

Overview Report: 2016 River Rock Casino Chip Swap

A. Scope of Overview Report

1. This overview report sets out information and attaches documents related to a “chip swap” conducted in January 2016 at the River Rock Casino.

B. January 2016 Chip Swap

2. On January 18, 2016, the British Columbia Lottery Corporation (“**BCLC**”) conducted a “chip swap” of \$5000 casino chips at the River Rock Casino. The chip swap involved the replacement of River Rock Casino \$5000 chips with new \$5000 chips, the rendering of old \$5000 chips valueless after an identified date, and the interview of patrons returning large quantities of chips by BCLC investigators. The operation was described as follows in a January 2016 BCLC information note:

The objectives of the chip swap are:

- To replace the current RRCR [River Rock Casino Resort] \$5000 chip that is in circulation with a new RRCR \$5000 chip.
- Render valueless the current RRCR \$5000 chip after January 31, 2016.
- To mitigate the removal of chips from the RRCR and specifically the high limit rooms.
- To encourage patrons to open Patron Gaming Fund accounts and make use of the account as a cash alternative.

BCLC Investigations will be on duty, from 9 a.m. to 12 midnight (15 hours per day), 7 days per week, at the RRCR until January 31, 2016 or until the duration of the project. No chips will be accepted outside those hours.

The investigators will conduct interviews of patrons when:

- They are returning any large quantity of chips (\$50K or more)
- The patron is a subject of interest
- The patron is not previously known as a RRCR patron
- The return involves a suspicious circumstance
- The circumstances otherwise dictate

Appendix A: January 8, 2016, BCLC Information Note: River Rock Casino Chip Swap

C. River Rock Casino Chip Liability

3. In October 2014, correspondence between Brad Desmarais, then BCLC's Vice-President, Corporate Security and Compliance and Robert Kroeker, then Vice-President, Compliance and Legal for the Great Canadian Gaming Corporation ("GCGC") addressed concerns about players buying in at the River Rock Casino and leaving the casino with casino chips of significant value following minimal or no play. GCGC provided BCLC with a spreadsheet identifying such incidents in 2014.

Appendix B: October 2014 Emails Re: FW: RR file 2014-52094

Appendix C: "2014 gaming chips P9" spreadsheet

4. Beginning on January 1, 2015, BCLC Corporate Security and Compliance conducted daily chip liability reviews of River Rock Casino \$5000 chips. Between January 1, 2015 and September 2015, the value of the chips missing from River Rock Casino's inventory ranged from \$6.1 million to \$13.6 million. As of August 25, 2015, the River Rock Casino had a shortage of 1878 \$5000 chips, with a total value of \$9.39 million. A September 9, 2015 report by Bally Technologies indicated a total chip shortage of all values of 150 026 chips, with a total value of \$10 626 409.50.

Appendix A: January 8, 2016, BCLC Information Note: River Rock Casino Chip Swap

Appendix D: September 9, 2015, Bally Technologies "Report Chip Inventory Liability"

Appendix E: BCLC Corporate Security & Compliance Decision Document: Chip Liability Issue

5. In September 2015, the Starlight Casino was identified by BCLC staff as having a \$5000 chip liability of \$1.8 million.

Appendix F: September 9, 2015 email re: Chip Liability

6. A January 2016 "Information Note" prepared by Ross Alderson, then BCLC's Director, AML & Investigations, identified the following concerns associated with the chip liability at the River Rock Casino:

BCLC believes the high number of outstanding RRCR \$5000 chips poses a personal risk to the safety of those in possession of large quantities of these chips, as they may be targeted in a robbery.

There is also a reputational risk to the gaming industry in B.C. as a large number of these chips are believed to be in circulation for reasons of servicing in some cases, an underground network of individuals that facilitate providing patrons with access to the chips to enable play at the RRCR and specifically the high limit rooms. There is concern about the possibility that these chips may also be used for funding illegal gaming.

Appendix A: January 8, 2016, BCLC Information Note: River Rock Casino Chip Swap

7. In a July 2015 email to Mr. Alderson, Mr. Desmarais identified the risk that the outstanding chips may be used as a “stored value instrument” as a particular concern:

I somewhat disagree that BCLC's exposure in this matter is simply reputational. I believe there is a bigger issue and that is we and the SP are responsible for millions of dollars of what could be criminal stored value instruments which strikes at the heart of our corporate social responsibilities as well as what some might perceive as an M/L enablement issue. I agree there is no direct evidence that an unauthorized casino is operating with RRCR chips, that was a theory advanced as a potential reason why such large liability exists; that is infinitely more palatable (and treatable) than the alternative, and that is the chips are being used as a SVI for criminal purposes. I acknowledge chip use would be the first time I am aware of in this manner (I have investigated precious gems, bearer bonds, gold, etc. in the past) but chips, in my view, are the ideal instrument for this purpose.

Appendix G: July 2015 emails re: RRCR Chip Swap

8. Appendix H includes April 2015 email correspondence related to one player's use of chips.

Appendix H: April 2015 emails

D. Delay and Execution of Chip Swap

9. By July 2015, BCLC had begun planning for a chip swap at the River Rock Casino.

Appendix G: July 2015 emails re: RRCR Chip Swap

10. The chip swap was originally scheduled to proceed on September 8, 2015 but was suspended and later rescheduled to January 5, 2016.

Appendix A: January 8, 2016, BCLC Information Note: River Rock Casino Chip Swap

11. A spreadsheet prepared by the Gaming Policy & Enforcement Branch (“**GPEB**”) identified the River Rock \$5000 chip liability from April 1, 2015 to January 5, 2016, including the daily liability for the period of October 1, 2015 to October 21, 2015. This spreadsheet indicates that during the period covered by the spreadsheet, the chip liability was highest on April 1, 2015, when the liability was 2039 chips, 13.6% of the total inventory of \$5000 River Rock chips.

Appendix I: GPEB River Rock Casino Resort \$5000 Chip Liability Spreadsheet

12. During the period of daily monitoring beginning on October 1st, the chip liability was at its highest on the first day of this period at which point there was a total of 1584 \$5000 chips outstanding, representing 10.5% of the total inventory of River Rock \$5000 chips. On January 5, 2016, the chip liability was 956 total chips, representing 6.4% of the total inventory.

13. The spreadsheet also indicated the \$5000 chip liabilities of other BC Casinos on October 4, 2015, December 10, 2015 and January 5, 2016.

14. In order to facilitate the chip swap, BCLC issued a direction to the River Rock Casino temporarily varying normal procedures for PGF accounts.

