeed wealthy non-residents, or business persons with interests both in Vancouver and China, coming to Vancouver to gamble. While the patron may be bona fide, the unsourced cash being accepted by the casino may be associated with criminal activity and poses significant regulatory, business and reputational risk.
- 5.80 The use of possible underground banking operations using large volumes of unsourced cash have become increasingly common and accepted as a convenience feature for VIP players who may not be able to send funds to Canada due to currency restrictions in their own country. The funding arrangements have been confirmed through interviews conducted by BCLC investigators with targeted patrons. The patron advises that they are provided with a contact in Vancouver, either locally or prior to arriving in Vancouver. The contact the person via phone for cash delivery. The funds are later repaid through cash holdings in China. This transaction flow forms an underground or unregistered Hawala type operation using unsourced cash into the casino.
- 5.81 River Rock staffs have fostered a culture accepting of large bulk cash transactions. Through interviews and conversations with facility staff, there is a false reliance of the KYP process, which is developed through the frequency of transactions dealing with large cash values rather than any verified information. This has resulted in a desensitization to the inherent AML risks associated to cash transactions. This was identified by a number of staff at various levels in GPEB, BCLC and the Service Providers.
- 5.82 BCLC's current systems and technology do not allow for analytics or system alerts for activity which is deemed to be suspicious or excessive. There is a reliance on the Operator to file UFTs which may prompt the need for EDD. The implementation of SAS has been significantly delayed due to vendor customization issues which has hindered BCLC's ability to perform efficient and effective monitoring.
- 5.83 Staffing levels do not allow for EDD or deep dive investigations to be completed in a timely manner which allows activity to continue at the facility supporting the apathy to large cash transactions.
- The EDD process should be reviewed to ensure that data collected and information gleaned from various sources provide a clear picture of the risks and profile of the patron for risk assessment and mitigation purposes.



- 5.84 EDD "Deep dives" have indicated that the players who have been subject of UTFs are themselves are not directly associated with criminal activity. Further actions or reporting is then not deemed suspicious based on reasonable grounds to suspect ML/TF activity. The use of bulk unsourced cash, and the possible use of proceeds of criminal activity, is not clearly identified in the BCLC Risk Assessment.

6.0 RESTRICTIONS AND LIMITATIONS

- 6.1 This report is private and confidential. It is not intended for general circulation or publication. For certainty, this report may not be disclosed, copied, quoted, or referred to in whole or in part, whether for the purposes of litigation, disciplinary proceedings or otherwise, without our prior written consent in each specific instance. It is not to be distributed to any other persons without the prior express written consent of MNP. Such consent, if given, may be on conditions, including without limitation an indemnity against any claims by third parties arising from release of any part of our documents or reports. We do not and will not assume any responsibility or liability for losses incurred by the Gaming Policy Enforcement Branch or their employees or by any other parties as a result of the circulation, publication, reproduction, use of, or reliance upon any reports or documents contrary to the provisions of this paragraph. Further, we understand that this Report may be the subject of a request under the Freedom of Information and Protection of Privacy Act. Should a request be made, MNP will work with GPEB to fulfill the request in accordance with the Act.
- 6.2 Comments in any document or report we produce in the course of this engagement shall not be interpreted to be legal advice or opinion.
- 6.3 BCLC remains solely responsible at all times for adherence with all its compliance obligations.

Yours truly,

MNP LLP

MNP LLP

Gregory S. Draper, MBA, DIFA, FCPA, FCGA, CFE, ICD.D
Investigative & Forensic Services

Hayley Howe, CAMS
Investigative & Forensic Services

Horse Racing Review

February 2017



August, 2017

MLA Letter

- “Serious allegations of failures at GPEB to enforce drug policy at race tracks”
- “Senior officials at GPEB have tolerated non-compliance with basic provincial Horse Racing drug policy”
- 3 incidents cited
- “Some or all of info about positive tests withheld from service provider”
- Incidents cited “may not be only examples of tolerance for individuals under the influence of illicit drugs maintaining active Horse Racing licences”
- “Request immediately establish an investigation independent of GPEB into these allegations so that systemic issues can be identified and addressed”

Independent Review

- Review conducted by George Morfitt, FCPA, FCA, independent consultant, former Auditor General of British Columbia
- Previous experience with the Horse Racing in B.C.:
 - Drafted report: *Horse Racing in BC: A Consideration of Organizational and Operational issues (2005)*
 - Review panelist for Administrative Review Hearings (2005-2014)
 - Advisor to GPEB regarding new horse racing industry financial model (2009)
 - Member of the Horse Racing Industry Management Committee (HRIMC) (2009-2014)
- Reported to the Office of the Associate Deputy Minister, Ministry of Finance

Independent Review Terms of Reference

Part 1; conduct a sample file review to ensure that investigative practices and delegated decisions were appropriate, in particular to specific allegations of non-compliance with GPEB racing rules and policies as described in MLA letter to Minister of Finance

Part 2; evaluate the business and investigative practices of the Horse Racing Unit

Part 1 Findings – Incident Specific

Incident A (marijuana)

- Director pre-empted normal process for dealing with a positive drug test
- Judges not advised by Director of positive test until after his decision
- Great Canadian Gaming Corporation not advised of result of drug test but was informed of subsequent warning

Incident B (OxyContin)

- Director pre-empted normal process for dealing with a positive drug test
- Judges determined full suspension should be stayed until it could be confirmed by Director

Incident C (methamphetamine)

- Stewards decision not to sanction for positive test of banned substances concerning - appears to not be in accordance with established sanctioning policy

Part 1 Findings – General

GPEB policies & processes

- Whether or not partial suspensions should be imposed in certain circumstances requires review
- Need for consistency in the determination of sanctions in respect of licensees being tested positive for drugs
- Director's decision to adjudicate prior to a Judges' Hearing (potentially compromising any future appeal process)

Further allegations

- With exception of Incident A (marijuana), Great Canadian Gaming Corporation was advised of tests and their disposition
- No further examples of such tolerance came to reviewer's attention during the course of the Review

Part 1 Findings

Reviewers Assessment

- Allegations are legitimate
- Looked at whether there is a concerning pattern of breach of process by the Director of Horse Racing in dealing with positive drug tests
- Incidents A (marijuana) & B (OxyContin); Director pre-empted normal process in dealing with a positive drug test
- Incident C (methamphetamine); decision by Stewards not to sanction certain licensees testing positive for drugs is concerning. It is important all positive drug tests be subject to appropriate sanctioning process in the timeliest manner possible

Part 1 Conclusions - Horse Racing Unit

- Decisions by staff within their legal authority
- Some merit to specific allegations/incidents
- Decisions were pragmatic and reflective of circumstances at the time
- Decisions taken resulted in some leniency being granted
- Decisions found to be isolated incidents that do not indicate a pattern of breach of appropriate process in dealing with positive drug tests

Part 1 Conclusions

GPEB Senior Management

- Executive Director, Compliance Division, had no knowledge of any of the incidents until Oct 26/16. From that point forward, the Executive Director pursued several initiatives for the purpose of establishing an independent investigation of the allegations
- Senior Director, Lower Mainland, advised the Executive Director on Oct 26/16 of earlier correspondence from the Manager, Horse Racing Investigations, and wanted to speak to him to get more info before dealing with issues identified
- General Manager had no knowledge of the allegations until receiving a briefing from the Executive Director on Nov 4/16

Part 2 Operation Aspects

- Part 2 of the Review evaluated the business and investigative practices of the Horse Racing Unit
- Specifically, the Review looked at a number of areas including, but not limited to;
 - Drug testing and sanctioning process,
 - Inspections and investigations,
 - Oversight of Unit operations, and
 - Overall performance.

Part 2 Findings/Recommendations

- The Review found that the business and investigative practices of the Horse Racing Unit were sufficient and that the Unit Inspectors appear to carry out a robust drug testing program
- The Review provided a number of recommendations for improvement including, but not limited to;
 - Identification of certain policies for review,
 - Review of security measures at the track,
 - Consideration of seizing licensing documents for sanctioned licensees,
 - Additional staff training, and
 - Better records management systems.

Overall Unit Performance

- The Horse Racing Unit is performing well and capable leadership is provided to staff
- Staff are long standing and undertake responsibilities in a knowledgeable manner
- Unit applies Horse Racing industry best practices and has established approach of regular review & improvement
- Relations between Horse Racing Unit and Compliance Division have strengthened during current Director of Horse Racing's tenure

Associate Deputy Minister Direction to General Manager

- Expectations in regard to safety and integrity of gaming are paramount in the actions and decisions affecting Horse Racing
- Important that appropriate oversight be exercised, even where authority is delegated
- Recommendations in Part 2 of report worthy of consideration and implementation
- Update on implementation of Review recommendations by February 2017

GPEB Action Plan

GPEB considered all recommendations and developed an Action Plan in response to the Review. The Action Plan includes 16 Strategic Actions in response to 9 recommendations.

Key Actions Taken

- All policies/rules of Horse Racing Unit reviewed by Unit and GPEB policy staff resulting in 4 policy documents being updated: *Horse Racing Policy: Licensee Drug Testing, Horse Racing Policy: Breathalyser Testing of Licensees, Penalty Guidelines for Standardbred Horse Racing Licensee Violations, and Penalty Guidelines for Thoroughbred Horse Racing Licensee Violations*
- Jurisdictional review of approaches for full and partial suspensions. Decision was made to maintain full suspensions as this was consistent with federal/provincial laws and regulations
- Policies approved by GPEB's General Manager

Action Plan in Response to Morfitt Review of Racing Unit
Gaming Policy and Enforcement Branch

Report Recommendations	Action Strategy	Responsible	Target Date	Status	Comment	Expected Outcome
1. That the Director of Horse Racing, when any positive drug test results received, not take any decision-making action in respect to licensee sanctioning until such time as the Judges/Stewards have conducted a Hearing, and the sanctioned licensee has subsequently requested a reconsideration by the Director, Racing of any sanction imposed by the Judges/Stewards.	1.1 Review the report with Racing Unit staff and provide policy direction for changes to improve business and decision making processes.	Director, Racing GPEB Policy	Jan 24/2017	Completed	Morfitt report shared with Racing Unit staff by target date of Jan 24/2017. Staff notified at this same meeting that there will be no involvement by the Director, Racing until adjudicated by the judges and stewards	The report is reviewed with racing staff appropriate measures taken to address recommendation where necessary.
	1.2 Ensure that policy direction aligns with Branch objectives and clearly articulates the role of Director, Racing in decision making.	Director, Racing GPEB Policy	Mar 17/2017	Completed	Reviewed all policies and rules of Racing with Racing Unit team on Jan 24/2017. Four policies were updated as a result of the review and provided to GPEB's Strategic Policy analyst on Feb 16/2017 to ensure changes align with Branch objectives. Recommended changes were made to the Licensee Drug Testing policy, Breathalyzer Testing of Licensees policy, and to the Penalty guidelines for	Judges and stewards seen to be 'unfettered' in their decision processes. The role of the Director, Racing clearly defined as supervisor and on the work of the judges and stewards. Division of duties defined for all roles a process for escalation of issues is followed

May 11, 2017

**Action Plan in Response to Morfitt Review of Racing Unit
Gaming Policy and Enforcement Branch**

Action Strategy	Responsible	Target Date	Status	Comment	Expected Outcome	Success Measure
1 Review with consideration to an evolving racing environment.	Director, Racing ED, Compliance ADM & GM, GPEB	Mar 15/2017	Completed	Reviewed jurisdictions across Canada and variation in approach between full and partial suspensions noted. Primarily used to distinguish between a driver and owner i.e. if suspended as a driver could still as the owner have the horse race. Decision made to keep full suspension. If a licensee tests positive for drugs they will not be allowed to participate in racing for the duration of the suspension. No changes made to policy based on outcome of 2.1.1 and consultation with horseman. Current practice is/exceeds standards.	Horse Racing is current to today's society's expectations for safety and compliance through sanctions.	Rules of Racing and policies align with federal and provincial laws and regulations
2 Make recommended changes to policies and guidelines.	Director, Racing ED, Compliance ADM & GM, GPEB	Mar 29/2017	Completed	Standardbred and Thoroughbred licensee violations. Changes to the four policies were shared with the Standardbred Horseman's group on March 22, 2017 and the Thoroughbred group on March 29, 2017 and they were all supported. Changes to the policies and rules were approved March 30, 2017 by the ADM/GM of GPEB.	Director, Racing does not assume any responsibility or carry out any function that would impede his/her ability to make reconsideration decision	process.
2.1 Communicate changes to the industry.	Director, Racing ED, Compliance ADM & GM,	Mar 29/2017	Completed	Consulted with the Standardbred horseman March 2 and Thoroughbred Bred horseman	Local industry has been engaged and consulted about changes.	Rules of Racing and policies align with other jurisdictions.

