



British Columbia Lottery Corporation (BCLC)

Independent Assessment of Anti-Money Laundering ("AML")/Anti-Terrorist Financing ("AFT") and Sanctions Compliance Program

Final Report

September 27, 2019



Table of Contents

Report Preamble 3

Background and Overview..... 4

Approach 6

Summary of the Results 7

Appendix A: List of In-scope Regulations 14

Appendix B: Summary of Documentation Examined 15

Appendix C: Interview List 17

Appendix D: Detailed Findings 19

Report Preamble

Deloitte's services and the contents of this report do not constitute an engagement to provide audit, compilation, review or attestation services as described in the pronouncements on professional standards issued by the Chartered Professional Accountants Canada ("CPA Canada") or other regulatory bodies, and, therefore, Deloitte is not expressing an opinion or any other form of assurance with respect to the British Columbia Lottery Corporation ("BCLC") system of internal control over financial reporting or its compliance with laws, regulations, or other matters relating to financial reporting. With respect to the same, BCLC is, and will continue to be, solely responsible for establishing and maintaining an effective internal control system, including, without limitation, systems designed to assure achievement of its control objectives and its compliance with applicable laws and regulations.

This report will not be used by or circulated, quoted, disclosed, or distributed to, nor will reference to such reports or other materials be made to, anyone except the Financial Transactions and Reports Analysis Centre of Canada ("FINTRAC") and BCLC's regulatory oversight body, the Gaming Policy and Enforcement Branch ("GPEB"), without Deloitte's prior written consent.

BCLC is solely responsible for, among other things: (a) making all management decisions and performing all management functions; (b) complying with regulatory requirements, and BCLC policies and procedures; and (c) establishing and maintaining internal controls, including, without limitation, monitoring ongoing activities.

This report was based on documentation and information provided by BCLC management and identified stakeholders who were interviewed and consulted during this assessment between July 29, 2019 and September 20, 2019.

This independent assessment is intended to support BCLC with its obligations to comply with the requirements set out in the Proceeds of Crime (Money Laundering) and Terrorist Financing Act ("PCMLTFA"), including associated Regulations ("PCMLTFR"), and FINTRAC guidelines, as applicable. As described in the Statement of Work ("SOW"), this report is exception-based and summarizes the program-related observations which do not meet the statutory requirements. Therefore all findings identified represent areas where the current process does not appear to be in line with regulatory requirements. Refer to **Appendix D** of this report for additional detail.

Background and Overview

The PCMLTFA, read with the associated Regulations, require that reporting entities, including casinos, undergo a comprehensive AML review biennially. BCLC engaged Deloitte to complete an independent assessment of BCLC's AML and sanctions compliance programs ("BCLC AML Program") in accordance with the requirements outlined within the PCMLTFA, PCMLTFR and FINTRAC guidelines ("the assessment"). The assessment was performed in accordance with the scope agreed-upon in our SOW dated June 11, 2019.

Through document review, sample testing and discussions with management and other identified stakeholders, including individuals at specified gaming facilities, we have:

- assessed where BCLC's AML Program is compliant with legislative requirements;
- conducted a gap analysis for policy and procedure design;
- reviewed the governance and oversight structure; and
- performed sample testing on reporting and Know-Your-Patron ("KYP") profiles.

Objective and scope

The objective of the assessment was to assess whether BCLC is meeting its obligations under the PCMLTFA, and accompanying PCMLTFR, read with the applicable FINTRAC guidelines, in developing and implementing a compliance program. The five pillars as set out in FINTRAC's Compliance Program Requirements are:

1. The appointment of a person who is responsible for the implementation of the compliance program (compliance officer);
2. The development and application of written compliance policies and procedures that are kept up-to-date, and include enhanced measures to mitigate high risks;
3. A risk assessment of business activities and relationships (i.e. all the components of the risk-based approach, where applicable, as explained in the FINTRAC Guidance on the risk based approach to combatting money laundering and terrorist financing including risk assessment, risk mitigation and ongoing monitoring of business relationships);
4. The development and maintenance of a written ongoing compliance training program for employees, agents, and others authorized to act on your behalf; and
5. The institution and documentation of an effectiveness review of your compliance program (policies and procedures, risk assessment and training program) every two years (minimum) for the purpose of testing its overall effectiveness.

Testing Period: the assessment covered a testing period of October 1, 2018 to March 31, 2019.

The following table outlines the applicable in-scope areas and those that were excluded from the assessment:

Table 1: Summary of in-scope areas and exclusions

	In-scope:	Out-of-scope:
AML Program areas:	<p>Deloitte assessed the following components of BCLC’s AML/AFT compliance program as requested by BCLC:</p> <ol style="list-style-type: none"> 1. Governance and oversight 2. Know Your Patron 3. Monitoring 4. Regulatory Reporting 5. Training 6. Sanctions 7. Record Retention 	<ol style="list-style-type: none"> 1. Information Technology (IT) specific testing of semi-automated and automated controls (e.g. testing of code, system queries, and business and technical rules) 2. Detailed root cause analysis for identified findings 3. Overall compliance effectiveness assessment of BCLC’s AML Program
BCLC Product Areas:	<ol style="list-style-type: none"> 1. Casino and Community Gaming: <ul style="list-style-type: none"> • Table games • Slot machines 2. eGaming i.e. BCLC’s online gaming website PlayNow.com 	<ol style="list-style-type: none"> 1. Casino and Community Gaming: <ul style="list-style-type: none"> • Poker • Bingo games/All Bingo Halls 2. Lottery 3. All Sports Betting
BCLC on-site visits:	<p>A selection of five land-based casino locations (gaming facilities):</p> <ol style="list-style-type: none"> 1. Parq Vancouver 2. Grand Villa Casino 3. River Rock Casino Resort 4. Starlight Casino 5. Playtime – Kelowna 	<p>The remaining land-based properties not selected as part of the sample.</p> <p><i>(Note: Transaction testing of random samples spanned across all land-based casino properties)</i></p>
Regulations:	<p>Deloitte’s assessment was based on the requirements outlined in the PCMLTFA and the PCMLTFR. The in-scope regulatory requirements are listed in Appendix A.</p>	<ol style="list-style-type: none"> 1. Gaming Control Act and associated Regulations 2. GPEB Technical Gambling Standards for Internet Gambling Systems (“TGS5”) 3. Canada’s Criminal Code

Limitations and exclusions:

- Transaction testing of Terrorist Property Reports (“TPRs”) and International Electronic Funds Transfers (“IEFTs”) were not performed since we were not provided with any records from the testing period, as we were informed that there were no instances within this period.
- Deloitte was provided restricted access to BCLC’s Casino Reporting System (“iTrak”) and did not have system access to OpenBet (eGaming), the Enterprise Data Warehouse (“EDW”), the Customer Relationship Management system i.e. Salesforce (including Customer Support data), the Gaming Management System (“GMS”) or the AML Unit’s shared network folder. Therefore, Deloitte relied upon BCLC staff to provide all the relevant data and supporting documents including transaction reports submitted by BCLC either electronically (e.g. batch file transfers) or manually through FINTRAC’s reporting system (“F2R”).