Appendix J: January 14, 2016 Direction to River Rock Casino Resort Re: Chips Back to PGF Account

E. Preventive Measures

15. On September 18, 2015, Ross Alderson, at the time BCLC’s Director, AML & Operational Analysis forwarded a “decision document” written by Bal Bamra, then BCLC’s Manager Cash Alternatives & Special Projects, with the subject “Chip Liability Issue” to Robert Kroeker, then BCLC Vice-President of Corporate Security and Compliance.

Appendix K: September 18, 2015 email re: Chip liability draft

16. The decision document identified six options intended to prevent future chip liabilities. Of these options, Mr. Alderson recommended that BCLC restrict \$5000 chips

to high limit rooms and require sites to monitor chip liability on a daily basis and provide a report to BCCLC on request.

Appendix E: BCCLC Corporate Security & Compliance Decision Document: Chip Liability Issue

17. A second decision document written by Ms. Bamra forwarded by Mr. Alderson to Garth Pieper, BCCLC Director of Operations, and Mr. Desmarais, by then BCCLC's Vice-President Casinos and Community Gaming, identified a need "to build a process that establishes who the key accountability sits with to track the chip stock at each casino... to ensure that BCCLC is aware of their assets in chip stock in the province..." and making recommendations to fulfill this need.

Appendix L: BCCLC Corporate Security and Compliance Decision Document: Primary Chip Stock

18. In a subsequent decision document dated June 30, 2016, submitted by Bal Bamra, BCCLC Manager, AML Intelligence to Mr. Alderson, then the Director, AML & Investigations, Ms. Bamra identified measures implemented to prevent future chip liability issues, including:

- a. Requiring sites to "institute and use a method to enable information for tracking of players and their movement of \$5000 chips...";
- b. Policy changes to permit the deposit of abandoned chips into PGF accounts; and
- c. Daily reviews of casino daily chip stocks by the BCCLC AML unit.

19. The decision document identified six options for improving the tracking of high value chips.

Appendix M: BCCLC Corporate Security & Compliance Decision Document: RFID in Casinos

20. At its January 15, 2018 meeting, the BCCLC Board of Directors approved new "Rules Respecting Chips." The rules came into effect on February 5, 2018.

Appendix N: January 15, 2018 minutes of the meeting of the BCCLC Board of Directors

Appendix O: BCCLC Rules Respecting Chips, effective February 5, 2018

F. September 2016 GPEB Emails re Deposit of Unsourced Chips into PGF Accounts

21. On September 27, 2016 GPEB Commercial Gaming Auditor Parminder Basi sent an email indicating the following:

On eight different occasions at River Rock Casino, a total of \$1,540,000 of old pre-swap 'unsourced' gaming chips were deposited into PGF accounts during our review period (detailed in the table below). This is of concern for the following reasons:

- BCLC Standards, Policies and Procedures do not permit 'unsourced' chips to be deposited into PGF accounts. BCLC Policy only permits chips from a verified win or sourced chips previously withdrawn by the patron from their PGF account to be re-deposited. In the occasions noted below, the chips were accumulated by the patron outside of their PGF account.
- The PGF deposits below, although approved by a BCLC Investigator, undermine the purpose of the PGF account, which is to ensure that only authorized funds are deposited into a patron's account. Authorized deposit means bank draft or certified cheque from a regulated financial institution, cheque from a Canadian casino, wire transfer, electronic funds transfer (EFT), debit card transaction, or internet banking transfer from an authorized personal bank account, or chips from a 'verified win' issued at the same casino opening the account.
- The six different patrons below, have all been issued a BCLC 'Unsourced Cash' directive. This is important because around August 2015, BCLC's AML unit began advising high risk patrons that they were no longer permitted to buy-in at any BCLC site with "un-sourced" cash/chips. The directives were issued primarily to patrons who were buying in with funds of questionable source.

22. A table detailing the eight transactions was included in the email.

Appendix P: September 2016 Emails re: RRCR Pre-Swap \$5000 Chips Deposited into PGF Accounts

Appendix A

January 8, 2016 BCCLC Information Note: River Rock Casino Chip Swap

INFORMATION NOTE British Columbia Lottery Corporation Date: January 8, 2016	River Rock Casino Chip Swap
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Key Facts:

On January 18, 2016 a chip swap operation (“Operation Sienna”) will be conducted at River Rock Casino. This chip swap was originally scheduled for September 8, 2015 however was suspended due to a request from law enforcement.

In 2015 the River Rock Casino Resort (RRCR) experienced an increase in patrons leaving with large quantities of RRCR \$5000 chips.

BCLC believes the high number of outstanding RRCR \$5000 chips poses a personal risk to the safety of those in possession of large quantities of these chips, as they may be targeted in a robbery.

There is also a reputational risk to the gaming industry in B.C. as a large number of these chips are believed to be in circulation for reasons of servicing in some cases, an underground network of individuals that facilitate providing patrons with access to the chips to enable play at the RRCR and specifically the high limit rooms. There is concern about the possibility that these chips may also be used for funding illegal gaming.

Background:

As of August 25, 2015, a review of RRCR \$5000 chip stock determined a shortage of 1878 RRCR \$5000 chips in inventory with a total dollar value of \$9.39 million.

As of January 5, 2016, a review of RRCR \$5000 chip stock determined a shortage of 942 RRCR \$5000 chips in inventory with a total dollar value of \$4.71 million.

BCLC has seen the high number of outstanding RRCR chips drop significantly since September 2015 and much of this can be attributed to BCLC’s AML strategy in 2015 including:

- New chip tracking policy changes for RRCR.
- The interviewing of RRCR patrons suspected to be in possession of large numbers of chips
- Face to face training with RRCR employees around identifying Unusual Financial Transactions including the practice of “chip walking”

The objectives of the chip swap are:

- To replace the current RRCR \$5000 chip that is in circulation with a new RRCR \$5000 chip.
- Render valueless the current RRCR \$5000 chip after January 31, 2016.
- To mitigate the removal of chips from the RRCR and specifically the high limit rooms.
- To encourage patrons to open Patron Gaming Fund accounts and make use of the account as a cash alternative.

BCLC Investigations will be on duty, from 9 a.m. to 12 midnight (15 hours per day), 7 days per week, at the RRCR until January 31, 2016 or until the duration of the project. No chips will be accepted outside those hours.

The investigators will conduct interviews of patrons when:

- They are returning any large quantity of chips (\$50K or more)
- The patron is a subject of interest
- The patron is not previously known as a RRCR patron
- The return involves a suspicious circumstance
- The circumstances otherwise dictate

As of January 8, 2016 the date and details of the Chip Swap are known only to select employees within BCLC Corporate Security and the BCLC Operations Group. RRCR staff will be informed on January 12, 2016.