Action Plan in Response to Morfitt Review of Racing Unit
 Gaming Policy and Enforcement Branch

Report Recommendations	Action Strategy	Responsible	Target Date	Status	Comment	Expected Outcome
3. That the current policy of not publicly posting sanctions relating to licensees testing positive for drugs be reviewed to determine if posting is warranted in the interest of transparency and full disclosure.	2.2.2 Post changes on government public facing website.	GPEB			March 29 and they agreed with the decision to maintain full suspension.	Transparency and accountability of decisions.
	3.1 Review current policy and consult with the Corporate Privacy and Training Branch (CPTB), Corporate Information and Records Management Office (CIRMO) to assess whether government's commitment to transparency and full disclosure is being met as much as privacy requirements allow	Director, Racing ED, Compliance ADM & GM, GPEB	Ongoing review and evaluation	Completed	As per current practices and adhering to FOIPPA.	Sufficient information provided to public balances the objective of transparency & disclosure, with privacy of individuals
	3.2 Consult with GPEB Strategic Policy and Project Division to ensure that practice conforms with privacy laws.	Director, Racing GPEB Policy ED, Compliance ADM/GM, GPEB CIRMO	Mar 30/2017	Completed	Solicitor Client Privilege	

Action Plan in Response to Morfitt Review of Racing Unit
Gaming Policy and Enforcement Branch

Action Strategy	Responsible	Target Date	Status	Comment	Expected Outcome	Success Measure
Ensure that current practices are to industry standard.	Director, Racing Director, Operations Compliance ED, Compliance	Mar 17/2017	Completed	<p>alcohol related violations.</p> <p>Current practice is to notify individual of sanction, enter the sanction information into the systems and print off notification/picture and provide to security at both tracks. This is industry practice across Canada.</p> <p>The Industry data base is also updated to reflect the sanction and this prevents the individual from racing across Canada. This practice is sufficient to manage without seizing licenses which is not practical. Step up on security monitoring will be undertaken now HRU fully staffed.</p> <p>In cases where there is a more severe offence involved, the license would be seized. Situations where this would occur include:</p> <ol style="list-style-type: none"> 1. Involvement in a criminal matter and the registrant failed to report whereby Licensing Registration and Certification (LRC) makes the determination to cancel their registration. In this case we would then seize their licence. 2. Registrant has a history of 	Consult with track security teams to ensure enforcement and compliance on sanctioned licensees.	Improved compliance and enforcement by track security with improved performance. Track security is checking individuals for active licensing documentation and denying access to the track where documentation is not current or provided.

Action Plan in Response to Morfitt Review of Racing Unit
 Gaming Policy and Enforcement Branch

Report Recommendations	Action Strategy	Responsible	Target Date	Status	Comment	Expected Out
5. That security measures at the Lower Mainland race tracks be reviewed by track officials and staff responsible for security of sensitive information and of the race track premises. In particular, access to the back stretch by unlicensed persons, especially on non-race days.	5.1 GPEB Compliance Division consult with race track officials and staff to review existing security measures.	Director, Racing Service Provider and Race Track Officials	Mar 17/2017	Completed	positive tests on horses for more serious drugs such as Class 1 and 2 or EPO. We would not support their participation in our racing region and we would seize their license. In Feb 2017, Director, HR, advised GCGC of their responsibility for security and of HR Unit intentions to step up monitoring for compliance and to ensure security is on top of sanctioned persons not entering the track. Director, HRU, met with Darren McDonald, Director of Racing, GCGC on March 29, 2017. Opened new lines of communication to discuss licensee behavior on track, general conduct, track conditions at Fraser Downs. Communicated with staff regarding unauthorized people behind the counter. Heightened staff awareness of risk. Systems are password protected. Records are kept of sanctions and appropriate bodies are notified. No further changes recommended and ongoing monitoring and evaluation will be conducted for	Improvements to security measure identified and ac
	5.2 Identify and implement any necessary potential improvements to policies, procedure.	Director, Racing Service Provider and Race Track Officials	Mar 17/2017	Completed		

**Action Plan in Response to Morfitt Review of Racing Unit
Gaming Policy and Enforcement Branch**

Action Strategy	Responsible	Target Date	Status	Comment	Expected Outcome	Success Measure
<p>1 Compliance Division Business Plan 2017-18 will outline actions specific to achieving professional integrity and credibility.</p>	<p>Director, Racing Judges, Stewards and Inspectors ED, Compliance ADM/GM</p>	<p>Feb 17/2017</p>	<p>Completed</p>	<p>quality assurance. Judges and Stewards completed industry certification training in September 2015 and are required to recertify every two years. Next training recertification is scheduled for September 2017 in Portland, Oregon. Submission of training and travel requests will be forthcoming as part of the Compliance Division Business Plan deliverables.</p>	<p>Performance reviews demonstrate re-certification learning and development outcomes are achieved. Racing staff trained to accreditation standards within their profession. Involvement with the International Industry Racing Commission informs best practices and a continuous improvement approach within the Racing Unit. GPEB Investigators provided specialized Horse Racing training. Inspectors are trained/receive refresher training on the Gaming Operating System (GOS).</p>	<p>Judges, Stewards and Inspectors accreditation is current and will complete 16 hours in September 2017 to meet the two year recertification requirements. Investigators carry out Horse Racing investigations when needed</p>
				<p>New Inspector hired April 11, 2017 will require training to breathalyzer and collection of drug sample for screening through the Justice Institute and online training forums. This will be arranged as soon as next course schedules are available. Inspectors, where feasible, have attended the UNLV Protecting the Games training and where feasible this will continue to be supported with OADM approval. Compliance and Enforcement Secretariat has piloted an Inspectors program of courses. HRU will inquire as to future registration opportunities for inspectors. This will be</p>		

Action Plan in Response to Morfitt Review of Racing Unit
 Gaming Policy and Enforcement Branch

Report Recommendations	Action Strategy	Responsible	Target Date	Status	Comment	Expected Out
7. That a system of numerical sequencing be instituted for the test documents filed in the inspectors' drug test binder.	7.1 Identify and implement a process to assign numerical sequencing to test documents within the inspector's files to demonstrate completeness of documentation in the file.		Feb 17/2017	Completed	mandatory training as an expectation of the ED Compliance Division. HRU implemented a new record keeping system for tracking drug testing as of March 20, 2017. All drug test results are entered into the record right away.	Completeness of can be verified. More robust record documentation demonstrated by implementation of controls.
8. That the Service Provider (GGCC) and GPEB consider providing, to horse racing licensees having identified drug and psychological difficulties, an on-site	8.1 Consider and explore options for implementing an on-site counselling program or referral service.	Director, Racing ED, Compliance ADM/GM Service Providers	Mar 31/2017	Completed	As part of the research into a new tracking system, HRU found and switched to a new drug testing kit which provides instant +/- results. This new test allows for immediate suspension. For all positive results an additional swab is taken to be sent into the labs for confirmation. This new kit has resulted in cost savings. The new kit costs \$10.00 and the lab tests cost \$45.00. Only positive tests on site are now sent into the lab for confirmation. Negative results are not whereas before all testing was submitted to the labs. A current referral process is in place which the HRU team utilizes on behalf of licensees and advocates where they are able. Onsite services did exist in the past but became cost prohibitive for the service provider.	Demonstrated ability to social responsibility at the track.

May 11, 2017

Action Plan in Response to Morfitt Review of Racing Unit
Gaming Policy and Enforcement Branch

Action Strategy	Responsible	Target Date	Status	Comment	Expected Outcome	Success Measure
1 Determine relevant information that should be reported to the ED and ADM/GM to effectively oversee the operation of the Racing Unit.	Director, Racing Judges/Stewards	Apr 30/2017	Completed	Director, HRU, provides reporting to the Exec Director, Compliance Division and the ADM/GM of GPEB as required or at least on a monthly basis on items such as wagering, statistics and special reports. The Director, HRU is a part of the Compliance Division leadership team and presents any issues at the team's bi-weekly meetings.	Executive Director, ADM/GM, GPEB are proactively informed of current events in Horse Racing to ensure appropriate oversight and accountability	Quarterly reports are filed and ADM/GM has relevant information regarding the horse racing industry.
2 Develop a quarterly horse racing report to be submitted to the Executive Director and ADM/GM, GPEB.		Apr 17/2017	Completed	The Director, HRU is providing to the ED, Compliance Division and the ADM/GM GPEB, weekly updates on the Action Plan in response to the Morfitt report The Director, HRU, has prepared a quarterly report (Jan 1 to March 31) for the ED, Compliance Division and the ADM/GM GPEB which includes information about infractions, penalties, drug testing and enforcement actions taken.		Quarterly reports are provided and informing the ED of Compliance and GM of GPEB on horse racing offences, sanctions and actions.

Directives under the *Gaming Control Act*

There are three provisions under the *Gaming Control Act* that provide the authority to issue directives:

1. **Minister to BCLC (s. 6)** - may issue directives to BCLC on matters of general policy and BCLC must comply with these directives.
2. **Minister to GPEB (s. 26)** – may issue directives to GPEB General Manager (GM) on matters of general policy and GM must comply with these directives.
3. **General Manager to GPEB or BCLC (s. 28)** – for lottery schemes and horse racing in B.C., may issue directives to GPEB, BCLC or both related to carrying out responsibilities under the *Gaming Control Act*. Provision includes a broad ranging inclusive list (e.g. types of lottery schemes for charitable gambling events, technical integrity of lottery schemes, criteria for evaluation of proposals for new gambling facilities, and policies to address problem gambling). BCLC must comply with directives. However, **GM may not issue directive applicable to BCLC without receiving approval of Minister.**

Publishing of directives – for all directives, GPEB's GM must publish directives in one issue of Gazette, on public website for 12 months, and make available for public inspection at GPEB of normal office hours.

Relevant Provisions:

Gaming Control Act

Minister's general policy directions to the lottery corporation

- 6 (1) The minister may issue written directives to the lottery corporation on matters of general policy.
- (2) The lottery corporation must comply with the directives.
- (3) The general manager must publish the directives of the minister in the prescribed manner and make them available for public inspection at the offices of the branch during normal office hours.

Minister's general policy directions to the general manager

- 26 (1) The minister may issue written directives to the general manager on matters of general policy.
- (2) The general manager must comply with the directives.
- (3) The general manager must publish the directives of the minister in the prescribed manner and make them available for public inspection at the offices of the branch during normal office hours.