Approach

Our independent testing and assessment efforts were based on our understanding of the applicable regulatory requirements, as well as the documented policies and procedures of BCLC.

The assessment was conducted through a combination of both off-site remote work, in addition to onsite fieldwork such as testing, interviews and other execution processes which took place at BCLC's Vancouver and Kamloops, British Columbia ("BC") offices and select gaming facilities in BC. Refer to **Appendix B** for the list of documentation examined and **Appendix C** for the list of interview participants.

Deloitte's independent testing followed a phased-based approach and consisted of performing the following activities, as applicable:

Table 2: High-level project plan

Phase	Activities
1. Planning	<ul style="list-style-type: none"> • Identified and requested supporting information and documents required to conduct the program assessment • Held meeting with BCLC Working Group to: <ul style="list-style-type: none"> ○ align on expectations, sampling methodology and format of draft and final deliverables; ○ validate understanding of current landscape (including risk-based approach); and ○ identify relevant stakeholders • Developed a project plan outlining the schedule for the stakeholder meetings • Developed a project status update and proposed reporting template
2. Design Assessment	<ul style="list-style-type: none"> • Reviewed relevant documentation related to BCLC's AML Program (A list of requested documentation can be found in Appendix B) • Conducted process "walkthroughs" to observe and gain an understanding of related policies, procedures, systems, controls, and training programs • Assessed the program areas and related controls Validated preliminary results with relevant BCLC stakeholders
3. Operating Assessment	<ul style="list-style-type: none"> • Requested supporting documentation • Conducted interviews with Legal, Compliance, & Security, Customer Support, eGaming, operations personnel, including casino service providers, to understand BCLC's AML Program and associated processes, as well as their roles and responsibilities in relation to the AML Program (An interview list can be found in Appendix C) • Conducted detailed sample testing to assess whether program areas and related controls appear to be operating as intended. Judgmental sampling was used when seeking to corroborate our understanding of a process or system based on our interviews and walkthroughs, and/or where sample sizes were not large enough to merit statistical sampling. • Assessed the program areas and related controls for operating effectiveness • Validated preliminary results with relevant BCLC stakeholders
4. Reporting	<ul style="list-style-type: none"> • Developed a report summarizing assessment results, where applicable • Provided the report for review by the relevant BCLC stakeholders and incorporated feedback • Obtained management responses from BCLC for observations • Verbal/informal update on recommendations for enhancement

Summary of the Results

Overview of AML Program

Only findings and observations relating to BCLC’s AML program elements that are not in compliance with statutory requirements as set out in the PCMLTFA and PCMLTFR, read with the FINTRAC guidelines, are summarized in this report.

Based on the procedures performed, the following table contains the high-level observations relating to the key elements of BCLC’s AML Program that are in place to meet the regulatory requirements:

Table 3: High-level summary of BCLC’s AML Program elements

1. Regulatory requirement:	Designated Compliance Officer
<i>The appointment of a person who is responsible for the implementation of the compliance program</i>	
<p>The Vice-President (“VP”) of Legal, Compliance, and Security oversees all aspects of the AML compliance regime and is the designated Chief Compliance Officer for BCLC. During the testing period, the incumbent - a former director of BC’s civil forfeiture program who holds a Masters of Public Administration, Bachelor of Laws and Bachelor of Arts degrees - performed this role from September 2015 to June 2019. However, as of the issuance of this report, the position is currently vacant, with the VP, Casino and Community Gaming (who has extensive law enforcement experience and is a former VP, BCLC Corporate Security & Compliance) serving in an acting capacity in the interim. BCLC is currently in the recruitment process for a permanent replacement.</p> <p>The AML Unit is currently headed by the Director of AML and Investigations who provides strategic leadership, guidance and operational management to BCLC’s AML Programs, Intelligence & Investigations teams to ensure BCLC remains compliant with regulations. Two seasoned managers lead the AML Programs and AML Intelligence teams respectively. Their areas of responsibilities include delivering AML and business analysis solutions, patron due diligence, ongoing monitoring, regulatory reporting, and overseeing a team of investigators whose purpose is to identify and resolve AML threats to BCLC’s land-based and online operations.</p> <p>The AML Unit consists of about 15 members spread across business intelligence, compliance, and investigations, who each have diverse skillsets and unique experience that contribute to the fulfilment of BCLC’s AML mandate. There have been two recent staffing appointments which have helped to alleviate resource capacity constraints in respect of ongoing monitoring and high-risk patron (“HRP”) due diligence. In an effort to enhance AML capabilities, the AML Unit works closely with the BCLC Enterprise Business Intelligence (“EBI”) team who provides support with various initiatives such as data management and alert analysis. There also appears to be open and frequent communication between the AML Unit, Customer Support, eGaming Operations, Operational Gaming Compliance (“OGC”), and the gaming facilities.</p> <p>There is scheduled, documented AML reporting to senior management, executive leadership and the BCLC Board of Directors (“the Board”). Management reporting in the form of Legal, Compliance and Security dashboards are circulated monthly. Executive reporting is distributed monthly, and Audit Committee and Board reporting are provided on a quarterly basis including the results of the independent AML assessments conducted at gaming facilities by OGC.</p> <p>The reporting agenda items relate to AML compliance and trends, with reporting metrics including transaction and regulatory reporting (i.e. Suspicious Transaction Reports (“STRs”), Large Cash Transaction Reports (“LCTRs”), Cash Disbursement Reports (“CDRs”), unusual financial transactions (“UFTs”)) numbers, high risk patrons, trends analysis, audit and/or compliance results etc. However, at the moment any backlogs regarding due diligence screening and incident tracking are currently not formally reported. The relevant transaction and incident data is pulled from the AML Unit’s various reporting systems including iTrak, OpenBet and Salesforce,</p>	

and manually configured for reporting purposes. There is also *ad hoc* reporting to external parties upon request, including to GPEB and the Ministry of Attorney General.

The AML Unit further has regular compliance meetings with stakeholders from the larger casino properties, and there is continued dialogue and information sharing between BCLC and industry stakeholders, including GPEB, the Royal Canadian Mounted Police ("RCMP"), BC Gaming Industry Association ("BCGIA") etc. in the form of regular meetings and reporting.

2. Regulatory requirement:	Compliance Policies and Procedures
-----------------------------------	---

The development and application of written compliance policies and procedures that are kept up-to-date, and include enhanced measures to mitigate high risks.

The AML unit has a number of written policies and procedures in place that provide an overview of BCLC's AML compliance programs (including KYP and investigations), and document both the operational and administrative control procedures that need to be followed in order to ensure that regulatory requirements are met. Overall, these key documents cover the required compliance program areas: patron identification and due diligence; risk assessment activities; ongoing monitoring; transaction reporting requirements; training; and record retention requirements.

These policy and procedures documents are reviewed and updated on an ongoing basis by the AML Unit, with reviews triggered by legislative changes, directives, findings from independent reviews etc., and are signed-off by a senior officer, notably by the VP of Legal, Compliance, and Security. Version control and an audit trail of the review and sign-offs are primarily managed by a policy analyst within the Information Privacy function ("BCLC Policy team") under the Director, Security, Privacy & Compliance.