BCLC VP Corporate Security will advise GPEB and BCLC Corporate Communications of the Chip Swap Operation when determined as necessary.

BCLC Response Points:

- **BCLC is replacing the current high value chips in circulation at River Rock Casino Resort from January 18th to January 31, 2016.**
- **Chip stocks are refreshed periodically to enhance game protection and other aspects of casino security.**
- **Players will be encouraged to return their chips in exchange for a payout or for new chips.**
- **Safety and security are our number one priority. The replacement of chips is important to maintain the integrity of gaming and the safety of the players.**

Ross ALDERSON
Director AML & Operational Analysis

Appendix B

October 2014 Emails Re: FW: RR file 2014-52094

To: Rob Kroeker[RKroeker@bclc.com]
From: Brad Desmarais
Sent: Mon 16/04/2018 9:29:11 PM
Subject: FW: RR file 2014-52094
[2014 gaming chips P9.xlsx](#)

Not sure if this is of assistance.

From: Robert G. Kroeker <rkroeker@gcgaming.com>
Sent: Wednesday, October 15, 2014 4:59 PM
To: Brad Desmarais <BDesmarais@bclc.com>
Cc: John Karlovcec <JKarlovcec@BCLC.com>
Subject: RE: RR file 2014-52094

Here is high level tracking table we have been keeping on these. RR only. I would appreciate not sharing with other SP especially player particulars.

Do you know if you are seeing a similar trend at Villa or Edgewater?

From: Brad Desmarais [<mailto:BDesmarais@bclc.com>]
Sent: Wednesday, October 15, 2014 10:32 AM
To: Robert G. Kroeker
Cc: Nicole Wu; Lisa Green
Subject: FW: RR file 2014-52094
Importance: High

Hi Rob

Another one of these. We should get together and talk strategy. I'm on holidays this week, but could we organize something for next week?

Brad Desmarais

Vice President, Corporate Security & Compliance
(and) Interim Vice President, Human Resources

BCLC, 2940 Virtual Way, Vancouver, B.C. V5M 0A6
T 604 225 6408 C 604 328 2481 F 604 225 6488

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

From: John Karlovcec
Sent: Wednesday, October 15, 2014 9:07 AM
To: Brad Desmarais
Cc: Kevin Sweeney; Kris Gade; Bruno Gatto; Brad Rudnicki
Subject: FW: RR file 2014-52094
Importance: High

Hi Brad,

Just an Fyi, see email stream below re: an incident at River Rock Casino last night.

Here is another example of a known player coming in with almost \$500 K in cash \$20 bills getting chips then leaving the site without play.

Although a player this is not typical of his play, previous high roughly \$180 K.

As per our previous discussion and after discussing with Kevin, Bruno and Kris this morning we've instructed the BCLC investigator to issue a 14 day barring from all gaming sites pending BCLC investigation including interview by an investigator.

I have also requested a deeper dive from our Analytics group into the patron's background.

We will keep you posted. I'm just running off to a meeting.

John

From: Jim Husler
Sent: Wednesday, October 15, 2014 7:24 AM
To: Daryl Tottenham; Steve Beeksma; Jerome Wakeland
Cc: AML; Bruno Gatto; Stone Lee
Subject: RE: RR file 2014 52094

Hi Daryl,

Thanks for the email I see the file IN20140052094 that involved patron [REDACTED]
It appears he bought in for \$467,725.00

Bill breakdown:

1000x\$100.00=\$100,000.00

18386x\$20.00=\$367,720.00

1x\$5.00=\$5.00

Total = **\$467,725.00**

From the time he turned over his bills to the time he was presented his chips was approx. 46min.
[REDACTED] departed the site after he received his chips.

I have contacted Surveillance (0715hrs) and they are looking into last night's paperwork – Just going through their shift change right now.....

I have indicated on IN52094 to advise you of the review results.

FYI – Steve and I will contact Surveillance later on today to advise them once again to leave the UFT files open so they can be processed by the system.

Thanks,

Jim HUSLER

BCLC Casino Investigator
Corporate Security and Compliance
BCLC 2940 Virtual Way, Vancouver BC V5M 0A6
C 604 880-9461
jhusler@bclc.com
bclc.com

From: Daryl Tottenham
Sent: Wednesday, October 15, 2014 6:44 AM
To: Steve Beeksma; Jim Husler; Jerome Wakeland
Cc: AML; Bruno Gatto
Subject: RR file 2014-52094

Morning guys,

This report from last night only has 1 supplement in it so far which shows [REDACTED] buying in last night at 6 pm for \$467,725 in small bills. The surveillance report shows it took a while to count it all, then [REDACTED] picked up his chips and promptly left the casino with the chips. Could someone please check with surveillance first thing this am and advise if he came back and played or not and advise us ASAP of the results?