Directives of the general manager

- 28 (1) For lottery schemes and horse racing in British Columbia, the general manager, subject to subsection (3), may issue directives applicable to the branch, the lottery corporation or both, as to the carrying out of responsibilities under this Act, including but not limited to directives,
- (a) respecting the extent or type of gaming activities that may be carried on at a gaming facility or in relation to provincial gaming,
 - (b) establishing limitations respecting ownership, control or both, of gaming services providers in general or of classes of gaming services providers,
 - (c) respecting types of lottery schemes for which gaming event licences may be issued,
 - (d) respecting types of horse racing for which horse racing licences may be issued,
 - (e) respecting specified activities in conjunction with lottery schemes or horse racing, in circumstances, or on conditions, that may be set out in the directives,
 - (f) respecting standards for security and surveillance
 - (i) at gaming facilities or gaming premises or classes of gaming facilities or gaming premises, or
 - (ii) in relation to gaming operations or classes of gaming operations,
 - (g) respecting the technical integrity of lottery schemes,
 - (h) establishing criteria for the review and evaluation of proposals for new gaming facilities or for the relocation of existing gaming facilities,
 - (i) prohibiting or restricting the extension of credit to participants in gaming events and governing the extension of credit,
 - (j) approving the formula for determining the amount of gaming revenue that
 - (i) must be returned to charitable, religious or other organizations in connection with a licensed gaming event, or
 - (ii) may be retained by or paid to a gaming services provider in connection with the conduct, management, operation or presentation of lottery schemes,
 - (k) establishing policies to address problem gambling, and
 - (l) respecting the method by which the prescribed distance for the purposes of the definition of "potentially affected local government" in section 17.1 must be measured, including rules for determining the terminal points of that distance.

- (2) The lottery corporation must comply with the directives of the general manager that are applicable to the lottery corporation.
- (3) The general manager may not issue a directive applicable to the lottery corporation unless he or she first receives the approval of the minister.
- (4) The general manager must publish the directives in the prescribed manner and make them available for public inspection at the offices of the branch during normal office hours.

Gaming Control Regulation

Publication of minister's directives to lottery corporation

- 9 Written directives issued under section 6 (1) of the Act to the lottery corporation by the minister must be published by the general manager
- (a) in one issue of the Gazette, and
 - (b) on the branch's website over a period of at least 12 months.

Publication of minister's directives to general manager

- 15 Written directives issued under section 26 (1) of the Act to the general manager by the minister must be published by the general manager
- (a) in one issue of the Gazette, and
 - (b) on the branch's website over a period of at least 12 months.

Publication of general manager's directives

- 16 Written directives issued under section 28 (1) of the Act to the branch, the lottery corporation or both must be published by the general manager
- (a) in one issue of the Gazette, and
 - (b) on the branch's website over a period of at least 12 months.

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Volume CXLV, No. 42 October 20, 2005	The British Columbia Gazette Published by Authority
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DIRECTIVE TO BRITISH COLUMBIA LOTTERY CORPORATION

Minister of Public Safety and Solicitor General, directive to the British Columbia Lottery Corporation, section 6, *Gaming Control Act*.

This directive, issued pursuant to section 18 of the *Gaming Control Act*, authorizes the British Columbia Lottery Corporation in its discretion to:

- (a) Locate and relocate gaming facilities for business reasons, in accordance with provincial policy, the *Gaming Control Act*, and the Gaming Control Regulation, as they may be amended from time to time; and
- (b) Substantially change the type or extent of lottery schemes in gaming facilities in order to best meet marketplace demand, in accordance with provincial policy, the *Gaming Control Act*, and the Gaming Control Regulation, as they may be amended from time to time.

Dated this October 6, 2005. — John Les, *Minister of Public Safety and Solicitor General*. [oc20]

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Volume CXLIII, No. 26 June 26, 2003	The British Columbia Gazette Published by Authority
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DIRECTIVE TO BRITISH COLUMBIA LOTTERY CORPORATION

This directive, issued pursuant to section 18 of the *Gaming Control Act*, authorizes the **British Columbia Lottery Corporation** in its discretion to:

- (a) Relocate gaming facilities for business reasons, in accordance with provincial policy, the *Gaming Control Act*, and the Gaming Control Regulation, as they may be amended from time to time; and
- (b) Substantially change the type or extent of lottery schemes in gaming facilities in order to best meet marketplace demand, in accordance with provincial policy, the *Gaming Control Act*, and the Gaming Control Regulation, as they may be amended from time to time.

Dated this 17th day of June 2003. — Rich Coleman, *Minister of Public Safety and Solicitor General*. [je26]

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Volume CXLVIII, No. 29
July 17, 2008

The British Columbia Gazette
Published by Authority

DIRECTIVE TO GAMING POLICY AND ENFORCEMENT BRANCH

Minister of Housing and Social Development, directive to the General Manager, **Gaming Policy and Enforcement Branch**, section 26 of the *Gaming Control Act*: Horse Racing Teletheatre Licenses.

This directive, which will come into effect immediately, is issued pursuant to section 26 of the *Gaming Control Act* in respect to teletheatre licenses issued by the General Manager, Gaming Policy and Enforcement Branch, under section 46 (1) of the *Gaming Control Act*.

The number of horse racing teletheatres licensed under section 46 (1) of the *Gaming Control Act* must not exceed forty (40).

Dated July 11, 2008. — Honourable Rich Coleman, *Minister of Housing and Social Development*. [jy17]



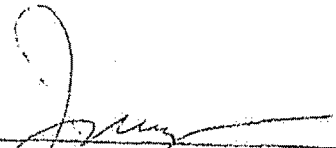
Know your limit, play within it.

**General Manager
Gaming Policy and Enforcement Branch**

**Directive Pursuant to
Section 28(1) of the Gaming Control Act**

Internal Review of Gaming Policy and Enforcement Branch Decision Rescinded

This directive is issued pursuant to Section 28 (1) of the *Gaming Control Act* and rescinds the directive dated May 14, 2007 titled "Internal Review of Gaming Policy and Enforcement Branch Decisions", effective this 01 day of April, 2016.



John Mazure
Assistant Deputy Minister and General Manager
Gaming Policy and Enforcement Branch

Date:

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Volume CXLVII, No. 20
May 17, 2007

The British Columbia Gazette
Published by Authority

DIRECTIVE TO BRITISH COLUMBIA LOTTERY CORPORATION

General Manager, **Gaming Policy and Enforcement Branch**, directive to the British Columbia Lottery Corporation, section 28 (1), *Gaming Control Act*.

This directive is issued pursuant to section 28 (1) of the *Gaming Control Act*, replaces and rescinds the directive dated August 19, 2002 titled "Internal Review of Decisions under the Gaming Control Act", effective this 14th day of May, 2007.

The internal review processes for specified types of decisions made by the Gaming Policy and Enforcement Branch (Branch) shall be as set out in the document titled "Internal Review Process (Reconsideration and Administrative Review Hearings)", dated May 10, 2007, and as it may be amended from time to time.

The Branch will at all times maintain on the Branch website the current version of the "Internal Review Process (Reconsideration and Administrative Review Hearings)" document.

Dated May 14, 2007. — Derek Sturko, *Assistant Deputy Minister and General Manager, Gaming Policy and Enforcement Branch*. [my17]

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Volume CLIV, No. 11
March 13, 2014

The British Columbia Gazette
Published by Authority

NOTICE OF TAXATION

Take notice that, pursuant to section 10 (1) (a) of the *Indian Self Government Enabling Act*, it is certified that:

The Minister of Finance received from the **Beecher Bay First Nation**, a notice dated February 26, 2014, that conforms with the requirements of section 9 of the *Indian Self Government Enabling Act*; and according to the notice received, the Beecher Bay First Nation will impose independent taxation in the 2015 calendar year on the following: Beecher Bay IR 1, Beecher Bay IR 2, Fraser Island IR 6, Lamb Island IR 5, Long Neck Island IR 9, Twin Island IR 10, Village Island IR 7, and Whale Island IR 8.

Certified on this 6th day of March 2014, at the Ministry of Finance, Victoria in the Province of British Columbia. — *Deputy Minister of Finance*. [mh13]

DIRECTIVE TO BRITISH COLUMBIA LOTTERY CORPORATION

General Manager, **Gaming Policy and Enforcement Branch**, directive to the British Columbia Lottery Corporation, section 28, Gaming Control Act.

This directive is issued pursuant to section 28 (1) (j) (ii) of the Gaming Control Act, approving the amendment of the formulae to determine the amount of gaming revenue that may be retained by or paid to a Gaming Services Provider for the provision of gaming services in connection with the conduct, management, operation or presentation of lottery schemes, as follows:

- 75 per cent of the win on Craps to the Service Provider with the removal of the current threshold amount;
- 65 per cent of the win on Midi Craps to the Service Provider;
- 60 per cent of the win on Low Limit Blackjack to the Service Provider;
- 60 per cent of the win on Low Limit Roulette to the Service Provider; and
- 40 per cent of the win on Touch Bet Baccarat to the Service Provider.

Approved on this 6th day of March 2014. — John Mazure, *General Manager of Gaming Policy and Enforcement Branch*. [mh13]

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Volume CXLVII, No. 16
April 19, 2007

The British Columbia Gazette
Published by Authority

DIRECTIVE TO BRITISH COLUMBIA LOTTERY CORPORATION

General Manager, **Gaming Policy and Enforcement Branch**, directive to the British Columbia Lottery Corporation, section 28, *Gaming Control Act*.

BCLC Employees' Reporting Requirements Concerning Conflict of Interest.

This directive is issued pursuant to section 28 (1) of the *Gaming Control Act*, in respect of the standards of conduct applicable to the employees of the British Columbia Lottery Corporation.

1. An employee of the lottery corporation is required, as a condition of registration, to disclose to the General Manager by June 15, 2007:

(a) Any previous or current involvement by the employee in the gaming or horseracing industry in any capacity;

(b) Any current involvement in the gaming or horseracing industry in any capacity by the employee's spouse, a parent, sibling or child of the employee or the spouse, or any relative of the employee or the spouse, if the relative has the same residence as the employee;

(c) Any interest, financial or otherwise, in a registered gaming services provider held by an employee, the employee's spouse, a parent, sibling or child of the employee or the spouse, or any relative of the employee or the spouse, if the relative has the same residence as the employee.

2. An employee of the lottery corporation is required, as a condition of registration, to disclose to the General Manager without delay during the term of registration:

(a) Any new involvement or interest by the employee in the gaming or horseracing industry in any capacity;

(b) Any new involvement in the gaming or horseracing industry in any capacity by the employee's spouse, a parent, sibling or child of the employee or the spouse, or any relative of the employee or the spouse, if the relative has the same residence as the employee;

(c) Any interest, financial or otherwise, in a registered gaming services provider held by an employee, the employee's spouse, a parent, sibling or child of the employee or the spouse, or any relative of the employee or the spouse, if the relative has the same residence as the employee.

For the purposes of this Directive, a relative is defined as: Spouse, parent, sibling or child, aunts, uncles, in-law relationships (brother, sister, mother, father, daughter, son) and step-relationships (brother, sister, mother, father, daughter, son).

Issued April 16, 2007. — Derek Sturko, *Assistant Deputy Minister and General Manager*. [ap19]

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Volume CXLVII, No. 12
March 22, 2007

The British Columbia Gazette
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DIRECTIVE TO BRITISH COLUMBIA LOTTERY CORPORATION

General Manager, **Gaming Policy and Enforcement Branch**, directive to the British Columbia Lottery Corporation, section 28, *Gaming Control Act*.

Technical Integrity of Lottery Schemes Conducted and Managed by the British Columbia Lottery Corporation.

This directive is issued pursuant to section 28 (1) (g) of the *Gaming Control Act*, in respect to the technical integrity of lottery schemes conducted and managed by the British Columbia Lottery Corporation, and requires the lottery corporation to comply, effective this date, with the following:

1. Prior to conducting and managing any new or modified lottery scheme, the lottery corporation must ensure that the technical integrity of the new or modified lottery scheme has been approved in writing by the general manager.
2. Prior to using gaming supplies in the conduct and management of a lottery scheme, the lottery corporation must ensure that the technical integrity of the gaming supplies has been approved, either individually or according to the type of gaming supply, in writing by the general manager.
3. The lottery corporation must immediately advise the general manager in writing if any gaming supplies used in lottery schemes have been altered, upgraded or repaired, or have been found defective in manufacture or design, and the lottery corporation must not use such gaming supplies after any alteration, upgrade or repair, until the further use has been approved in writing by the general manager.