The BCLC AML policy inventory includes a Compliance Manual (dated March 1, 2019), an eGaming Investigation Procedure Manual (last updated May 16, 2019), and the AML Control Procedures (dated June 2019; currently in draft) that covers specific procedures such as eGaming STR and UFT reviews, alert monitoring and ongoing due diligence. Furthermore, the AML Unit has designed and implemented documented practices around HRPs, such as periodic enhanced due diligence reviews, cash conditions and source of funds interviews.

The Casino and Community Standards, Policies, and Procedures document ("SPPs") is aimed at casino service providers, and outlines the minimum standards on-site personnel should adhere to. The document can be found on BCLC's intranet site, and properties have electronic copies thereof available at staff's disposal for easy reference. In addition, a Source of Funds and Reasonable Measures Reference Guide for service providers has recently been drafted. This document provides guidance on how to adequately complete the named documents.

The AML Unit works closely with the BCLC Policy team to address any necessary policy updates, and revisions are communicated to the service providers and BCLC staff on a quarterly basis via email and the service providers' intranet portal through a "Notice to Implement". These communications are circulated as part of the BCLC's corporate policy review process, or as soon as the changes are implemented, in situations which warrant immediate amendments to current processes. Based on our on-site discussions, casino service providers appear to have a good working relationship with the AML Unit and are generally satisfied with the timeliness of communication and guidance provided by the AML Unit. They feel comfortable reaching out to the AML Unit, including on-site investigators, either in-person, over the phone or on email whenever they have a concern or question relating to their AML responsibilities or patron behaviour.

3. Regulatory requirement:	Risk assessment
-----------------------------------	------------------------

A risk assessment of BCLC's business activities and relationships.

The AML Unit follows a risk-based approach to managing potential money laundering and terrorist financing, and performs both a business-based and relationships-based risk assessment of the land-based casino properties and eGaming.

The AML Unit has a documented AML risk register which is compiled by the Manager, AML Intelligence, with input from the AML Programs and eGaming teams. The AML risk register contains the following: the AML Unit’s risk rating methodology; Product Risk Assessment, Channel Risk Assessment and Geographical Risk Assessment for both land-based casinos and eGaming; an analysis of the inherent risk, its impact, and the likelihood of the risk occurring together with response plans and tracking thereof. The AML risk register is updated by the AML Unit’s management team at least every 6 months, and the updates were recently approved by the Director of AML and Investigations on July, 2 2019. The AML risk register feeds into the enterprise-wide risk register compiled by BCLC Risk and is submitted to the Board and executive leadership.

Ongoing monitoring of patrons is conducted using various open source intelligence tools (“OSINT”), including screening against watchlist and sanctions lists, on a regular scheduled basis to identify potential money laundering threats and vulnerabilities. The AML Unit currently has an OSINT report for every Patron Gaming Fun (“PGF”) account holder and high risk patron. These reports are kept on the AML team’s shared network folder.

High risk patrons are labeled as such in iTrak and are placed in the “Watch” category which alerts the surveillance and security teams at casino service providers, and results in ongoing monitoring. These high risk patrons are also flagged in the eGaming player account management system. Furthermore, BCLC has established an extreme risk category wherein any patron identified as a “public safety risk” may be subject to a province-wide (BC) ban from all land-based casinos and PlayNow. This “extreme risk patron program” is managed by the AML Programs team.

Moderate and high-risk patrons, comprising of the top depositing eGaming players, as well as the high-risk land-based and eGaming players who have two or more STRs filed (not restricted to the EDD review period), are subject to robust, enhanced due diligence reviews every 6 months conducted by the AML Unit’s investigators. There is documented process in place including an EDD interview template that serve as guidance on how to conduct patron interviews. The outcomes of the EDD reviews are saved on the AML Unit’s shared network folder and a summary thereof is filed under the patron’s profile in iTrak and Salesforce. The AML Programs team also have weekly, internal debriefing sessions where the results, trends and any lessons learned arising out of the EDD reviews and interviews are shared within the broader team.

AML Analysts within the AML Unit’s Intelligence team are required to complete EDD on new PGF within 72 hours, or as per operational capacity. In addition, BCLC’s eGaming Investigations team reviews all new eGaming registrations daily and high depositing patron accounts twice on an annual basis. Reviews requiring further attention may be escalated to the AML Unit’s management for additional investigation and an escalation tracker is maintained by AML Programs.

4. Regulatory requirement:	Ongoing compliance training program
<p><i>The development and maintenance of a written ongoing compliance training program for employees, agents, and others authorized to act on BCLC’s behalf.</i></p>	
<p>As part of the onboarding process, all BCLC staff, as well as the front line employees of casino service providers who deal with patron transaction activity and handle funds, are required to complete the BCLC AML online training course before they are allowed to commence work. All the relevant employees (e.g. AML Compliance, Cage, Table Games and Slots) at the gaming facilities must also complete this training annually, and BCLC staff every two years. The web-based course content, compiled by the BCLC AML managers and approved by the Director, AML and Investigations, covers money laundering concepts; client identification; transaction reporting; record keeping responsibilities; as well as suspicious behaviour indicators; and incorporates interactive slides and scenario-based examples relevant to the gaming industry. Employees are required to complete an assessment at the end of the training module, comprising of 20 questions that are randomly system-drawn. BCLC Staff must score at least 70% and casino service provider staff 75% on the final quiz in order to pass the training.</p>	
<p>The AML Unit highlighted that it is the service provider’s responsibility to follow up on any outstanding training and that the service provider’s Human Resources staff are responsible for maintaining the data in the Learning Management System (“LMS”) to ensure it’s accurate and up-to-date e.g. capturing new employees, updating terminated employees status to “inactive”, sending out reminders etc.. However, as service providers are authorized to act on behalf of BCLC, and, in accordance with the FINTRAC requirements, the ultimate responsibility to ensure that all casino service provider personnel who deal with patrons and/or transactions,</p>	

are trained in relation to their specific function and duties lies with BCLC. It is also BCLC’s responsibility to ensure that such training is up to date.

In addition to the mandatory web-based training, the AML Unit offers *ad hoc* training internally and to casino service providers as required. Training sessions delivered by BCLC during the testing period included an internal AML Lunch & Learn and Source of Funds and Reasonable Measures training for certain gaming facilities. eGaming and Customer Support teams receive role-specific training to ensure regulatory and operational compliance i.e. in order to guide their responses to patron questions e.g. PlayNow account registration, verification and troubleshooting, patrons’ play history, disbursement withdrawal requests etc.

Apart from these *ad hoc* sessions, it was observed during the on-site discussions that the AML training program is largely generic to cater for the diverse target audience and does not include formal, role-specific training for key positions such as Cage employees to supplement annual online training.

Both BCLC and casino service providers also rely on on-the-job training to facilitate knowledge transfer, with some providers supplementing BCLC training with their own initiatives.

Relevant external training is available to the BCLC AML Unit. Staff are able to attend various AML and gaming compliance-related conferences, seminars and external courses. Industry updates, regulatory developments and resource materials are then distributed among the team. BCLC has an enterprise Association of Certified Anti-Money Laundering Specialists (“ACAMS”) membership, and all AML staff, including investigators, are required to be “CAMS” certified upon onboarding, or within one year of their hiring date. It was further noted that all Gaming Compliance Officers within the Legal, Compliance, & Security function, and one member of the BCLC Internal Audit team, have also obtained the CAMS certification.