Thanks kindly, Daryl

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Appendix C

“2014 Gaming Chips P9” Spreadsheet

IN #	Patron Name	DOB	Canadian	Date of Incident	Time of day	Dollar total	Why SFT	Chips Received &/or produced	BCLC ACTION	PGF account	PGF account #
IN20140046174	[REDACTED]	[REDACTED]	Y	09-12-14	8:38PM	\$100,000.00	Chips produced for play w/out buy in	5K	Watched	Y	
IN20140046886	[REDACTED]	[REDACTED]	Y	09-16-14	4:38PM	\$112,000.00	LCT NO PLAY	1K, 5K	Watched	Y	
IN20140040251	[REDACTED]	[REDACTED]	N	08-10-14	1:23PM	\$70,000.00	LCT NO PLAY	5K	Watched	Y	[REDACTED]
IN20140020462	[REDACTED]	[REDACTED]	Y	04-22-14	3:42PM	\$30,000.00	LCT NO PLAY	5K	5 year barring		
IN20140029458	[REDACTED]	[REDACTED]	Y	06-12-14	10:32AM	\$94,040.00	LCT NO PLAY	5K	1 year barring		
IN20140040865	[REDACTED]	[REDACTED]	Y	08-14-14	11:00PM	\$25,000.00	Chips produced for play w/out buy in	5K	5 year barring of patron [REDACTED] who produced chips	Y	[REDACTED]
IN20140047191	[REDACTED]	[REDACTED]	Y	09-18-14	12:34PM	\$100,000.00	Chips produced for play w/out buy in	5K	Watched	Y	
IN20140049315	[REDACTED]	[REDACTED]	Y	09-29-14	11:32AM	\$945,000.00	Chips produced for play w/out buy in	5K	Watched	Y	
IN20140045230	[REDACTED]	[REDACTED]	Y	09-07-14	12:00AM	\$300,000.00	Chips produced for play w/out buy in	5K	Watched	Y	
IN20140037251	[REDACTED]	[REDACTED]	Y	07-24-14	4:18PM	\$50,020.00	LCT NO PLAY	\$50.00, 5K	Watched		
IN20140012203	[REDACTED]	[REDACTED]	Y	03-10-14	12:33AM	-\$230,000.00	CDR w/out play	5K	Watched		
IN20140048302	[REDACTED]	[REDACTED]	Y	09-24-14	12:00 AM	\$40,000.00	LCT NO PLAY	5K	Watched		[REDACTED]
IN20140034997	[REDACTED]	[REDACTED]	Y	07-12-14	10:47PM	\$140,000.00	LCT minimal play	\$100, 1K, \$5K	1 year barring		
IN20140043627	[REDACTED]	[REDACTED]	N	08-29-14	4:12PM	\$50,000.00	LCT NO PLAY	1K, 5K	Watched		
IN20140022093	[REDACTED]	[REDACTED]	Y	05-01-14	12:45PM	\$100,000.00	LCT NO PLAY	5K	Watched	Y	[REDACTED]
IN20140036437	[REDACTED]	[REDACTED]	Y	07-20-14	1:16PM	-\$200,000.00	CDR w/out play	5K	Watched		
IN20140035941	[REDACTED]	[REDACTED]	N	07-17-14	8:41PM	\$100,000.00	LCT NO PLAY	5K	Watched		
IN20140049503	[REDACTED]	[REDACTED]	Y	09-30-14	12:23PM	\$100,000.00	Chips produced for play w/out buy in	1K, 5K	Watched	Y	
IN20140019355	[REDACTED]	[REDACTED]	Y	04-17-14	10:46AM	\$10,000.00	LCT NO PLAY	1K	5 year barring		
IN20140034787	[REDACTED]	[REDACTED]	N	07-11-14	6:11PM	\$68,600.00	LCT NO PLAY	\$100, \$500, 1K, \$5K	Watched		
IN20140019328	[REDACTED]	[REDACTED]	N	04-16-14	4:11PM	\$50,000.00	LCT NO PLAY	\$50.00, 5K	Watched	Y	[REDACTED]
IN20140040753	[REDACTED]	[REDACTED]	Y	08-13-14	2:22PM	\$220,000.00	LCT minimal play	5K	5 year barring		
IN20140040923	[REDACTED]	[REDACTED]	Y	08-14-14	2:38PM	\$200,270.00	LCT NO PLAY	\$5.00, \$100, \$50, 5K	5 year barring		
IN20140006467	[REDACTED]	[REDACTED]	Y	02-06-14	12:27AM	\$150,000.00	LCT minimal play	5K	Watched		
IN20140037283	[REDACTED]	[REDACTED]	Y	07-24-14	9:29PM	\$50,000.00	LCT NO PLAY	5K	3 year self banning		[REDACTED]
IN20140044174	[REDACTED]	[REDACTED]	Y	09-01-14	10:55PM	-\$255,000.00	Chips produced for play w/out buy in	5K	Watched	Y	[REDACTED]
IN20140035170	[REDACTED]	[REDACTED]	Y	07-13-14	7:51PM	\$50,000.00	Chips produced for play w/out buy in	5K	Watched		
IN20140028340	[REDACTED]	[REDACTED]	Y	06-04-14	4:03PM	-\$190,000.00	CDR w/out play	5K	Watched		
IN20140044753	[REDACTED]	[REDACTED]	Y	09-04-14	1:08PM	\$40,000.00	LCT NO PLAY	1K, 5K	Watched		
IN20140040717	[REDACTED]	[REDACTED]	N	08-13-14	8:23AM	\$500,000.00	LCT, normal play, left with chips	5K	Watched		
IN20140033734	[REDACTED]	[REDACTED]	Y	07-06-14	8:36PM	\$82,900.00	LCT NO PLAY	5K	Watched		
IN20140041070	[REDACTED]	[REDACTED]	N	08-15-14	10:10PM	\$40,000.00	LCT NO PLAY	5K	Watched		[REDACTED]
IN20140032699	[REDACTED]	[REDACTED]	Y	06-30-14	6:28PM	\$50,000.00	LCT NO PLAY	5K	Watched		
IN20140038209	[REDACTED]	[REDACTED]	Y	07-30-14	10:40PM	\$200,000.00	Chips produced for play w/out buy in	5K	Watched		
IN20140039338	[REDACTED]	[REDACTED]	Y	08-05-14	11:41AM	\$30,000.00	LCT NO PLAY	5K	Watched		
IN20140036774	[REDACTED]	[REDACTED]	Y	07-22-14	3:46PM	\$50,000.00	LCT minimal play	5K	Watched		
IN20140041993	[REDACTED]	[REDACTED]	Y	08-20-14	2:32PM	\$43,000.00	LCT minimal play	\$500, 1K, 5K	Watched		
IN20140042580	[REDACTED]	[REDACTED]	Y	08-23-14	8:24PM	\$54,980.00	LCT minimal play	\$5.00, \$25.00, \$100, \$500, 1K, 5K	Watched		
IN20140046884	[REDACTED]	[REDACTED]	Y	09-16-14	1:57PM	\$200,000.00	Chips produced for play w/out buy in	5K	Watched	Y	
IN20140047059	[REDACTED]	[REDACTED]	Y	09-17-14	5:22PM	\$100,000.00	Chips produced for play w/out buy in	5K	Watched	Y	
IN20140046337	[REDACTED]	[REDACTED]	Y	09-13-14	4:15PM	\$100,000.00	LCT NO PLAY	5K	Watched	Y	
IN20140042573	[REDACTED]	[REDACTED]	Y	08-23-14	7:41pm	\$120,100.00	LCT, normal play, left with chips	5K	Watched		
IN20140017903	[REDACTED]	[REDACTED]	Y	04-08-14	3:33PM	\$250,000.00	LCT NO PLAY	5K	Watched		
IN20140039845	[REDACTED]	[REDACTED]	N	08-08-14	2:32PM	\$170,000.00	LCT NO PLAY	5K	5 year barring		
IN20140040810	[REDACTED]	[REDACTED]	N	08-13-14	8:42PM	\$300,000.00	LCT NO PLAY	5K	5 year barring		
IN20140041385	[REDACTED]	[REDACTED]	N	08-16-14	8:50PM	\$170,000.00	LCT NO PLAY	5K	5 year barring		
IN20140048235	[REDACTED]	[REDACTED]	Y	09-24-14	1222PM	\$120,000.00	Chips produced for play w/out buy in	5K	Watched	Y	
IN2014006747	[REDACTED]	[REDACTED]	Y	02-07-14	4:00PM	\$100,000.00	LCT minimal play	5K	Watched		
IN20140034129	[REDACTED]	[REDACTED]	Y	07-09-14	8:54AM	\$300,000.00	Chips produced for play w/out buy in	5K	Watched		
IN20140032784	[REDACTED]	[REDACTED]	Y	06-30-14	7:28AM	\$250,000.00	LCT NO PLAY	5K	Watched		