Dated March 14, 2007. — Derek Sturko, *Assistant Deputy Minister and General Manager*. [mh22]

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Volume CXLVI, No. 44
November 2, 2006

The British Columbia Gazette
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DIRECTIVE TO BRITISH COLUMBIA LOTTERY CORPORATION

General Manager, **Gaming Policy and Enforcement Branch**, directive to the British Columbia Lottery Corporation, section 28, *Gaming Control Act*.

This directive, issued to the British Columbia Lottery Corporation, pursuant to section 28 of the *Gaming Control Act*, approves for the purposes of section 4 (f) of the Gaming Control Regulation, single table tournament Texas Hold'em poker with a maximum buy-in limit, to be conducted, managed and operated by and at the discretion of the British Columbia Lottery Corporation, pursuant to contracts entered into with hospitality retailers.

Dated October 30, 2006. — Derek Sturko, *Assistant Deputy Minister and General Manager*. [no2]



BRITISH
COLUMBIA

The Best Place on Earth

January 18, 2010

Log # 159471

John McLernon
Chair
British Columbia Lottery Corporation Board
74 West Seymour Street
Kamloops BC V2C 1E2

Dear Mr. McLernon:

RE: INTRODUCTION OF PROPOSITION WAGERING

I am writing to approve the introduction of a lottery scheme based on proposition wagering ("Props") by the British Columbia Lottery Corporation.

The introduction and operation of Props must at all times be in accordance with the *Criminal Code*, *Gaming Control Act*, the Gaming Control Regulation, and provincial policy as they may be amended from time to time.

As always, the technical integrity of the hardware and software used in the operation of the lottery scheme must be certified and operated in accordance to standards set by the Gaming Policy and Enforcement Branch.

Sincerely yours,

Rich Coleman
Minister

pc: ✓ Derek Sturko
Michael Graydon

Ministry of
Housing and
Social Development

Office of the
Minister

Mailing Address:
Parliament Buildings
Victoria BC V8V 1X4

Location:
Parliament Buildings, Victoria



Know your limit, play within it.

February 21, 2012

Log# 476432

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

RE: Request for Offers for Gaming Equipment

Dear Mr. Graydon:

I am writing in regard to the March 4, 2010 correspondence from the Honourable Rich Coleman to John McLernon, Chair, BCLC, which gave approval to BCLC to sell and supply gaming equipment under section 7(1)(d) of the *Gaming Control Act*. As a condition of approval, BCLC was advised it must inform the Gaming Policy and Enforcement Branch (GPEB) of such business transactions.

The previous correspondence identified BCLC's obligations as follows:

- BCLC must advise GPEB of each executed business agreement and, if requested, provide a copy of the specified agreement(s) to GPEB, within the timelines specified by the Assistant Deputy Minister and General Manager of GPEB; and
- BCLC must maintain an inventory of all technology, supplies and equipment shipped out of the province, and provide that information to GPEB in the form and within timelines, specified by the GPEB General Manager.

I am advised that GPEB and BCLC staff have consulted on the processes and timelines for such notification to this office, and have agreed to the following process:

1. BCLC will notify Steve Lefler, Director of Certification and Game Integrity at GPEB, in writing, prior to releasing a Request for Proposal or a Request for Qualifications, or other such instrument that starts a process which may result in an agreement for the sale or supply of goods or services falling within the ambit of section 7(1)(d) of the *Gaming Control Act*.

.../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
Telephone: [REDACTED]
Facsimile: [REDACTED]

Location:
Third Floor, 910 Government Street
Victoria, BC


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

2. When BCLC enters into an agreement to provide applicable supplies and equipment out of province, BCLC will provide to GPEB in writing and in a timely matter, information as to the intended recipient of the gaming supplies as follows:
 - a) Full name and location of receiving business;
 - b) Physical destination for gaming supplies; and
 - c) Identification of the gaming supplies by:
 - o Manufacturer;
 - o Type (i.e., slot machine) and number of units;
 - o Model and serial number; and
 - o If software included, software product identification.

3. If in future there is an increase in BCLC's provision of services rendered under section 7(1)(d) of the *Gaming Control Act*, GPEB and BCLC agree to discuss the provision of a quarterly report on BCLC's activities under section 7(1)(d).

Please feel free to contact me should you wish to discuss further.

Sincerely,



Douglas S. Scott
Assistant Deputy Minister

Attachment (1): Correspondence from the Honourable Minister Coleman dated March 4, 2010.

pc: Steve Lefler, Director
Gaming Policy and Enforcement Branch

Ron Merchant, A/Executive Director
Gaming Policy and Enforcement Branch

Denise Kranz, Senior Legal Counsel
British Columbia Lottery Corporation



BRITISH
COLUMBIA

The Best Place on Earth

MAR 8 2010

MAR 04 2010

Ref: 158563

John McLernon, Chair
British Columbia Lottery Corporation Board
c/o Colliers Macaulay Nicholls
1500-200 Granville St
Vancouver BC V6C 1S4

cc: Constance

Dear Mr. McLernon:

I am writing to confirm authority for the BC Lottery Corporation (BCLC) to enter into the business of supplying operational services, supplies, equipment and technology relating to the conduct of gaming as set out in section 7(1)(d) of the *Gaming Control Act*, including BCLC's sale of replaced equipment, the licensing of BCLC patents and the provision of BCLC's expertise.

The approval for BCLC to conduct business under section 7(1)(d) of the *Gaming Control Act* is subject to the following conditions:

- BCLC's business activities must at all times comply with the Criminal Code of Canada and all applicable British Columbia laws, including but not limited to:
 - The *Gaming Control Act*;
 - The Gaming Control Regulation;
 - Provincial standards and policies; and
 - Provincial privacy laws, especially relating to requirements for disclosure, storage and access of information within and outside of Canada.
- BCLC may only enter into business with government bodies or business entities already authorized within their respective jurisdiction to conduct, manage or operate gaming, or authorized to supply gaming services, supplies, equipment or technology, and must comply with the applicable legislation, standards and policies of the respective jurisdiction.
- BCLC must advise the Gaming Policy and Enforcement Branch (GPEB) of each executed business agreement and, if requested, provide a copy of the specified agreement(s) to GPEB, within the timelines specified by the Assistant Deputy Minister and General Manager (general manager) of GPEB.
- BCLC must maintain an inventory of all technology, supplies and equipment shipped out of the province, and provide that information to GPEB in the form, and within the timelines, specified by the GPEB general manager.

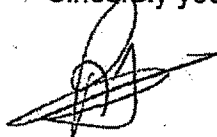
Ministry of
Housing and
Social Development

Office of the
Minister

Mailing Address:
Parliament Buildings
Victoria BC V8V 1X4

Location:
Parliament Buildings, Victoria

Sincerely yours,



Rich Coleman
Minister

pc: **Derek Sturko, Assistant Deputy Minister**
Gaming Policy and Enforcement

Michael Graydon, President and CEO
British Columbia Lottery Corporation

*Susan - FYI:**(from Suzanne Rowley)**James R.*

APR 11 2013

Ref. 490234

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

Dear Mr. Graydon:

I am writing to confirm our understanding of the British Columbia Lottery Corporation's (BCLC) request for funding in support of the Edgewater Casino relocation adjacent to BC Place Stadium. The request indicates a negative impact of \$4.6M for each of the fiscal years of 2012/13, 2013/14 and 2014/15.

I wish to ensure BCLC's commitment that approval to increase the Facility Development Commission (FDC), and bring forward the Accelerated Facility Development Commission (AFDC), will not impact the net income targets to which the corporation has committed. Specifically, approval of this request is contingent on the \$4.6M reduction net to government, which is noted in Appendix A of the submission, being recovered from within BCLC operations.

Sincerely yours,

Rich Coleman
 Minister of Energy, Mines and Natural Gas
 and Deputy Premier

Ministry of
 Energy, Mines and Natural Gas
 and Deputy Premier

Office of the Minister

Mailing Address:
 PO Box 9060, Stn Prov Govt
 Victoria, BC V8W 9E2

Telephone: [REDACTED]
 Facsimile: [REDACTED]



OCT 09 2014

337100

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

Dear Mr. Lightbody:

This letter is in response to the British Columbia Lottery Corporation's (BCLC) February 17, 2014, request to the Assistant Deputy Minister (ADM) of the Gaming Policy and Enforcement Branch (GPEB), to approve novelty betting on PlayNow.com. As per section 7(2) of the *Gaming Control Act*, which states that BCLC must not implement a new type of lottery scheme without written approval from the Minister, the ADM of GPEB has forwarded your request to me.

In considering this request, it is understood that the term "novelty bet" connotes entertainment-style bets that are not based on the outcome of, or contingencies occurring within, a sporting event, race, fight or athletic contest.

As per the general manager's Directive to BCLC, dated March 22, 2007, prior to conducting and managing any new or modified lottery scheme, BCLC must ensure that the technical integrity of a new or modified lottery scheme has been approved in writing by the general manager of GPEB. As such, GPEB has been working with BCLC to revise the Technical Gaming Standards for Internet Gaming Systems to include novelty betting on PlayNow.com.

The purpose of this letter is to advise that approval is given to BCLC's request, subject to ongoing compliance by BCLC with the policy framework that is to be developed by GPEB in consultation with BCLC. The policy will deal, among other matters, with standards applicable to the propositions that can be offered through the PlayNow.com platform. The principal objective of the policy standards is to ensure that propositions are, from the perspective of citizens of the Province, appropriate and in good taste. The policy framework must be in place prior to novelty/entertainment bets being initiated by BCLC.

Sincerely,

Michael de Jong, Q.C.
 Minister

cc: John Mazure, Assistant Deputy Minister, Gaming Policy and Enforcement Branch



December 1, 2015

347145

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

Dear Mr. Lightbody:

I am writing in regard to the British Columbia Lottery Corporation's (BCLC) desire to provide operational services for gaming events licensed by the Lieutenant Governor in Council, or her delegate, the general manager of the Gaming Policy and Enforcement Branch (GPEB), under Part 5 of the *Gaming Control Act* (licensed gaming).

I approve BCLC's entry into the business of supplying operational services to recipients of, or applicants or prospective applicants for, a licence issued under Part 5 of the *Gaming Control Act*. In granting this approval, I direct that the operational services in question are to be carried out in accordance with the following requirements:

1. BCLC must price the operational services such that BCLC will only recover reasonable expenses based on the cost of providing the services and not earn a profit from the provision of these services; and
2. BCLC must ensure that its operational services conform to all GPEB-licensed gaming policies, procedures and standards, as they may be amended from time to time.

This approval is independent of and in addition to direction previously provided to BCLC in March 2010 as it did not contemplate BCLC operating as a service provider in online licensed gaming.

BCLC is obligated to operate within the same policies, procedures and standards as all registered gaming services providers participating in provincial licensed gaming. This includes a duty to comply with GPEB's audit and compliance requirements on licensed gaming events and gaming service providers. It also includes any and all reporting requirements applicable to gaming service providers.


.../2

- 2 -

This approval is not to be interpreted as an approval for BCLC to act in a way that discourages competition in the provision of services to licensees. Furthermore, BCLC will not be granted any special consideration or special exceptions in the licensed gambling sector.

As you are aware, amendments made to the *Criminal Code* in December 2014 have enabled GPEB to amend the Standard Procedures for Ticket Raffles to enable licensees, as part of the conduct and management of licensed gaming, to use computers for certain purposes (sale of a ticket, selection of a winner and distribution of prize). The new rules will be implemented in a phased approach, with the first phase expected to begin in early 2016. All service providers in the licensed gaming sector that are providing computer-based services, including BCLC, should expect a higher than normal level of scrutiny on their activities by GPEB's audit and certification sections during the first phase of implementation.