5. Regulatory requirement:	Two-year effectiveness review
<p><i>The institution and documentation of an effectiveness review of BCLC’s compliance program (policies and procedures, risk assessment and training program) every two years (minimum) for the purpose of testing its overall effectiveness.</i></p>	
<p>BCLC has contracted with independent reviewers to conduct biennial independent reviews of their AML Program. The Director, AML and Investigations, supported by the Manager of AML Intelligence, co-ordinates the independent reviews performed by external and internal auditors as well as those initiated by provincial and federal regulators. This responsibility includes reviewing and addressing the audit findings, in consultation with the appropriate business areas, to determine a course of action to correct any issues identified and tracking action items.</p> <p>BCLC Internal Audit also assists, to a limited extent, with certain specialized AML audits such as testing transaction reporting and the completion of Reasonable Measures (RM) / Source of Funds (SOF) forms. The OGC function also performs periodic compliance reviews throughout the year at the casino service provider level, and the report results are shared with the BCLC AML Unit, among others.</p>	

Overall results of individual program assessment areas

We undertook a holistic approach when evaluating findings and the compliance status of the program areas by taking the overall soundness of the program into account and focused less on technical non-compliance.

Summary results for each in-scope program assessment area, including the sample-based testing results, are presented below in Tables 4 and 5 respectively. Observations are presented as “findings” and relate to non-compliance with a regulatory requirement outlined in the in-scope regulations (refer to **Appendix A**).

Each program assessment area is assigned an overall result of either “No issues identified” or “Issues identified”.

During the assessment, we noted five (5) findings, which are summarized in Table 4 below. Table 4 includes the overall result for the assessment area; the number of exceptions (i.e. instances of non-compliance based on the sample testing); the number of findings per assessment area; and the reference to the applicable finding. Refer to **Appendix D** ("Detailed Findings") for the detailed results.

Table 4: Summary of findings per assessment area

#	Program assessment area	# of exceptions noted	# of findings	Overall result (Refer to Appendix D: Detailed Findings)
1.	Governance and oversight	0	0	No issues identified.
2.	Know Your Patron	0	0	No issues identified.
3.	Monitoring	10	2	Issues identified: Finding #1 on page 20. Finding #2 on page 21.
4.	Regulatory Reporting	LCTRs: 4	2	Issues identified: Findings #3 & #4 on page 23 & 23.
5.	Training	1	1	Issues identified: Finding #5 on page 24.
6.	Sanctions	0	0	No issues identified.
7.	Record Retention	0	0	No issues identified.

Table 5 provides a summary of the transaction testing results performed across the “Know Your Patron”; “Monitoring” and “Regulatory Reporting” program assessment areas.

Table 5: Sample-based testing results

#	Program assessment area	Result of sample testing	Overview per assessment area (Testing period: Oct. 1, 2018 – Mar. 31, 2019)		
			Testing results	Population	Sample size ¹
1.	Know Your Patron				
1.1	Opening of new PGF accounts	No issues identified.	10/10 passed (100%)	181	10
1.2	Opening of new PlayNow accounts	No issues identified.	10/10 passed (100%)	4,500	10
2.	Monitoring				
2.1.1	Alert generation: Land-based	Issues identified: Finding #1 on page 19.	8/18 passed (44%)	9 scenarios	18
2.1.2	Alert generation: Online casino	No issues identified.	8/8 passed (100%)	4 scenarios	8
2.2.1	Enhanced Due Diligence: Land-based patrons	No issues identified.	10/10 passed (100%)	281	10
2.2.2	Enhanced Due Diligence: Online casino patrons	No issues identified.	8/8 passed (100%)	63	10
3.	Regulatory Reporting				
3.1.1	LCTs: Land-based	Issues identified: Findings #3 & #4 on page 21 & 22.	49/53 passed (92%)	5,171	53
3.1.2	LCTs: Online casino ²	N/A (no instances to test)		0	N/A
3.2.1	CDRs: Land-based	No issues identified.	37/37 passed (100%)	36,660	37
3.2.2	CDRs: Online casino	No issues identified.	12/12 passed (100%)	548	12
3.3.1	UFTs ³ : Land-based	No issues identified.	36/36 passed (100%)	551	36
3.3.2	UFTs: Online casino	No issues identified.	1/1 passed (100%)	1	1
3.4.1	STRs: Land-based	No issues identified.	15/15 passed (100%)	144	15

¹ We applied a risk-based approach to select the appropriate sample sizes for testing based on various factors including but not limited to the population size (e.g. volume of transactions), number of gaming facilities, value of buy-in transactions and casino disbursements, level of risk, frequency of patron’s transactions, professional judgment and lessons learned from previous assessments.

² Online casino deposits are limited to a maximum of \$9,999 therefore, LTCs are not submitted for online casino players.

³ Although UFTs are not regulatory reports, a sample of UFTs closed as ‘unsubstantiated’, and, as such, not reported as STRs, were tested to ensure that they were appropriately reviewed and decisioned. (BCLC policy requires that Surveillance employees create an incident report i.e. a UFT, within iTrak when unusual activity is noted. Thereafter, BCLC AML Corporate investigators complete a review of the transaction activity to determine if the reported activity is substantiated, resulting in the creation of an STR.

#	Program assessment area	Result of sample testing	Overview per assessment area <i>(Testing period: Oct. 1, 2018 – Mar. 31, 2019)</i>		
			Testing results	Population	Sample size ¹
3.4.2	STRs: Online casino	No issues identified.	1/1 passed (100%)	1	1
3.5	International Electronic Funds Transfers	N/A (no instances during testing period)		0	N/A
3.6	Terrorist Property Reports	N/A (no instances during testing period)		0	N/A

Appendix A: List of In-scope Regulations

The following table outlines the legislation and reporting requirements outlined by FINTRAC that were in-scope. These regulations were used to inform the assessment of the program's overall compliance status.

Regulatory Reference
PCMLTFA and PCMLFTR
FINTRAC compliance program requirements
FINTRAC guidance on the risk based approach to combatting money laundering and terrorist financing
FINTRAC Know Your Client requirements – Casinos
FINTRAC record keeping requirements – Casinos
FINTRAC reporting guidelines
FINTRAC ML & TF indicators – Casinos

Appendix B: Summary of Documentation Examined

The following table provides a high-level summary of the documentation that was examined for each in-scope program assessment area during the assessment.