Appendix D

September 9, 2015, Bally Technologies “Report Chip Inventory Liability”



Report Chip Inventory Liability

Casino : RIC

Currency Code: CAD

TenderSet **BCL-Chips**

Tender Name	Primary Stock		RIC Vault		Poker Cashier Cash Desk		Cash Desk	
	<i>Primary Stock</i>		<i>Primary</i>		<i>Primary</i>		<i>Primary</i>	
	<i>Qty</i>	<i>Inventory</i>	<i>Qty</i>	<i>Inventory</i>	<i>Qty</i>	<i>Inventory</i>	<i>Qty</i>	<i>Inventory</i>
Chip \$0.25	0	\$0.00	0	\$0.00	0	\$0.00	0	\$0.00
Chip \$0.50	80000	\$40,000.00	0	\$0.00	0	\$0.00	114	\$57.00
Chip \$1.00	80000	\$80,000.00	0	\$0.00	16804	\$16,804.00	160	\$160.00
Chip \$2.50	14186	\$35,465.00	0	\$0.00	0	\$0.00	0	\$0.00
Chip \$3.00	8	\$24.00	0	\$0.00	0	\$0.00	0	\$0.00
Chip \$5.00	80000	\$400,000.00	0	\$0.00	14576	\$72,880.00	145	\$725.00
Chip \$25.00	32000	\$800,000.00	0	\$0.00	9160	\$229,000.00	211	\$5,275.00
Chip \$100.00	32464	\$3,246,400.00	0	\$0.00	3698	\$369,800.00	171	\$17,100.00
Chip \$500.00	14516	\$7,258,000.00	0	\$0.00	0	\$0.00	43	\$21,500.00
Chip \$1000.00	12263	\$12,263,000.00	0	\$0.00	0	\$0.00	16	\$16,000.00
Chip \$5000.00	25034	\$125,170,000.00	0	\$0.00	0	\$0.00	12	\$60,000.00
Grand Total	370471	\$149,292,889.00	0	\$0.00	44238	\$688,484.00	872	\$120,817.00

Time Zone: (UTC 08:00) Pacific Time (US & Canada)

Published by Cage Version 12.5.0.22

09, September 9, 2015 07:56:15 AM

Report Chip Inventory Liability

SP_spRptChipInventoryLiability

Company Confidential

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Appendix D

BCLC0004529



Report Chip Inventory Liability

Casino : RIC

<i>Tender Name</i>	Chip Bank		Count Room		Table		Liability	
	<i>Primary</i>		<i>Primary</i>				<i>Liability</i>	
	<i>Qty</i>	<i>Inventory</i>	<i>Qty</i>	<i>Inventory</i>	<i>Qty</i>	<i>Inventory</i>	<i>Qty</i>	<i>Inventory</i>
Chip \$0.25	1000	\$250.00	0	\$0.00	3324	\$831.00	-4324	(\$1,081.00)
Chip \$0.50	8573	\$4,286.50	0	\$0.00	2654	\$1,327.00	68659	\$34,329.50
Chip \$1.00	7620	\$7,620.00	0	\$0.00	7094	\$7,094.00	48322	\$48,322.00
Chip \$2.50	10324	\$25,810.00	0	\$0.00	0	\$0.00	3862	\$9,655.00
Chip \$3.00	10	\$30.00	0	\$0.00	0	\$0.00	-2	(\$6.00)
Chip \$5.00	37140	\$185,700.00	0	\$0.00	12221	\$61,105.00	15918	\$79,590.00
Chip \$25.00	8040	\$201,000.00	0	\$0.00	11085	\$277,125.00	3504	\$87,600.00
Chip \$100.00	6780	\$678,000.00	0	\$0.00	10335	\$1,033,500.00	11480	\$1,148,000.00
Chip \$500.00	4507	\$2,253,500.00	0	\$0.00	9392	\$4,696,000.00	574	\$287,000.00
Chip \$1000.00	3956	\$3,956,000.00	0	\$0.00	7983	\$7,983,000.00	308	\$308,000.00
Chip \$5000.00	14218	\$71,090,000.00	0	\$0.00	9079	\$45,395,000.00	1725	\$8,625,000.00
Grand Total	102168	\$78,402,196.50	0	\$0.00	73167	\$59,454,982.00	150026	\$10,626,409.50

Time Zone: (UTC 08:00) Pacific Time (US & Canada)

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09, September 9, 2015 07:56:15 AM

Report Chip Inventory Liability

SP_spRptChipInventoryLiability

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BCLC0004529.02



Report Chip Inventory Liability

You supplied these parameters for this report:

<i>Parameter</i>	<i>You Typed</i>
Casinoid	RIC
Chipset	All
DenomID	All
Gaming Date	09/09/2015
Shift	1
IsIncludePending	False
Liability	
Time Zone	Pacific Standard Time

Time Zone: (UTC 08:00) Pacific Time (US & Canada)

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09, September 9, 2015 07:56:15 AM

Report Chip Inventory Liability

SP_spRptChipInventoryLiability

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Appendix D

BCLC0004529.03

Appendix E

BCLC Corporate Security & Compliance Decision Document: Chip Liability Issue



CORPORATE SECURITY & COMPLIANCE

Decision Document

Subject:	Chip Liability Issue
Issue Lead:	Manager Cash Alternatives & Special Projects
Submitted to:	Director AML & Operational Analysis

Decision Required

The purpose of this document is to determine best practices to ensure high limit chips in our casino properties are tracked to account for movement of chips with players and to ensure that the chips do not leave the casino premises, specifically, the high limit rooms.

Current Status

In recent months, the River Rock Casino (RRC) has experienced an increase in patrons leaving the site with large quantities of \$5000 chips.