Sincerely,



Michael de Jong, Q.C.
Minister

cc: John Mazure, Assistant Deputy Minister and General Manager
Gaming Policy and Enforcement Branch

Angela Swan, Executive Director
Licensing, Registration, and Certification Division
Gaming Policy and Enforcement Branch

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

Len Meilleur, Executive Director
Compliance Division
Gaming Policy and Enforcement Branch



JUL 20 2016

350499

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

Dear Mr. Lightbody:

The Gaming Policy and Enforcement Branch (GPEB) has received a number of inquiries concerning private service providers offering daily fantasy sports (DFS) to British Columbia residents.

Although the British Columbia Lottery Corporation (BCLC) has not made a request for approval to offer DFS as a new lottery scheme, it is my understanding that BCLC is tracking the interest that DFS has generated and is contemplating whether to offer DFS through PlayNow.com.

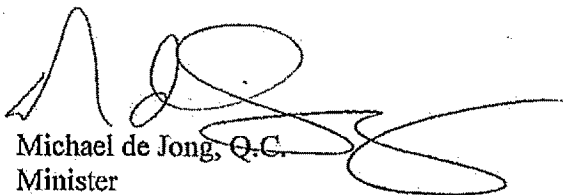
The purpose of this letter is to provide BCLC with approval, pursuant to section 7(2) of the *Gaming Control Act*, to offer DFS through PlayNow.com. In providing approval to offer DFS, I am providing approval for a lottery scheme where participants assemble virtual teams of real players from professional sport leagues. These virtual teams compete based on the statistical performance of the real players in actual games by converting their real-life statistics into points. Depending on the overall performance of their fantasy team, participants may be eligible to win a prize. DFS is conducted over short-term periods, such as a week or single day of competition.

.../2

- 2 -

Additionally, and in accordance with the general manager's directive to BCLC, dated March 14, 2007, BCLC must, prior to conducting and managing this new lottery scheme, ensure that the technical integrity of the lottery scheme has been approved in writing by the general manager of GPEB. As part of achieving this objective, GPEB will work with BCLC to revise the Technical Gaming Standards for Internet Gaming Systems to include DFS on PlayNow.com.

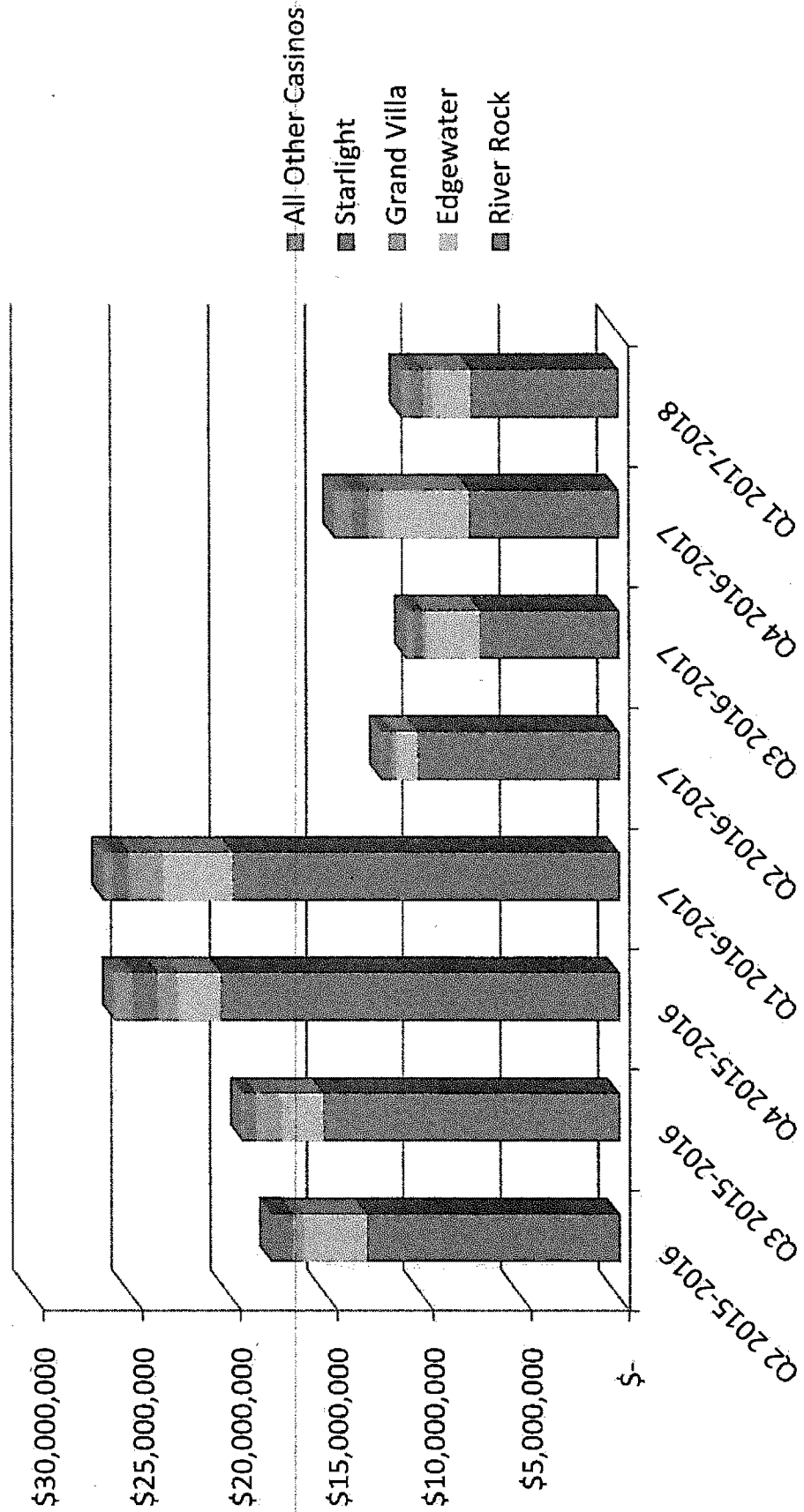
Sincerely,



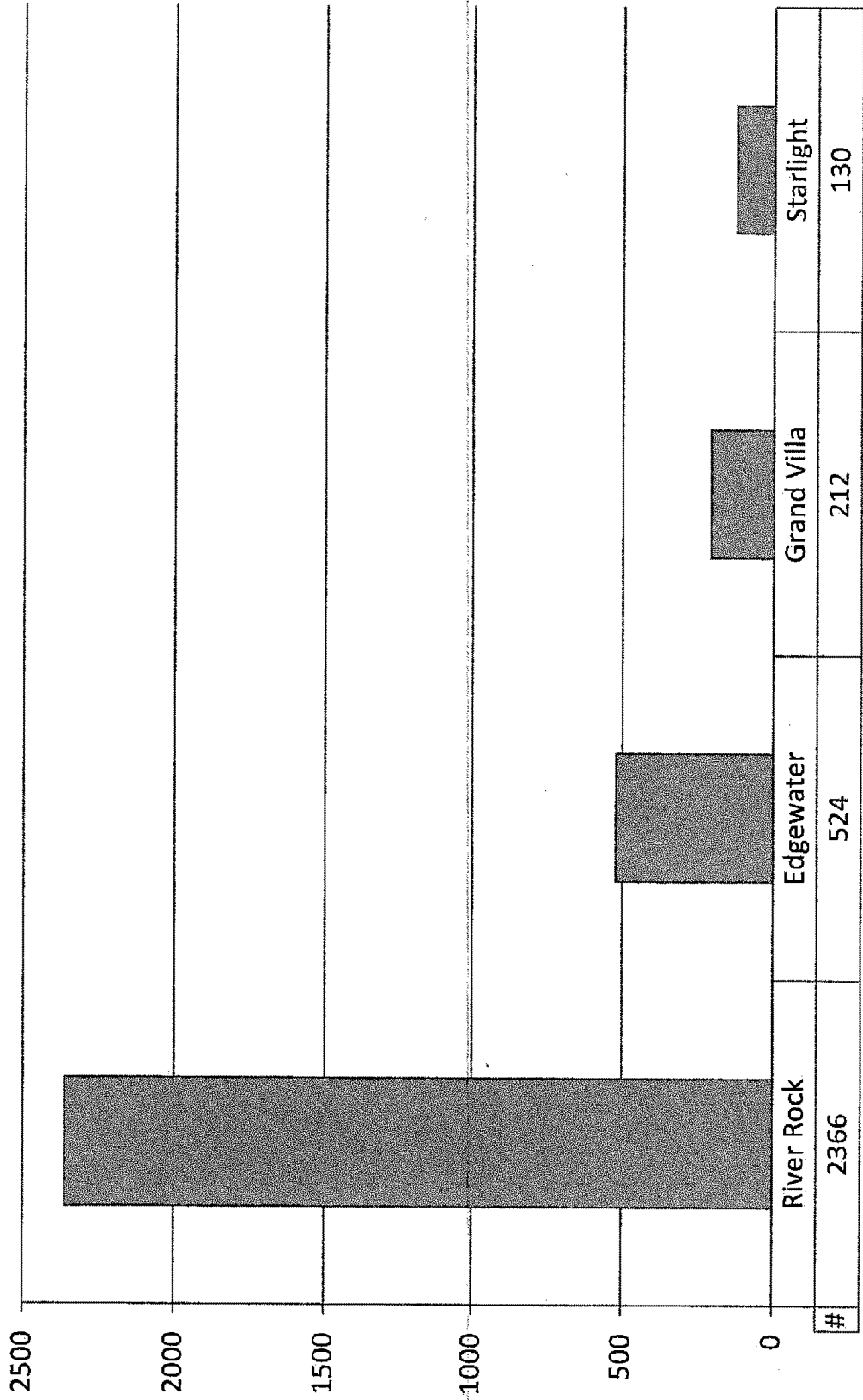
Michael de Jong, Q.C.
Minister

cc: John Mazure, Assistant Deputy Minister and General Manager,
Gaming Policy and Enforcement Branch