Program assessment area	Documents examined
Governance and oversight, and Record Retention)	<ul style="list-style-type: none"> • Current AML Unit organizational structure/chart • Job/role descriptions/documents describing authority, roles and responsibilities for all AML / sanctions compliance personnel/positions including chief AML officer ("CAMLO") • BCLC Compliance Manual • BCLC Casino and Community Gaming Centre Standards, Policies and Procedures • BCLC eGaming Investigations Procedure Manual • BCLC AML Unit Control Procedures • Source of Funds and Reasonable Measures (SOF/RM) Reference Guide for Service Providers • \$10K+ Disbursement Flowchart – CDR Required (24-Hour Rule) • \$10K+ Disbursement Flowchart – CDR Required (Single Disbursement) • \$10K+ Disbursement Flowchart – No CDR Required • AML Customer Due Diligence & Ongoing Monitoring (Land-based) diagram • Board of Directors, Executive management, and other relevant committee(s) meeting minutes related to AML / sanctions risk • Blank sample of the Application/account opening form(s) for land-based casinos • Blank sample of the Reasonable Measures and Source of Funds Declaration Form • Blank sample of the Player Tracking Sheet • Current BCLC service contract (e.g. Casino Operating and Services Agreement "OSA") with service providers • Internal summary document outlining updates to the German Report recommendations
KYP and Monitoring	<ul style="list-style-type: none"> • Previous and most recently completed AML / sanctions risk assessments of business activities and relationships • Summary of alerts implemented in accordance with the PCMLTFA and associated Regulations • Snapshots of all data elements captured during the online casino account (PlayNow) registration process (indicating mandatory and optional fields) • Total number of accounts held (including new accounts opened) between October 1, 2018 to March 31, 2019: <ul style="list-style-type: none"> ○ Online gaming accounts ○ Patron Gaming Fund (PGF) accounts • List of all high-risk patron accounts during the testing period • Review Schedule for patrons subject to Enhanced Due Diligence (EDD) Reviews
Regulatory Reporting	<ul style="list-style-type: none"> • List of required transaction reports submitted during the testing period for both land-based and online gaming: <ul style="list-style-type: none"> ○ Large Cash Transaction Reports (LCTRs) ○ Casino Disbursement Reports (CDRs) ○ Suspicious Transaction Reports (STRs) ○ Unsubstantiated unusual financial transactions • Copies of relevant financial transaction and casino/eGaming records • Relevant management reports and dashboards • Previous FINTRAC and other regulatory compliance examinations/audit reports including the engagement or scope letter/statement of work and management's response and action plans • Previous internal/external audit reports and/or compliance testing results including the engagement or scope letter/statement of work and management's response and action plans

CONFIDENTIAL

Program assessment area	Documents examined
Training	<ul style="list-style-type: none">• AML / sanctions employee and service provider training course materials• Corresponding training attendance registers/reports/tracking sheets per course or session• Corresponding training assessment/test results per course or session

Appendix C: Interview List

The following table lists the various personnel, both from BCLC and the casino service providers, who participated in interviews including other *ad hoc* discussions and meetings, during the assessment. Deloitte would like to thank these individuals who generously provided their time, support, and observations during the assessment.

BCLC personnel:

Meeting dates:	Multiple discussions between August 12 and September 11, 2019
	<ol style="list-style-type: none"> 1. Kevin deBruyckere – Director, AML & Investigations (AML Unit, Legal, Compliance, & Security) 2. Bal Bamra – Manager, AML Intelligence (AML Unit, Legal, Compliance, & Security) 3. Daryl Tottenham – Manager, AML Programs (AML Unit, Legal, Compliance, & Security) 4. Brad Rudnicki – AML Intelligence Specialist (AML Unit, Legal, Compliance, & Security) 5. Steve Beeksma – Specialist, AML Programs (AML Unit, Legal, Compliance, & Security) 6. Brandon Norgaard – Interim Investigations Specialist (AML Unit, Legal, Compliance, & Security) 7. Cathy Cuglietta – Analyst, AML Business Intelligence (AML Unit, Legal, Compliance, & Security) 8. Jenny Lam – AML Investigator (AML Unit, Legal, Compliance, & Security) 9. Lynn Cousins – AML Investigator (AML Unit, Legal, Compliance, & Security) 10. Jeff Mullan – Interim Assistance Manager, Operational Gaming Compliance (Legal, Compliance, & Security) 11. Bill Boyd – Project Manager, Compliance Transformation (Legal, Compliance, & Security) 12. Carmen Minger – Legal Services & Casino Compliance Specialist 13. Syd Jones – Senior Manager, Information Privacy & Policy 14. Darryl Tateishi – Manager, Internal Audit Services 15. Katherina Gountas – Team Leader, Customer Support Centre (CSC Operations) 16. Angela Ganson – Regional Team Leader, Player Health

Casino service provider personnel:

Casino property:	1. Parq Vancouver
Site visit date:	August 28, 2019
	<ol style="list-style-type: none"> 1. Angela Swan – VP, Regulatory Affairs and Compliance 2. Rosamond Smith – Manager, Compliance 3. Linda Babic – Pit Manager (Cage) 4. Stephanie Vuong – Floor Manager (Gaming) 5. Adrian Ma – Slot Supervisor (Gaming) 6. Maple Song – Players Club Manager (Guest Services) 7. Maria Fernandez – Casino Development Manager (Guest Services) 8. Kelvin Wong – Executive Host (Guest Services)
Casino property:	2. Grand Villa Casino
Site visit date:	August 29, 2019
	<ol style="list-style-type: none"> 1. Milos Novakovic – Security Compliance Manager (Security) 2. Ann Ly – LCT Auditor (Cage) 3. Stanley Wong – Cage Supervisor (Cage) 4. Lorraine Bell – Shift Manager (Gaming) 5. Vanessa Liu – VIP Guest Executive Host (Guest Services) 6. Cecilia Vilorio – Guest Service Supervisor (Guest Services) 7. Laura Precup – HR Coordinator (Human Resources)

Casino property:	3. River Rock Resort Casino
Site visit date:	September 3, 2019
	<ol style="list-style-type: none"> 1. Mark Lianza – Surveillance Shift Manager (Surveillance) 2. Sean Jung – Cage Manager (Cage) 3. Tony Ng – Slot Supervisor (Gaming) 4. Ricky Lai – Gaming Manager (Gaming) 5. David Zhou – Directory of Guest Services (Guest Services) 6. Dionbel Rosales – Guest Service Department Supervisor (Guest Services)
Casino property:	4. Starlight Casino (New Westminster)
Site visit date:	September 4, 2019
	<ol style="list-style-type: none"> 1. Nathan Wallace – Surveillance Manager (Security) 2. Pat Buxton – Cage Manager (Cage) 3. Lan Ong – Slot Supervisor (Gaming) 4. Debbie Ruzic – Shift Manager (Gaming) 5. Brenda Lee – Guest Services Representative (Guest Services) 6. Eric Chan –VIP Host Supervisor (Guest Services)
Casino property:	5. Playtime Kelowna
Site visit date:	September 6, 2019
	<ol style="list-style-type: none"> 1. Jon Gee – Site Security and Compliance Manager (Security) 2. Craig Blanchette – Surveillance Manager (Security) 3. Adam Branston – Relief Cage Supervisor (Cage) 4. Juli Moss – Games Manager (Gaming) 5. Marie Gelinis – Guest Services Representative (Guest Services) 6. Cherie Deneau – Guest Services Manager (Guest Services)

Appendix D: Detailed Findings

The following section details the findings⁴ results for each in-scope program assessment area. Our findings are presented below on an exception basis. Each finding is mapped to the corresponding regulatory requirement that is impacted.