Daily chip liability reviews of RRC \$5000 chips conducted by BCLC Corporate Security and Compliance since January 1, 2015 determined a substantial shortage of \$5000 chips in inventory with a dollar value ranging between \$6.1 million and \$13.6 million at any given time.

A large number of these chips are believed to be in circulation for reasons of servicing an underground network of individuals that facilitate providing patrons with access to the chips to enable play at the RRC and specifically the high limit rooms. There is also concern that they may be used for funding illegal gaming.

BCLC believes the high number of outstanding RRC \$5000 chips poses a personal risk to the safety of those in possession of large quantities of these chips as they may be targeted in a robbery. It also poses a reputational risk to the gaming industry in British Columbia as this amount of outstanding chips could possibly be viewed as funding an underground economy.

This issue is not just common to just BC; it was highlighted south of the border in a recent article by Senior Financial Reporter Colby Adams, regarding the monetary penalty of \$9.5 million levied by the Financial Crimes Enforcement Network (FinCEN) to Caesars Palace who were fined for poor oversight of their private gaming salons. It was determined that Caesars Palace “allowed a blind spot to exist in its compliance program in the private gaming salons enabling some of the most lucrative, and riskiest, transactions to take place with little oversight.”

As part of this settlement, FinCEN ordered Caesar’s to improve its Bank Secrecy Act (BSA) controls by training employees to file currency transaction reports not linked to cash and identify and report “bill stuffing” and “chip walking,” which often involves clients redeeming tickets for slot machines they never played or leaving the site without redeeming their chips respectively.

This settlement is the third penalty assessed against casinos this year by the Treasury Department bureau. The seriousness of this issue has instigated BCLC to take a stance to implement tighter safeguards to prevent high limit chips from leaving our sites, not only at RRC, but at our properties across the province.

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Decision Document

Currently, our practices include tracking all large cash “buy-in” and “cash-out” transactions in the event a series of transactions may amount to a total of \$10,000 or more within a static period; whereby patrons will be identified and a report filed to FINTRAC. Although the Pit Supervisors track all play on a patron tracking card, they do not prohibit the high limit chips from leaving the site with the patron. On that same note, when patrons return with chips, there is little oversight to ensure that the chips being played in fact belong to that patron.

Key stakeholders necessary to make a determination on how we handle the chip liability issue include members from:

- Corporate Security & Compliance
- Casino Operations
- Product (if new chips/plaques to be purchased)
- GMS
- Service Providers

Options

Option 1

Increase betting chips to include \$25,000 plaques. Our properties have reached the point where we need this denomination of instrument in order to keep these games moving at a reasonable pace. The plaques would be easier to track due to size and limited quantities needed at site.

Benefits:

- See this as a potentially positive move in terms of reducing the movement of high value chips out of the casino.
- Easier for players to use plaques as some patrons currently playing the maximum hands can empty the chip tray of \$5,000 chips fairly quickly which does not provide enough time to get a fill thus delaying the game and upsetting the player. The same can go the other way when we receive a fill and then a player proceeds to lose his chips back to the Service Provider with the dealer running out of space to put the chips especially during peak business hours.
- Increase game speed as it is easier for dealer and supervisor to recognize total value played.
- Reduce time spent on figuring out payouts.
- Use of plaques will increase security of high denomination value chips by making them easier to detect as the size of the plaques would not be “pocketable” as small chips.
- Provides an aspirational value to high limit players.

Risks:

- A lack of proper documentation to report, investigate and address procedures on discrepancies in the \$25,000 plaque inventory could result in the same situation as we are currently in.
- The process for redeeming the plaques at the table (i.e. coloring down for 5K chips), may require some consideration as chip trays may need to be modified depending on the size of the plaques.
- Proper process would need to be defined as to what would happen to unattended/abandoned plaques when players leave the table for an extended period of time.

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CORPORATE SECURITY & COMPLIANCE

Decision Document

Option 2

Introduce the higher denomination plaques by using an imprest float. The idea is to treat the plaques like roulette chips whereas the \$25K plaques are restricted to a specific table and have no value away from the table. We could even extend this to say that the plaques are restricted to the high limit rooms and would have no value outside the high limit rooms.

Benefits:

- This would deter and prevent internal theft, misappropriation by way of Dealer/Player collusion, and use of plaques for illicit non-gaming purposes.
- The plaque is restricted to a specific table or high limit room and is non-transferable and players would not leave the casino with large denomination value chips.
- Easier to track when play is contained to the table/room.

Risks:

- Imprest float per table or room could get expensive if plaques are treated like roulette chips and have different plaques for different tables or high limit rooms. The cost of getting plaques for multiple tables or multiple rooms would be a financial burden to BCLC.
- Proper tracking would still be a requirement if contained to the room so that players could not pass off plaques.

Option 3

Limit \$5000 chips and higher to only the high limit rooms; and ensure that there are no buy-ins or cash outs of high limit chips on the main gaming floor.

Benefits:

- As play would only be in the high limit rooms, the tracking would be easier per person if the same cage/room services all transactions.

Risks:

- Players will not like the limitation imposed on not taking chips off property and reduce their visits to the high limit rooms for play.
- Revenue decline on the main gaming floor due to ban of play with high limit chips.
- Players would still walk out the door with chips regardless of established rules.
- Depending on what is considered high limit rooms, some rooms may warrant the higher value chips but are not classified as VIP rooms. This could result in play that would be inconvenient to the player as they would have stacks of lower denominational chips in front of them if no high value chips are offered at the tables.

Option 4

Ensure each site has a chip tracking policy in place that is reviewed and authorized for implementation by BCLC Corporate Security and Compliance. As well, to strengthen policy to reflect that when VIP players leave the casino with large amounts of chips that a requirement follow up is conducted by the BCLC investigators to determine if those chips were brought back in within a few days and if not, arrange a mandatory interview to determine the whereabouts of the chips.

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Benefits:

-
- Ensure there is an adequate chip tracking procedure in place.
- If the chips did not re-surface and the patron could not explain or produce the chips, a STR would be completed for Fintrac reporting and the consideration of possible sanctions/directions for the player that took them out and did not return them.
- This builds another layer of oversight for the chip-tracking protocol but also provides BCLC with documentation that we are cognizant of the issue and have placed protocols in place to deter the activity as it is a core indicator of AML activities.

Risks:

- Tracking procedure proves to be non-sufficient and chips are still disappearing.
- Inconsistencies in how SP's will track chips across the province.
- Players will refuse the mandatory interview.
- Players will try to circumvent this process.
- Revenue might be affected with people not playing as much due to the regulations.