Top 4 Casinos and All Other Casinos by SCT \$ August 2015 to June 2017

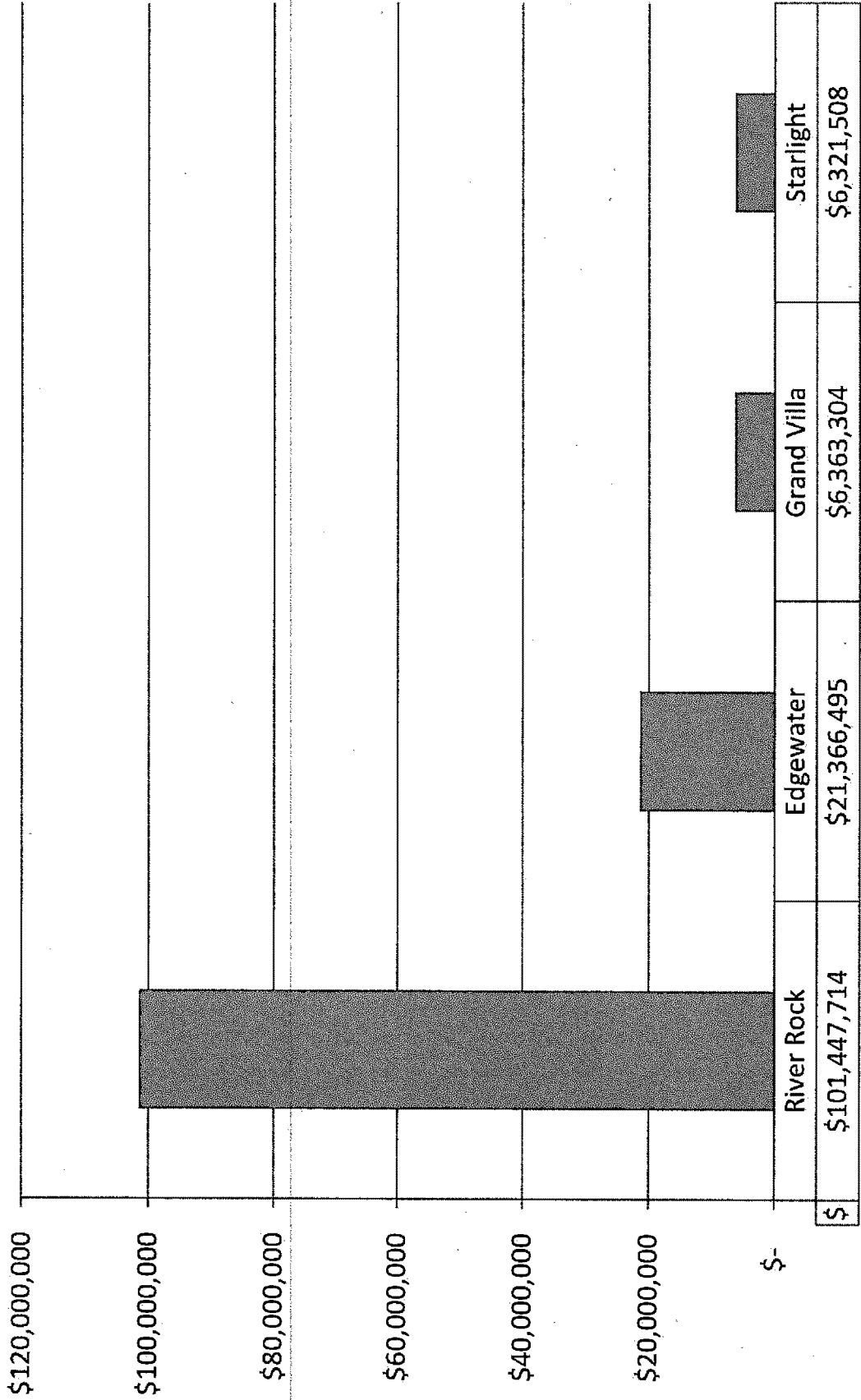


Top 4 Casinos by # of SCT August 2015 to June 2017



()

**Top 4 Casinos by \$ of SCT
August 2015 to June 2017**



\$	River Rock	Edgewater	Grand Villa	Starlight
	\$101,447,714	\$21,366,495	\$6,363,304	\$6,321,508

**Data for Top 4 Casinos by # / \$ of SCT
August 2015 to June 2017**

Row Labels	Total SCT #	Total SCT \$	#	\$
River Rock	2,366	\$ 101,447,714	70%	73%
Edgewater	524	\$ 21,366,495	16%	15%
Grand Villa	212	\$ 6,363,304	6%	5%
Starlight	130	\$ 6,321,508	4%	5%
Hard Rock	85	\$ 2,576,550	3%	2%
Cascades	20	\$ 507,475	1%	0%
Elements	16	\$ 174,830	0%	0%
Hastings	1	\$ 19,900	0%	0%
No Name	1	\$ 9,000	0%	0%
Fraser Downs	1	\$ 370	0%	0%
Chances Maple Ridge	1	\$ -	0%	0%
Grand Total	3,357	\$ 138,787,146		

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May 15, 2014 – Estimates, Ministry of Finance

Social responsibility of gambling

S. Simpson: This is a bit of a unique situation. Much like liquor policy and a couple of other policies, I think there's always been a sense, since government launched gaming and started to do that.... It has grown to the point now where it's a pretty significant revenue generator for government. For one aspect of government, it's a pretty important revenue generator. Everybody knows that, and that's not going to change.

There's always been, I think, in the public a little bit of question about government's role in being involved in the gambling business. I think that's satisfied by the amounts of money that go into grants, where the dollars go to support social initiatives and programs. People kind of feel okay about that.

It's a unique piece of business, because the Lottery Corporation isn't just out there operating. It essentially is a partner with the private industry in the success — the casino companies, the large gaming private companies. They have a partnership that makes this work, in terms of the Lottery Corporation owning equipment and that and the privates being the operational side of that on the ground with casinos and that. It's a different kind of partnership.

The minister will know, and we'll talk about this a little later... We're going to talk about Perry Kendall's report and concerns about problem gambling, whether that's being addressed in ways that make sense at this point. I know the minister's comments — I think to a news report back a little while ago — about concerns about increases, potentially, in money-laundering challenges and issues. Those are the things that I think make people a little bit uncomfortable in the public about saying: "Hey, how's this going?"

It's a bit unique — unlike a FICOM, which I think is less so but probably more important, in many ways — that separation. That's why this is a sector, probably more than many others, that doesn't just need to have those kinds of separations that you might be able to do in a ministry but has to be seen to be having those in the public eye, maybe more than some others do.

Responsible gambling & PlayNow

S. Simpson: As the minister points out, there's a discussion in the report around the resources that get applied. One quote from Dr. Kendall's report, on page 30, is that "despite B.C.'s moderate to high levels of revenue from gaming, B.C. spends the lowest amount of its gaming revenue on problem gambling among provinces for which data was established (\$1.50 per capita age 18 and up). This is less than half of the average of \$3.59."

That was Dr. Kendall's comment. He went on in other places to talk about the growth of the problem, saying: "Between 2002 and 2007 the percentage of problem gamblers increased 125 percent.... This is likely related to the introduction of new and expanded gambling opportunities in B.C."

I think it raises an interesting question. At PlayNow.com, when you look at the B.C. Lottery Corporation's levels, we're seeing that things have gone pretty level or flattened out in much of the casino business, except in a couple of particular table games that seem to do very well with some customers. But that seems to have levelled out, particularly slot machines, which was the cash cow for casinos.

But the PlayNow, the whole on-line, mostly home gambling — those numbers continue to grow. That's also the area where people who are concerned about addictive behaviours say the biggest possible challenge is. We know that in casinos they have staff and personnel there. If they see somebody looking like they're getting into distress, there are resources at the casino obliged by the GPEB and by the ministry to be there to provide support and assistance. You don't have that at two o'clock in the morning when you're on your computer at home.

Source of funds & AML

S. Simpson: I want to get to FINTRAC and laundering. We know the report that came out, the audit that came out, showed some significant potential growth in the amount of instances of suspicious transactions. For example, I think they suggested that there were more than 1,000 of these transactions in 2013. Interestingly — I think it was on CTV — they reported there were no charges at all on any of these, so apparently, they were all good. But I'm sure it raises questions on how you have more than 1,000 suspicious transactions and they're all good.

The question I have for the minister.... I believe I heard him in the media, when this story came out, expressing his concern about this increase in instances and wanting to get a better handle on that. Could the minister tell us what efforts are being made to get a better handle on this?

S. Simpson: I'm just going to, as an aside, because I'm getting close to the end here, whether, as a response.... I guess it would be GPEB, actually, as a response to those reports and these numbers in the audit around the increase in numbers of suspicious transactions.... That doubled, I think, since 2011. I think that's what the numbers said. I'd have to look in my notes, but I know there was a significant increase.

I'd be interested to know if GPEB is doing some assessment of how they look at these things, how casinos look at them, and looking at kind of how they may be tweaking the requirements, the regulatory requirements, the oversight requirements to try to bring those numbers down. Clearly, getting away from cash would be one big way to do it. Some other things. So I'm interested in that. Particularly if there's anything in writing on that, I'd be pleased to see that.

Nov, 17, 2015 – Question Period

Former Corp CEO & decision to increase max. betting limits

D. Eby: Perhaps if the minister responsible for freedom of information responded, he would have known that it wasn't my allegations about documents disappearing. It was the Privacy Commissioner's allegations about this government's propensity to have documents disappear.

After burying this letter for over a year, triggering an investigation by the Privacy Commissioner, we finally did get a copy of it. The minister is right.

On December 19, 2013, Mr. Graydon wrote to the gaming policy and enforcement branch. He told the government that he had personally approved an increase to the maximum betting limit, from \$10,000

per hand in casinos to \$100,000 per hand. Mr. Graydon wrote: "I have provided my approval for BCLC's casino and community gaming division to work with casino service providers to implement changes to these limits so that they are in place prior to January 31, 2014, and, in particular, at the Edgewater and River Rock casinos."

To the Minister of Citizens' Services: why did B.C. Lottery Corporation choose to bury a letter which clearly shows that Michael Graydon used his position, his last months on the job as CEO, to directly benefit his soon-to-be employer?

C. James: Mr. Graydon's decision to increase betting limits up to \$100,000 per hand was not supported by the government regulator. Two days before Mr. Graydon signed off on the decision, the gaming policy and enforcement branch wrote to BCLC. They were concerned that the proposal could lead to money laundering and gambling addiction problems. They pointed out that it went far beyond what any other jurisdiction in Canada had allowed. But Mr. Graydon ignored those concerns. He had been in the CEO role for six years, and this was his departing gift to Paragon.

To the Minister of Finance: given this government's atrocious record on breaking FOI laws, why should anyone believe that this letter was simply accidentally misplaced by BCLC?

May 25 & 26, 2015 – Estimates

HLG payments

D. Eby: Is there any level of accountability to the municipalities about what's deducted before their 10 percent is calculated? For example, do they get a report saying: "For the River Rock Casino, we had this level of expenses, based on this, and that's why you're getting this amount of money"? Or is it just they get a cheque from BCLC, and that's that?

AML police team

D. Eby: On April 1, 2009, the 12-member RCMP integrated illegal gaming enforcement team was dissolved. At the time, the cost was \$1 million a year. I understand that it was paid for by B.C. Lottery Corporation.

Can the minister advise whether BCLC has looked at restoring funding for that unit? Given considerable news stories around suspicious transactions at casinos and the significant expansion in gaming in the province — casino gaming, in particular — involving international gamblers coming to British Columbia, having the national police force have an integrated team could be useful. Has BCLC looked at restoring that funding at all for the integrated casino team?

BCLC Canucks games

D. Eby: In 2013-14 fiscal BCLC made 31 payments totalling \$75,000 to the Vancouver Canucks and associated agencies like Aramark catering for suites and seats at Rogers Arena. Contest winners were often accompanied by BCLC reps, which is, obviously, understandable, but on three occasions Michael

Graydon and a total of eight guests over the course of the year also attended and billed taxpayers for catering. Who were they?

There were also 42 names redacted from the list of attendees at the Canucks games on the basis that revealing their names would reveal "financial, commercial, scientific or technical information that belongs to a public body or to the government of B.C. that has, or is reasonably likely to have, monetary value."

Can the minister advise who BCLC is taking to Canucks games?

Paragon casino bankruptcy

D. Eby: When did the gaming policy and enforcement branch — or BCLC, or both — first become aware of the bankruptcy of Paragon's casino in Alberta and the credit default at their other casino in Alberta? They have only ever built two casinos in Canada or anywhere, and both had serious credit defaults — one a bankruptcy. When did this come to the attention of the B.C. Lottery Corporation or the gaming policy and enforcement branch?

Cost of FINTRAC litigation to the public

D. Eby: My first set of questions relates to an issue that at first arose in 2010, which was a fine of approximately \$700,000 by FINTRAC. I understand the fine was penalizing B.C. Lottery Corporation, although I've never seen any formal document acknowledging this. But there's been litigation since then. Litigation is still underway. What is the cost of this FINTRAC litigation to the public to date?

Paragon AFDC commissions

D. Eby: In the recent Crown review of the B.C. Lottery Corporation it was revealed that government policy was either broken or bent in order to grant Paragon funding for an underground parkade for its proposed new resort beside B.C. Place. BCLC policy specifically says capital funding under accelerated facility development commissions should not be granted until a project is substantially complete and in operation, in order to incent the timely development of the project. Yet in this case, Paragon will receive the money for the parkade before the resort and casino and the parkade itself are built.