⁴ This independent assessment is intended to support BCLC with its obligations to comply with the requirements set out in the PCMLTFA, including the PCMLTFR, and FINTRAC requirements as applicable. As described in the SOW, this final report is exception-based and summarizes the program-related observations which do not meet the statutory requirements. Therefore all findings identified represent areas where the current process does not appear to be in line with regulatory requirements. See the Detailed Findings section of this report for additional detail.

PROGRAM ASSESSMENT AREA: **Monitoring**

1. AML-related alerts are not reviewed in a timely manner

<p>Regulatory requirement triggered</p>	<p>Section 9.6 of the PCMLTFA and sections 71(1) and 60 of the PCMLTFR read with the FINTRAC reporting requirements - Suspicious Transaction Reporting; FINTRAC's Ongoing Monitoring Requirements and FINTRAC Money laundering and terrorist financing indicators – Casinos</p>																																																																		
<p><u>Summary of requirement:</u> Legislation requires that BCLC develops and implements procedures to assess the risk of a money laundering or terrorist financing offence. FINTRAC expects that ongoing monitoring be conducted for the purposes of: detecting reportable suspicious transactions; keeping client identification records up to date; re-assessing patrons' risk based on their transactions and activities. Based on FINTRAC's guidance on STRs, it is expected that alerts are reviewed in a timely manner in order to determine if an STR should be submitted.</p>																																																																			
<p>Summary of observations</p>																																																																			
<p>In circumstances where BCLC utilizes a system to generate specific alerts to signal an event requiring the assessment of the transaction to determine if an STR should be submitted to FINTRAC, timely review of the alert is required. In reviewing the AML-related alerts, Deloitte noted that BCLC's policies and procedures does not document or specify required timelines for alert review. As this timeline is not defined within BCLC's policies, Deloitte has assumed, based on discussions with the AML Unit's AML Project Specialist, that a reasonable time period to review alerts is within seven calendar days of the alert generation in order to determine if an STR should be submitted. Out of the 26 samples reviewed, 10 samples were not acted upon in a timely manner. In some instances, the alert was reviewed more than a month after the alert date. Below are the details of samples where the review date is over a 7 calendar day period of the alert date:</p>																																																																			
<table border="1"> <thead> <tr> <th>Alert / Report Name</th> <th>Sample Reference</th> <th>Alert Date</th> <th>Reviewed On</th> <th>Was the alert reviewed in a timely manner?</th> <th>Conclusion</th> </tr> </thead> <tbody> <tr> <td>Patron multiple facilities</td> <td>SID# 246599</td> <td>1/12/2019</td> <td>2/11/2019</td> <td>No - Reviewed 30 days after the alert date</td> <td>Exception noted</td> </tr> <tr> <td>High Non-PGF Buy-in</td> <td>SID# 73393</td> <td>11/12/2018</td> <td>2/16/2019</td> <td>No - Reviewed 96 days after the alert date</td> <td>Exception noted</td> </tr> <tr> <td>High Non-PGF Buy-in</td> <td>SID# 260045</td> <td>3/11/2019</td> <td>4/24/2019</td> <td>No - Reviewed 44 days after the alert date</td> <td>Exception noted</td> </tr> <tr> <td>High Risk Player (Multiple STRs)</td> <td>SID# 191531</td> <td>12/24/2018</td> <td>1/17/2019</td> <td>No - Reviewed 24 days after the alert date</td> <td>Exception noted</td> </tr> <tr> <td>Data Error Detection and Correction</td> <td>By day = 12/31/2018</td> <td>12/31/2018</td> <td>3/21/2019</td> <td>No - Reviewed 80 days after the alert date</td> <td>Exception noted</td> </tr> <tr> <td>Data Error Detection and Correction</td> <td>By day = 3/4/2019</td> <td>3/4/2019</td> <td>3/21/2019</td> <td>No - Reviewed 17 days after the alert date</td> <td>Exception noted</td> </tr> <tr> <td>Undesirable Ban Expiry</td> <td>Monthly = February 2019</td> <td>2/1/2019</td> <td>3/10/2019</td> <td>No - Reviewed 37 days after the alert date</td> <td>Exception noted</td> </tr> <tr> <td>Undesirable Ban Expiry</td> <td>Monthly = March 2019</td> <td>3/1/2019</td> <td>3/10/2019</td> <td>No - Reviewed 9 days after the alert date</td> <td>Exception noted</td> </tr> <tr> <td>Casino Dealer Occupation</td> <td>LCT20190004805</td> <td>1/31/2019</td> <td>2/13/2019</td> <td>No - Reviewed 13 days after the alert date</td> <td>Exception noted</td> </tr> <tr> <td>PGF (New Account)</td> <td>IN20180071482</td> <td>11/21/2018</td> <td>11/30/2018</td> <td>No - Reviewed 9 days after the alert date</td> <td>Exception noted</td> </tr> </tbody> </table>		Alert / Report Name	Sample Reference	Alert Date	Reviewed On	Was the alert reviewed in a timely manner?	Conclusion	Patron multiple facilities	SID# 246599	1/12/2019	2/11/2019	No - Reviewed 30 days after the alert date	Exception noted	High Non-PGF Buy-in	SID# 73393	11/12/2018	2/16/2019	No - Reviewed 96 days after the alert date	Exception noted	High Non-PGF Buy-in	SID# 260045	3/11/2019	4/24/2019	No - Reviewed 44 days after the alert date	Exception noted	High Risk Player (Multiple STRs)	SID# 191531	12/24/2018	1/17/2019	No - Reviewed 24 days after the alert date	Exception noted	Data Error Detection and Correction	By day = 12/31/2018	12/31/2018	3/21/2019	No - Reviewed 80 days after the alert date	Exception noted	Data Error Detection and Correction	By day = 3/4/2019	3/4/2019	3/21/2019	No - Reviewed 17 days after the alert date	Exception noted	Undesirable Ban Expiry	Monthly = February 2019	2/1/2019	3/10/2019	No - Reviewed 37 days after the alert date	Exception noted	Undesirable Ban Expiry	Monthly = March 2019	3/1/2019	3/10/2019	No - Reviewed 9 days after the alert date	Exception noted	Casino Dealer Occupation	LCT20190004805	1/31/2019	2/13/2019	No - Reviewed 13 days after the alert date	Exception noted	PGF (New Account)	IN20180071482	11/21/2018	11/30/2018	No - Reviewed 9 days after the alert date	Exception noted
Alert / Report Name	Sample Reference	Alert Date	Reviewed On	Was the alert reviewed in a timely manner?	Conclusion																																																														
Patron multiple facilities	SID# 246599	1/12/2019	2/11/2019	No - Reviewed 30 days after the alert date	Exception noted																																																														
High Non-PGF Buy-in	SID# 73393	11/12/2018	2/16/2019	No - Reviewed 96 days after the alert date	Exception noted																																																														
High Non-PGF Buy-in	SID# 260045	3/11/2019	4/24/2019	No - Reviewed 44 days after the alert date	Exception noted																																																														
High Risk Player (Multiple STRs)	SID# 191531	12/24/2018	1/17/2019	No - Reviewed 24 days after the alert date	Exception noted																																																														
Data Error Detection and Correction	By day = 12/31/2018	12/31/2018	3/21/2019	No - Reviewed 80 days after the alert date	Exception noted																																																														
Data Error Detection and Correction	By day = 3/4/2019	3/4/2019	3/21/2019	No - Reviewed 17 days after the alert date	Exception noted																																																														
Undesirable Ban Expiry	Monthly = February 2019	2/1/2019	3/10/2019	No - Reviewed 37 days after the alert date	Exception noted																																																														
Undesirable Ban Expiry	Monthly = March 2019	3/1/2019	3/10/2019	No - Reviewed 9 days after the alert date	Exception noted																																																														
Casino Dealer Occupation	LCT20190004805	1/31/2019	2/13/2019	No - Reviewed 13 days after the alert date	Exception noted																																																														
PGF (New Account)	IN20180071482	11/21/2018	11/30/2018	No - Reviewed 9 days after the alert date	Exception noted																																																														