Option 5

Look into obtaining RFID tables for the high limit rooms only to track all chips to players. RFID tables have multiple antennas beneath the felt to read data from RFID gaming chips. This would allow chips to be tracked with an accuracy level of 99.99%.

Benefits:

- Accurate bet tracking at each player position and at the tie/pair bet spots.
- Game play prompts and alerts for error-free game play. Dealer can no longer make a mistake and it stops collusion because the system knows what the payouts should be.
- Instant chip counts, totals and logged table transactions.
- Reduced counterfeit chips.
- Improved ratings for players.
- GLI approved already and can tie into the GMS system.

Risks:

- Initial cost for the tables is high; need 25-50 tables for it to make sense financially to get an ROI on the product.
- Tables currently do not allow for back betting.
- If all the chips do not stay on the table, the table will not capture the information needed to track to player. Players will pocket them which would throw the count out.
- Chip tracking will only work if the whole room is converted to these tables.

Option 6

Serial number the chips and then assign those chips to each individual player.

Benefits:

- If patron tries to hand off the chips to other players, they cannot cash them out at the cage because they are tracked by serial number.

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Risks:

- It would be costly to serialize the chips.
- Challenge to ensure that the same chips played by the players are returned to them if at the table with multiple players.

Recommendations

There are a multitude of benefits and risks tied to each scenario stated above that would warrant discussion and agreement with various stakeholders on which option or a combination of options would be efficient to implement. Some of the options stated would be very costly to implement at this time, and some are more of a longer term strategy if we were to go that route (i.e. RFID tables).

As it stands today, it is recommended that BCCLC work with our Service Partners to identify a chip tracking procedure that would hold them accountable to the existing chip liability at each respective site (option 4) and to keep all high limit chips to the high limit rooms (option 3). We could also accommodate an increase in the chip denomination to \$25K (option 1), as long as that denomination does not leave the VIP rooms. With this immediate change, we can then explore our more costly options to ensure they make financial sense and whether it will meet our business expectations.

The following changes are included for the September 21 release of revisions to current policy:

10 TABLE GAMES PLAYER TRACKING – HIGH VALUE CHIPS (\$5000 DENOMINATION)

- 10.1 When players arrive at a high limit table, Dealer Supervisors are required to note on the player tracking card whether the player is in possession of any high value chips (\$5000 chips) and, if so, the dollar amount.
- 10.2 When players leave a high limit table, Dealer Supervisors are required to note on the player tracking card the total dollar value of high value chips the player has in their possession.
- 10.3 The Service Provider shall create a process to ensure the dollar amount of high value chips the player cashes out at the cash cage is forwarded to the Dealer Supervisor for inclusion on the player tracking card.
- 10.4 The player tracking card shall be retained and made available upon request to BCCLC Security Investigators or Gaming Compliance Officers.
- 10.5 For Encore Table Rewards (comp) player tracking and rating, see Player Relations/Marketing – Table Games Player Tracking for Encore Table Rewards.

This would ensure that all the information is up to date on the tracking card tied to each player.

Next Steps

Next steps would entail determining what senior leadership is interested in reviewing further including costs associated with the proposed options.

Once the feasibility of these options are reviewed, to gather all necessary stakeholders to discuss and agree on processes/procedures and drafting policy around implementation.

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Comment – Director AML & Operational Analysis

The issue of chips leaving Casinos, or “chip walking” has become a significant issue for BC Casinos in recent months. Additional to the outstanding chip liability mentioned previously in this document, BCLC has observed through conditions recently placed on several “VVIP” players, specifically only allowing play with sourced chips and sourced cash, there have been deficiencies highlighted in the current process, where some facilities are unable to confirm what is sourced and what is un-sourced. While some facilities are tracking the movement of chips better than others, the proposed policy changes will outline expectations of better tracking universally without being overly prescription. Limiting the use of high value chips to defined high limit rooms will primarily impact the River Rock Casino Resort (RRCR) who provides access to high value chips on multiple tables in multiple rooms.

The report accompanying the Financial Crimes Enforcement Network’s (FinCEN) recent \$9.5 Million dollar fine levied on Caesars Palace specifically mentions “Chip Walking” as a “*blind spot.....in its compliance program*”

The American Gaming Association Best Practices for Anti-Money Laundering Compliance (December 2014) defines chip walking as below:

“Chip Walk: When a patron, after drawing upon a marker with the casino, leaves the casino floor with a significant amount of chips without offsetting chip redemptions or chip buy-ins at another table. “Chip walk” is distinct from situations in which a patron may take a significant amount of chips from the casino but those chips are the results of gambling wins (“walking with winnings”) or are chips that the patron purchased with his or her own funds.”

My recommendation would be a combination of Option 3 and 4. It is more cost effective and still effectively mitigate regulatory risk.

We would allow \$5K and potentially higher denomination chips in high limit rooms only. (policy change required)

The current proposed policy changes will allow both Service Providers and BCLC to have better insight into sourced chips v un-sourced chips. However the policy itself will still not prevent a player leaving with chips or arriving with un-sourced chips. While it would be discouraged for chips to leave high limit rooms the Policy changes themselves won’t enforce this with players.

However the Policy, combined with player education, including signage, at the site level around the risks of leaving with chips should provide a minimum standard of compliance. There is a current expectation of the SP through SP AML training that a UFT be filed should any player attend a site with a large volume of un-sourced chips or buy large volumes of chips and leave the premises.

I would also propose that the site monitor chip liability at all sites on a daily basis and provide a report to BCLC upon request for review.

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CORPORATE SECURITY & COMPLIANCE

Decision Document

R.ALDERSON

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Appendix F

September 9, 2015 email re: Chip Liability

To: Rob Kroeker[RKroeker@bclc.com]; Ross Alderson[RAlderson@BCLC.com]
From: Kevin Sweeney
Sent: Wed 09/09/2015 4:53:03 PM
Subject: Chip Liability
[Report Chip Inventory Liability 20150909_075612.pdf](#)

Hello Rob/Ross,

I have Jim Husler flushing out the process for the chip liability. Attached is the liability report extracted from the Cage module of GMS. The chip liability that we have been referring to over the past year at RRCR is made up off all the Primary Stock, the chips held in the cage, tables and vault at the facility. So based on that the liability report would essentially define what is outstanding. That being said I have Bal Bamra looking into the Primary Stock section as I am aware in the past that deliveries to the casino from BCLC were missed at sites and not enter ultimately affecting the numbers. I should have a complete analysis and update on Liability by end of week.