March 3, 2015 – Question Period

Payco contract with Paragon

D. Eby: This government is building a new casino and resort at B.C. Place in partnership with the Las Vegas company called Paragon Gaming. They chose this company after the B.C. Liberal Party received a \$50,000 donation from Paragon during the tendering process. But after signing, Paragon said they just couldn't afford the \$6 million a year they'd promised to pay, so this government cut the rent in half for their pals.

When word about the giveaway got out just a couple weeks before the election, the Minister of Education did a number of media interviews in which he denied the contract existed. Well, we now have a copy of that contract. Its effective date predates the minister's media interviews by more than a

month. To the minister responsible, what does he think is worse: giving a \$3 million break to a major B.C. Liberal donor or misleading the public about it two weeks before the election?

April 11, 2016 – Question Period

BCLC management of casino transactions

C. James: In October 2014, the Minister of Finance audited the B.C. Lottery Corporation. In that audit, they found “a significant increase in unusual or suspicious financial transactions reported.” In 2015, the B.C. Lottery Corporation deployed a new anti-money-laundering computer system, claiming the results of this new system would “increase capacity, improve accuracy, reporting and identification of high-risk persons and patterns of activity using data analytics.”

But this new system failed to detect Mr. Mancini, the landscaper who claimed to have won over \$2 million from slot machines in B.C. casinos and who is now being chased for that \$70,000 from the Solicitor General, who says this man laundered money through B.C. casinos. Mr. Mancini was not caught by the new computer system. He was caught by a traffic police officer.

Could the minister tell us how much this system cost and why the system failed to detect Mr. Mancini’s activities?

April 4, 2016 – Question Period

AML & provincial funding of police

D. Eby: The minister knows very well that it was part of the mandate of the integrated policing team. Fred Pinnock was all over the media saying that if you get rid of this team, money laundering will go up, and guess what. Now we have a money-laundering problem.

According to the government’s own court filings, a gentleman named Michael Mancini was caught in a traffic stop with \$70,000 the Solicitor General’s ministry says was laundered through B.C. casinos. Now, these same court filings say he claims to have won an astonishing \$2.2 million from B.C. casino slot machines over 18 months but that his money really came from “unlawful activity, including trafficking of controlled substances.” He wasn’t on the list of the 108 people involved in organized crime banned from B.C. casinos. He was only caught through a fluke, through a traffic stop.

Perhaps the minister can enlighten us. Exactly how much of the \$1 million that his government cut from funding for police in casinos is his government going to restore with this new initiative?

BCLC Briefing

July 31, 2017

Agenda

- BCLC's Role, Vision and Strategy
- Growing Net Income Responsibly: Priority Areas for Investment
- Financial Outlook
- Crown Review Update
- New Operating Services Agreement for Casino Service Providers
- 30-60-90 Day Outlook



BCLC's Role, Vision and Strategy

BCLC's Role

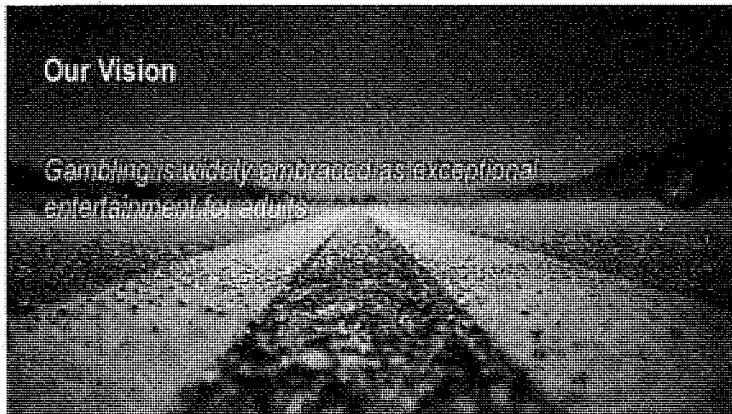
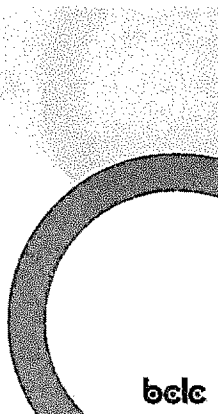
to ensure the industry's contribution to society is positive and balanced for all British Columbia

- Be responsible stewards of the gambling industry
- Achieve sustainable growth through balanced investments that serve a broad player base
- Always consider the impact of our business decisions on the people and communities of BC



BCLC Values

- **Integrity** – The games we offer and the ways we conduct business are fair, honest, transparent and trustworthy
- **Social Responsibility** – Everything we do is done with consideration of its impact on and for people and communities of British Columbia
- **Respect** – We value and respect our players, service providers and others

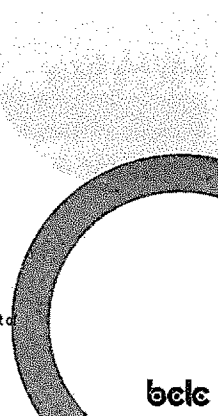


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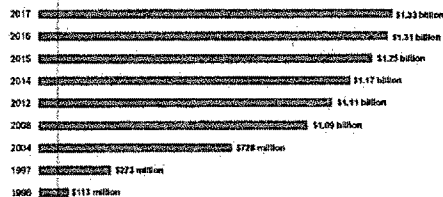
Operating Environment

Although a monopoly, BCLC operates in a dynamic, competitive environment.

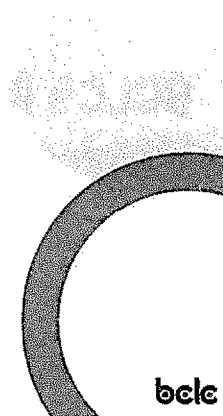
- Three lines of business: Casino, Lottery and eGaming
- Three different business models
- Competition from 53 casinos in Washington State. Las Vegas is a 2.5 hour flight from Vancouver.
- Approximately 2,000 grey market websites reaching into B.C.
- Lottery purchases are impulse in nature
- Broader competition in the entertainment category; casinos rank fourth on the list of top entertainment choices, behind eating out, movies and bars/pub/night clubs/lounge
- Competition from other jurisdictions for service provider capital investment



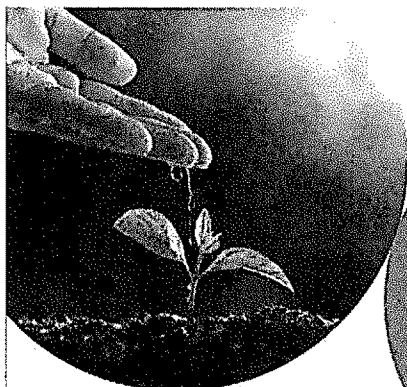
BCLC Net Income



Growth Driver: Distribution

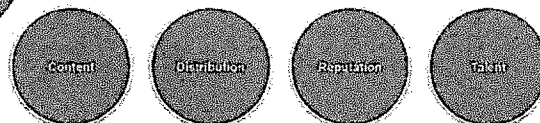


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Future growth will be fueled by innovation and investment in outstanding entertainment experiences

BCLC Strategy



Goals and Objectives

1. **Player** – We are creating an integrated player-focused entertainment company
2. **People** – We are building an engaged workforce and a strong culture based on trust and collaboration
3. **Public** – Our business and the benefits it creates are understood, trusted and supported by British Columbians
4. **Profit** – We will optimize net income through investing to sustain the long-term health of our business

Priority Areas for Investment



Reputation

Anti-Money Laundering Program

Canada's AML Regime: Roles & Responsibilities

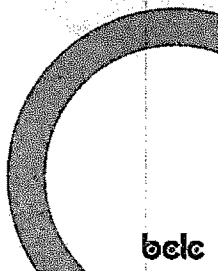
BCLC	FINTRAC	Police
<ul style="list-style-type: none"> Observe, detect, record and report Assess and document ML risks related to products and services Implement controls to help prevent ML 	<ul style="list-style-type: none"> Receive and analyze reports from reporting entities Identify circumstances involving ML Report out to police Monitor reporting entities for compliance 	<ul style="list-style-type: none"> Protect gaming through investigation of ML and TF offences Recommend charges to Crown

AML Program Audits

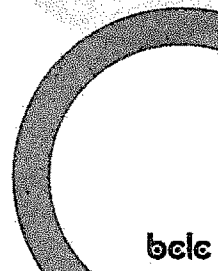
- FINTRAC audits BCLC's Compliance Program every two years.
- BCLC also engages a national accounting firm every two years to conduct an independent audit.
 - Currently underway with Ernst and Young.
- GPEB audits BCLC's program periodically and monitors its reporting to FINTRAC on an on-going basis.
- FINTRAC's July 2016 audit found no deficiencies in AML procedures or reporting.
 - One deficiency was found in relation to training, which has been addressed.
- During the audit exit interview FINTRAC advised that BCLC's Compliance Program was a leader in the sector.

Joint Illegal Gaming Investigative Team (JIGIT)

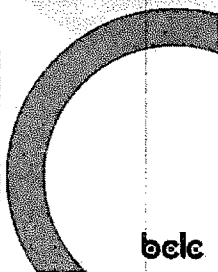
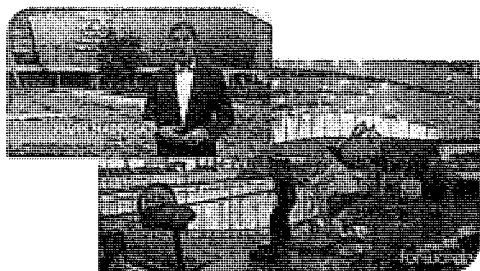
- BCLC reported illegal gambling houses to RCMP in 2014
- This led to the formation of JIGIT, which BCLC provides \$3 million annually to fund
- BCLC continues to advocate for law enforcement to shut down illegal gaming houses and for access to the names of individuals known to police to proactively ban



Communicating How Gambling Revenues Are Used



Play It Forward Initiative

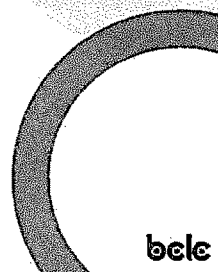


Play It Forward



Results:

- Almost 50% of British Columbians recalled a PIF ad;
- Significant, positive improvements in statements of public support for gambling: up from 43% to 65% (2015 vs 2016)
- Significant, positive impact on perceptions of BCLC: from 68% to 75% (2015 vs 2016)



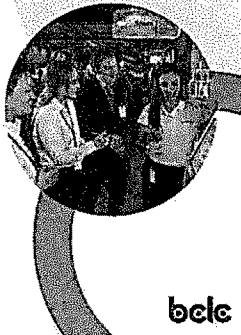
Content

Furthering our Investment in Player Health to Uphold our Public Health Commitment



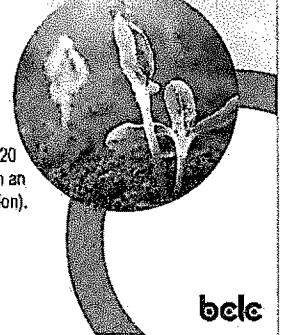
Investing in Player Health

- Public Health Officer Released "Lower the Stakes" (2013)
- The Plan for Public Health and Gambling (2015) made a commitment to expand the GSA program to all gaming facilities
- GPEB and BCLC commissioned a joint review of the GameSense Advisor (GSA) Program which recommended that the program be fully managed by BCLC and expanded to all facilities
- Enables operational efficiencies, stronger oversight, enhanced customer service, and greater alignment with player health strategy



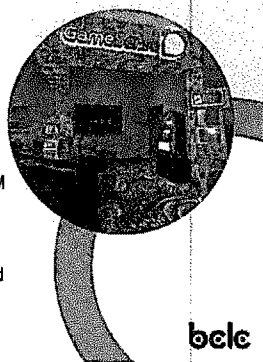
Investing In Player Health

- In addition to the existing day-to-day responsibility for oversight of GSAs, BCLC will assume full contract responsibility April 1, 2018.
- Expansion to all gaming facilities will be completed in 2020 almost doubling BCLC's investment in Player Health with an additional \$3 million each year (Current budget \$3.4 million).