PROGRAM ASSESSMENT AREA: **Monitoring (continued)**

2. AML Risk Register does not specifically include a patron risk assessment

<p>Regulatory requirement triggered</p>	<p>Section 9.6(2) & (3) of the PCMLTFA read with section 71(1)(c) and 71.1 of the PCMLTFR; FINTRAC’s Guidance on the risk-based approach to combatting money laundering and terrorist financing and FINTRAC Compliance Program Requirements – Risk Assessment</p>
<p><u>Summary of requirement:</u> The outcome of BCLC’s risk assessment should reflect the complexity, size and risk factors of its business. In addition to a risk assessment of the product and delivery channels; geographical locations; and the impact of new technologies, legislation further requires that BCLC also take into consideration BCLC’s clients and business relationships, including their activity patterns and geographic locations.</p>	
<p>Summary of observations</p>	
<p>The AML Unit has an extensive EDD review process in place for the ongoing monitoring of patrons. Based on our review of the AML Risk Register, however, we observed that BCLC’s ongoing risk assessment methodology does not clearly demonstrate that all facets of its exposure to money laundering and terrorist financing activities as it relates to the inherent characteristics and risk posed by patrons, and the nature of business relationships (where applicable) have been considered. In particular, the AML Risk Register only includes separate risk assessments (“tabs”) for product, channel and geographical risk. It does not include a relationship-based (i.e. patron) risk assessment, with risk ratings linked to the nature and type of the business relationships patrons may have with BCLC, assessing products, services, delivery channels and the patron’s geographical risk.</p> <p>Incorporating an assessment of patron risk within the AML Risk Register, will allow BCLC to identify and evaluate the inherent risk associated with certain types of patrons; and also help in proactively identifying the need to enhance existing policies and procedures, as well as implementing mitigation measures. Examples of risk indicators that could influence the overall risk include: a patron’s occupation; association with other persons deemed suspicious; whether they hold a PGF account; STRs filed; gaming facilities frequented; play history and preferences etc.</p>	

PROGRAM ASSESSMENT AREA: Regulatory Reporting

3. Information required for transaction reporting requirements is incomplete and/or inaccurate

Regulatory requirement triggered	Section 53 and 53.1 of the PCMLTFR read with the FINTRAC reporting requirements (Large Cash Transaction Reporting)				
<p><u>Summary of requirement:</u> Every individual who conducts a LCT must be identified at the time the transaction takes place. The report record must include the name of the individual, their address, date of birth, and principal business or occupation. Information included in the report must be complete and accurate. When recording the nature of the principal business or occupation of a client, it must be as descriptive as possible in order to be able to determine whether a transaction or activity is consistent with what would be expected for that client.</p>					
<p>Summary of observations</p>					
<p>2 of 53 LCT samples are not in accordance with requirements. Deloitte observed on iTrak that patrons related to the following reports and incidents have incomplete or incorrect patron information. Despite the incomplete information, these patrons were able to continue to take part in in casino play activities at the relevant casino sites. Refer to the table below for details on the exceptions noted:</p>					
Type	Report Number/Incident Number	Transaction Date	Regulatory Requirement Status	Details	Conclusion
LCTR	FRN20190007100	1/26/2019	Not met	Player occupation (engineer) may be considered not sufficient to determine if activities/transactions are consistent with that would be expected for the client. Transposition error for transactions related to this FRN (entries dated 1/26/2019 instead of 1/25/2019 per tracking sheet).	Exception noted
LCTR	FRN20180070850	10/1/2018	Not met	Patron city (entered as Manitoba) was incorrectly entered.	Exception noted

PROGRAM ASSESSMENT AREA: Regulatory Reporting (continued)

4. Third party determination (Reasonable Measure forms) are not completed

<p>Regulatory requirement triggered</p>	<p>Section 8 and 10(1) of the PCMLTFR read with the FINTRAC Transaction Reporting Requirements: Large Cash Transaction Reporting; FINTRAC Guidance: When to identify individuals and confirm the existence of entities – Casinos; FINTRAC Guidance: Third party determination requirements; and FINTRAC Record keeping requirements for casinos</p>			
<p><u>Summary of requirement:</u> When a large cash transaction is conducted, reasonable measures must be taken at the time of the transaction to determine whether the individual who provided the cash is acting on the instructions of a third party or not.</p>				
<p>Summary of observations</p>				
<p>3 out of 53 LCTR samples failed to complete the Reasonable Measures form. 1 of the 3 missed to confirm the ID field on the Reasonable Measures form and 2 of the 3 did not answer the third party confirmation field. The patron was able to complete their large case transaction despite the incompleteness of the Reasonable Measures form. Refer to the table below for the detailed exceptions:</p>				
<p>Report Number</p>	<p>Date Occurred</p>	<p>Regulatory Requirement Status</p>	<p>Details</p>	<p>Conclusion</p>
<p>FRN20180073065</p>	<p>10/10/2018</p>	<p>Not met</p>	<p>RM form missing ID confirmation field.</p>	<p>Exception noted</p>
<p>FRN20180070850</p>	<p>10/1/2018</p>	<p>Not met</p>	<p>RM form third party confirmation field is incomplete.</p>	<p>Exception noted</p>
<p>FRN20180088558</p>	<p>12/18/2018</p>	<p>Not met</p>	<p>RM form third party confirmation field is incomplete.</p>	<p>Exception noted</p>

PROGRAM ASSESSMENT AREA: Training

5. Not all relevant staff have completed the mandatory, annual refresher training for AML

<p>Regulatory requirement triggered</p>	<p>Section 9.6(1) of the PCMLTFA read with section 71(1)(d) of the PCMLTFR and the FINTRAC Compliance program requirements – Ongoing Compliance Training Program</p>
<p><u>Summary of requirement:</u> Legislation requires that BCLC must develop and maintain a written, ongoing AML training program that is kept up to date. Individuals who deal with patrons and/or transactions, including those authorized to act on BCLC’s behalf i.e. casino service provider personnel, must be trained in relation to their specific function and duties.</p>	
<p>Summary of observations</p>	
<p>Based on a review of the training tracking sheets provided by the AML Unit, it was noted that eight BCLC employees have not completed the AML training in accordance with the 2 year refresher policy and are overdue, with some having last completed training in December 2016.</p> <p>In addition, from the training reports provided by the AML Unit, it was observed that not all casino service provider personnel have completed the mandatory, annual refresher training in accordance with BCLC policy. There appears to be three staff members from Parq who have last completed the AML training in 2017, based on the information provided. The AML Unit indicated that it is possible that Parq may have failed to update the records for the employees identified. We sought an explanation from Parq to clarify the seemingly contradictory information. They confirmed that these are indeed terminated employees that were still listed as “active” within the system, and confirmed that they had now deactivated them. OGC also indicated that there were no exceptions noted following the Parq AML training review conducted by BCLC in June 2019 as part of the OGC’s quarterly AML assessment.</p>	



www.deloitte.ca

Deloitte, one of Canada's leading professional services firms, provides audit, tax, consulting, and financial advisory services. Deloitte LLP, an Ontario limited liability partnership, is the Canadian member firm of Deloitte Touche Tohmatsu Limited.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

© Deloitte LLP and affiliated entities.

#		<u>Finding/Details</u>	<u>Findings</u>	<u>BCLC Response</u>	<u>Status</u>	<u>Accountable Party</u>
1	Section 9.6 of the PCMLTFA and sections 71(1) and 60 of the PCMLTFR read with the FINTRAC reporting requirements – Suspicious Transaction Reporting; FINTRAC’s Ongoing Monitoring Requirements and FINTRAC Money laundering and terrorist financing indicators- Casinos	<p>AML-related alerts are not reviewed in a timely manner</p> <p>In circumstances where BCLC utilizes a system to generate specific alerts to signal an event requiring the assessment of the transaction to determine if an STR should be submitted to FINTRAC, timely review of the alert is required. In reviewing the AML-related alerts, Deloitte noted that BCLC’s policies and procedures does not document or specify required timelines for alert review. As this timeline is not defined within BCLC’s policies, Deloitte has assumed, based on discussions with the AML Unit’s AML Project Specialist, s 15(1)</p> <p>STR should be submitted. Out of the 26 samples reviewed, 10 samples were not acted upon in a timely manner. s 15(1)</p>	Finding	<p>All Alerts are documented in the internal AML Control Procedures Manual with a timeframe of each alert to be s 15(1)</p> <p>PGF account notifications will be conducted s 15(1)</p> <p>All alerts will be tracked for auditing purposes.</p>	Complete	AML Unit

2	<p>Section 9.6(2) & (3) of the PCMLTFA read with section 71(1)(c) and 71.1 of the PCMLTFR; FINTRAC’s Guidance on the risk-based approach to combatting money laundering and terrorist financing and FINTRAC Compliance Program Requirements – Risk Assessment</p>	<p>The AML Unit has an extensive EDD review process in place for the ongoing monitoring of patrons. Based on our review of the AML Risk Register, however, we observed that BCLC’s ongoing risk assessment methodology does not clearly demonstrate that all facets of its exposure to money laundering and terrorist financing activities as it relates to the inherent characteristics and risk posed by patrons, and the nature of business relationships (where applicable) have been considered s 15(1)</p> <p>Incorporating an assessment of patron risk within the AML Risk Register, will allow BCLC to identify and evaluate the inherent risk associated with certain types of patrons; and also help in proactively identifying the need to enhance existing policies and procedures, as well as implementing mitigation measures. s 15(1)</p>	Finding	<p>The AML Risk Register has been updated to reflect a ‘tab’ to include a relationship based, patron risk assessment, with risk ratings linked to the nature and type of the business relationships patrons may have with BCLC, s 15(1)</p>	Complete	AML Unit
---	---	---	---------	---	----------	----------

3	Section 53 and 53.1 of the PCMLTFR read with the FINTRAC reporting requirements (Large Cash Transaction Reporting)	<p>2 of 53 LCT samples are not in accordance with requirements. Deloitte observed on iTrak that patrons related to the following reports and incidents have incomplete or incorrect patron information s 15(1)</p> <p>Despite the incomplete information, these patrons were able to continue to take part in casino play activities at the relevant casino sites.</p>	Finding	Both player profiles have been updated to ensure the incomplete/incorrect information is updated prior to allowing any further gaming. s 15(1)	Complete	AML Unit
4	Section 8 and 10(1) of the PCMLTFR read with the FINTRAC Transaction Reporting Requirements: LCTR; FINTRAC Guidance: When to identify individuals and confirm the existence of entities – Casinos; FINTRAC Guidance: Third party determination requirements; and FINTRAC record keeping requirements for casinos.	<p>3 out of 53 LCTR samples failed to complete the Reasonable Measures form. 1 of the 3 missed to confirm the ID field on the Reasonable Measures Form and 2 of the 3 did not answer the third party confirmation field. The patron was able to complete their large case transaction despite the incompleteness of the Reasonable Measures form.</p> <p>RM forms:</p> <ul style="list-style-type: none"> • Missing ID confirmation field • Third Party confirmation field is incomplete 	Finding	<p>BCLC AML have auditing controls in place s 15(1) reviews of sites for SOF and RM reviews.</p> <p>External audit team was recently brought back in to review SOF and RM filings by various Service Providers to ensure continued adherence to reporting requirements.</p>	Complete	AML Unit

5	<p>Section 9.6(1) of the PCMLTFA read with section 71(1)(d) of the PCMLTFR and the FINTRAC Compliance program requirements – Ongoing Compliance Training Program</p>	<p>Based on a review of the training tracking sheets provided by the AML Unit, it was noted that eight BCLC employees have not completed the AML training in accordance with the 2 year refresher policy and are overdue, with some having last completed training in December 2016.</p> <p>In addition, it was observed that not all casino service provider personnel have completed the mandatory, annual refresher training in accordance with BCLC policy. There appears to be three staff members from ^{s 15(1)} who have last completed the AML training in 2017, based on the information provided. The AML Unit indicated that it is possible that ^{s 15(1)} may have failed to update the records for the employees identified. We sought an explanation from ^{s 15(1)} to clarify the seemingly contradictory information. They confirmed that these are indeed terminated employees that were still listed as “active” within the system, and confirmed that they had now deactivated them. OGC also indicated that there were no exceptions noted following the ^{s 15(1)} AML training review conducted by BCLC in June 2019 as part of the OGC’s quarterly AML assessment.</p>	Finding	<p>The AML Unit now receives weekly reports for both BCLC and Service Provider staff and follow up accordingly on training by sending out notifications to the appropriate management staff and their respective employees.</p> <p>Onboarding new employees are informed of the mandatory courses they have to take, including the AML course. In order to ensure that all staff are reminded on an ongoing basis, they will be required to sign off on a yearly agreement.</p> <p>The Standards of Ethical Business Conduct for BCLC is signed off every year by the employee. In this document, it is stated that as a BCLC employee, it is your responsibility to “successfully complete to BCLC’s standard and all mandatory training as directed by BCLC,” including the AML on line course.</p> <p>To further strengthen existing protocol, a notice/agreement will be sent via SuccessFactors on an bi-annual basis (opposite to the course) to each employee, noting the requirement for them to take the AML course, the timeline to which they must complete the course, and the escalation procedures if they fail to do so. This agreement must be signed off by the employee acknowledging their requirements to complete the course. Currently getting approvals from Senior Leadership. Approvals have been secured and currently finalizing the process.</p>	Complete	AML Unit
---	--	--	---------	--	----------	----------