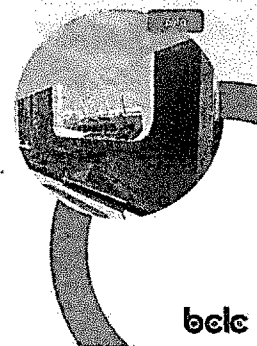
Innovative Partnerships to Further Player Health in British Columbia

- MGM Resorts International has licensed the GameSense brand for all of its U.S. casinos, joining Manitoba, Saskatchewan, Alberta, and the States of Massachusetts and Connecticut.
- The agreement includes a \$2.3 million investment by MGM to advance research with UNLV, Harvard, and UBC on the effectiveness of the GameSense Program
- The GameSense program has been internationally recognized and validated by third parties as innovative and effective in promoting informed choice.



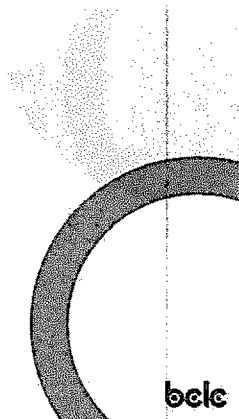
New Content

- Parq Vancouver, will include two Marriot Hotels and will be an entertainment hub with its gaming floor, 8 restaurants, lounges, and convention and event space.
- Parq has met or exceeded all City of Vancouver covenants.
- 20% of construction jobs were performed by workers from the Downtown Eastside and surrounding areas.

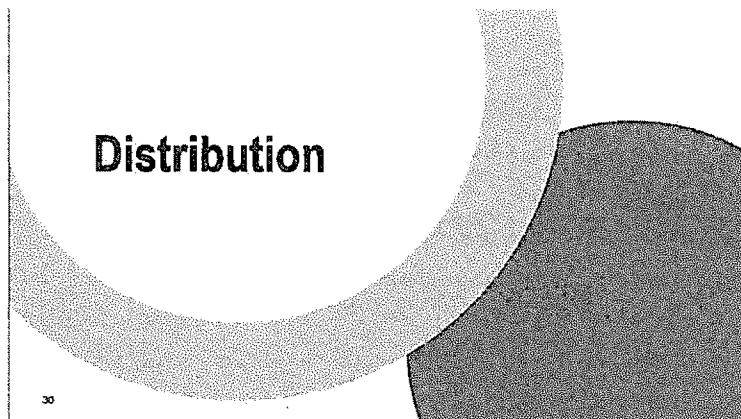


Content Innovation

- Content Innovation is one of BCLC's top corporate priorities because it supports sustainable growth and broadening the player base.
- Beat the Receipt is a lottery game concept that is currently being developed.

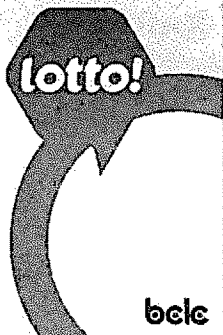


Distribution



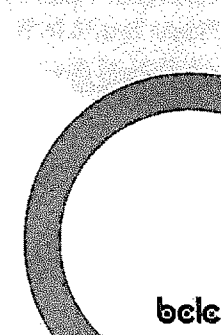
Lottery Transformation

- Protecting \$1 billion in revenue by updating legacy systems through new terminals and Lotto Express 2.
- Ensuring lottery stays relevant to players and keeps pace with consumer purchase trends through better distribution and digitization.
- 2015 Crown Review supported BCLC's recommendation to replace legacy systems.



Community and Public Engagement for New Gambling Facilities

Victoria, Delta, North Vancouver



Expression of Interest Process

- BCLC formalized its process for locating and relocating gambling facilities to be more clear, transparent and efficient.
- The Expression of Interest (EOI) process identifies local governments interested in hosting a gambling facility.
- BCLC respects the authority of local governments to choose whether they want a gambling facility in their community.



Updates on EOIs

Victoria	Delta	North Shore of Greater Vancouver
Through an RFPQ BCLC has pre-qualified four companies who will receive an RFP to submit a casino proposal to develop and operate a potential new facility in Victoria, (September)	This will be the relocation of the Surrey (Newton) CGG where Gateway is the service provider. In August BCLC will announce it has approved the Town and Country site as the location. Gateway will then develop a proposal for approval by council, including the public consultation process.	BCLC is considering relocating the Squamish CGG. EOI selection process still underway.

Talent

Talent

As a commercial company in a unique industry, BCLC requires key talent in areas such as technology, finance, marketing, and responsible gambling.

Head Count		Engagement	
Fiscal Year 2016/17		2016	61%
Vancouver	350		
Kamloops	420	2017	57%
Field	170		
Total	920		



Sustaining our Operations and Headquarters in Kamloops

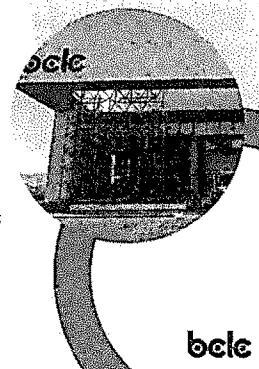
Kamloops Head Office

BCLC owns its current 53 year old head office in Kamloops:

- Assessments show mechanical, electrical and structural components are aging and ultimately need to be replaced, requiring significant investment.

Based on the current state of the building, BCLC is assessing two options:

- Remediate and recondition the existing building.
- Determine an appropriate plan to develop a new building.



Kamloops Head Office

- April 2017 BCLC prequalified four companies to respond to a RFP for the design, construction and commission of a potential new building.
 - BCLC expects to issue the RFP to these companies in Summer 2017.
- The RFP will enable BCLC to develop a concept plan and detailed business case analysis of options and financial implications to submit to Treasury Board.

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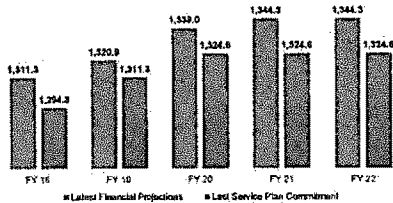


Financial Outlook

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BCLC Financial Update

Exceeding net income commitment by \$80.4M over the next 5 years while making appropriate investments to ensure the long term health of the business.



CCR will increase by +1.1% over last Service Plan/TBS

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Crown Review Update

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Crown Review Update

- December 2014 Crown Review made 25 recommendations to BCLC and two to GPEB/Ministry of Finance.
- BCLC established Executive Governance Committee and Board Oversight for each recommendation. BCLC's Audit Department validated implementation process.
- As of March 31, 2017 all 25 recommendations were complete at a cost of more than \$1.7 million including internal labour. All are now closed with audits complete.

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Agreements with Casino Service Providers & New Accountability Mechanisms

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Current Landscape

- Existing contracts were established in 1997. The gaming marketplace has matured and requires investment by BCLC and Service Providers to sustain revenues.
- Redeveloped facilities show increased gross gaming revenue and provide new entertainment options to a broader range of customers (Langley, Kamloops, Surrey, Penticton)
- Capital expansion opportunities for Service Providers (SP) exist in Ontario; facility investments in BC have slowed
- Service Provider costs have increased over time, particularly for compliance and labour

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Timeline

March 2015: BCLC hired HLT Advisory to conduct a review
 May 2015: BCLC and the Ministry of Finance signed a joint project charter
 June 2015: Ministry of Finance engaged Partnerships BC and Ernst & Young
 July 2015: SPs contracted Grant Thornton to develop independent Gaming Industry Review in British Columbia
 Sept 2015: BCLC submitted the HLT Advisory report to the Ministry of Finance
 Apr 2016: Commission review completed and BCLC's position submitted to MoF
 May 2016: BCLC meets with all SP to understand their wants/needs
 Oct 2016: Present to Ministry of Finance
 Dec 2016: Minister Meeting with SP re: Commission Review and New OSA Progress
 Feb 2017: BCLC meets with BCGA
 Mar 2017: BCLC meets with all SP individually
 Apr 2017: BCLC begins writing new OSA & updated policies
 May 2017: Board Approved High Level Terms and Delegated Final Approval Authority
 June 2017: BCLC informed by GPEB that the GM will not provide direction on commissions

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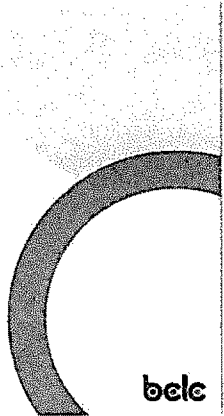
Common theme among all reports is that SP commissions are fair and consistent; however, refinements should be made to incent SP behaviour.


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New Agreement Highlights

- Facility Investment Commission with Minimum Investment Requirement.
- New amenities and services that enrich the player experience and sustain and grow revenues.
- New 20-year agreements providing certainty to SPs and investors.
- Increased (competitive) operating commissions for tables and bingo.
- Enhanced accountability mechanisms for BCLC.
- Better aligns BCLC and Service Providers.

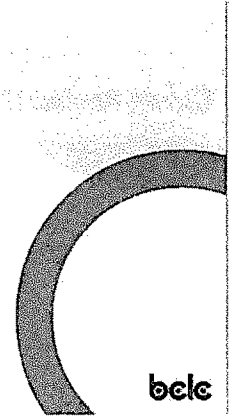
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Accountability Mechanisms

- Minimum Investment Requirement
- Strategic Plan, Five Year Plan, and Annual Plan
- Additional accountability mechanisms and processes for non-compliance or failure to meet contractual obligations with three levels of performance management
- Alternative Dispute Resolution, Step In, Suspension, and Termination Articles

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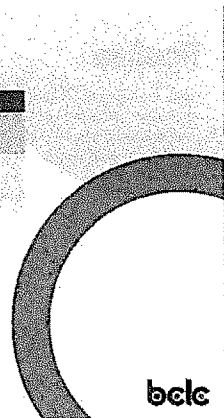


Facility Commissions

Type	Proposed	Current
Facility Development	5%	3%
Accelerated Facility Development		2%

Operating Commissions

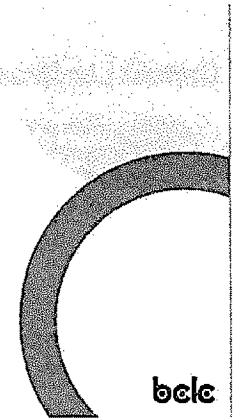
Type	Proposed	Current
Slot commissions	25%	25%
Table games	42.5%	40%
Poker	77.5%	75%
Bingo	90% on first \$10k 45% above \$10k on weekly revenue after prizes	60% on first \$20k 40% on first \$60k 25% on first \$80k on weekly revenue after prizes



Rationale for New Approach

- Table games are a growth opportunity
- Bingo sustainability
- Long term commitment to facility development
- Increase clout and accountability

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Next Steps

- Complete policies and contracts
- Offer new OSA to Service Providers

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Looking ahead

Working together
30-60-90

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- August 8 – BCLC Treasury Board Submission
- RFP for Victoria Casino Proposal finalized and submitted to pre-qualified proponents
- BCLC to announce proposed location for a casino in Delta
- Posting of Vendor Request for Quote for Environmental Remediation Work on BCLC's land adjacent to its Kamloops head office
- Kamloops Head Office Facility - Notification of RFPQ shortlisted proponents and distribution of an RFP to proponents for design/build proposals
- Announcement of successful vendor in RFP for lottery terminal replacement
- B2B subsidiary – request for clarification

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- New Operational Services Agreement to be finalized and provided to service providers
- September 29 – parq Vancouver casino grand opening event

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- October 3 - MGM Resorts International to announce launch of GameSense at its Las Vegas properties
- Launch of Facial Recognition Pilot for detection of self-excluded individuals at one lower mainland casino

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Thank you