On a side note the Chip Liability at Starlight Casino namely the \$5000 chips has increased by over 150 pieces (\$1.2 million dollars) in the past few days. Historically the site has sat at a \$100,000 liability worth of \$5000 chips, today they currently sit at 1.8 million. Good news is that through table tracking information we know who the two individuals are who are responsible for the increase.

Kevin Sweeney, CRM
Director, Compliance & Investigations &
Interim Director, Information Privacy and Security
Corporate Security and Compliance Division, BCLC

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

Appendix G

July 2015 email re: RRCR Chip Swap

From: Brad Desmarais
Sent: July 14, 2015 2:21 PM
To: Ross Alderson (RAlderson@BCLC.com) <RAlderson@BCLC.com>
Cc: Kevin Sweeney <KSweeney@BCLC.com>
Subject: RE: RRRCR Chip Swap

Hi Ross

What you are telling me is a bit different than what I was advised. I was advised it would be several weeks from the point of order to taking delivery of the chips. For that reason both Monica and I both directed that the chips be ordered asap. This process has been ongoing since last Fall and we are both a bit frustrated with the delays – if there are still issues with the chip swap we don't have to deploy them right away although it is my preference that we do. There was never an intention to implement the chip swap in secret. In fact we were always committed to discussing with the SP the best way to implement but we were going to hold off on those discussions until we had the chips in hand so as to ensure there was not a rush on chip exchange without the necessary investigative resources in place to conduct the on-site interviews. The 90 day notice is news to me – we'll have to work around that. Obviously that is a challenge and my expectation is that we have appropriate investigative resources in place to deal with the pre-discussed levels of unsourced chips as they come in. I somewhat disagree that BCLC's exposure in this matter is simply reputational. I believe there is a bigger issue and that is we and the SP are responsible for millions of dollars of what could be criminal stored value instruments which strikes at the heart of our corporate social responsibilities as well as what some might perceive as an M/L enablement issue. I agree there is no direct evidence that an unauthorized casino is operating with RRRCR chips, that was a theory advanced as a potential reason why such large liability exists; that is infinitely more palatable (and treatable) than the alternative, and that is the chips are being used as a SVI for criminal purposes. I acknowledge chip use would be the first time I am aware of in this manner (I have investigated precious gems, bearer bonds, gold, etc. in the past) but chips, in my view, are the ideal instrument for this purpose. I suspect the storage vs. marker discussion will be ongoing for some time. We shouldn't wait for a resolution to start the swap unless one or both solutions can be implemented very quickly using the chip swap timeline as the arbiter, not the other way around. From my perspective, allowing the marker/storage issue to dictate timelines is a bit like allowing the tail to wag the dog. We can implement policy after discussion with the SP regarding a prohibition on removing the \$5K chips from the casino – how that is accomplished can be an agreement between us and the SP. They may have an innovative idea that we have not thought of. In closing, I am very, very nervous about this issue where the worst case scenario is that the police execute a Search Warrant on a cash consolidation house connected to an known OC group and find \$millions in chips. Given the current emphasis the police are putting on disrupting criminal flows of funds such a scenario is more likely now than ever before. Sorry for the rant. I'd like to discuss this with you and Kevin before you meet with RRRCR reps. I can be available on Thursday – perhaps we can meet somewhere in Burnaby to discuss in person (I'd rather not come in the office in order not to get swept up in other issues).

Brad Desmarais

Vice President, Corporate Security & Compliance

BCLC, 2940 Virtual Way, Vancouver, B.C. V5M 0A6
T 604 225 6408 C 604 328 2481 F 604 225 6488

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

From: Ross Alderson
Sent: Monday, July 13, 2015 1:46 PM
To: Brad Desmarais
Cc: Kevin Sweeney
Subject: RE: RRCR Chip Swap

Hi Brad,

Kevin and I are meeting with Rob K and Terence D on Friday morning to discuss.

Now the SP is in the loop I am proposing we hold off on ordering the new chips until after that meeting and possibly when you and the project team get a further chance to discuss.

The rationale around the delay to order is

1. We must give 90 days' notice to players to return old stock under 5.9.3 Table games policy .
2. The new chips will only take 2-3 weeks to order
3. New chips will cost \$40-\$50K.
4. I want to analyze liability figures at weeks end and see if the old chips are coming back this week. This may solve some of the issue and limit the need to order new chips.
5. There is still disagreement here at BCCLC whether Marker play v Safekeeping is the best option (Bal is still digging on that including reviewing best practice in LV) I am by no ways an expert on this but there is strong arguments either way regarding the issues facing either option.
6. Also I am not sure whether the option to take a number of current \$5K chips out of circulation was considered. (say take 5,000 RR \$5K chips out of circulation dropping the total from 15,000 to 10,000.) This may force tighter controls on the SP to track and get back the outstanding 2000 chips.

Investigations will of course review all UFT's involving chips so no new processes need to be implemented on SP.

I want to discuss the whole liability issue with Rob and Terence and get their thoughts on how they are going to also prevent chips leaving the facility moving forward. I think it is worthwhile presenting the facts to them on how much is outstanding V other sites now it is put in the open and give them the feeling we are working together for a solution rather than secretly working on a project and then imposing conditions.

Right now I understand the liability for BCCLC is more reputational. Although we suspect that there is an underground Casino or organized crime figures utilizing the chips there does not appear to be concrete evidence of that. I know some chips have been linked to Redacted (Unless you have further info than what I obtained from FSOC) Yes there may be good intelligence in a chip recall but that is only if they come back and are drawn to our attention.

Could it be that one player is hording the bulk of the chips? (eg to hide money/assets from the Chinese Govt.) The SP may actually know that and we should ask.

I know this project was well under way when I came on board and initial conversations were had in Nov 2014 but I the more I have been involved I have a number of questions on the strategy.

Hopefully we can discuss next week but as always I am happy to defer to your direction

Regards

Ross Alderson CAMS

Director, AML & Operational Analysis
Corporate Security and Compliance Division, BCLC
2940 Virtual Way, Vancouver, BC, V5M 0A6
T 604 225 6382 **C** 604 828 2293 **F** 604 225 6488

ralderson@bclc.com

From: Brad Desmarais
Sent: Monday, July 13, 2015 8:57 AM
To: Kevin Sweeney
Cc: Ross Alderson
Subject: RE: RRCR Chip Swap

Thanks, Kevin. Very frustrating.

Brad Desmarais
Vice President, Corporate Security & Compliance

BCLC, 2940 Virtual Way, Vancouver, B.C. V5M 0A6
T 604 225 6408 **C** 604 328 2481 **F** 604 225 6488

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

From: Kevin Sweeney
Sent: Thursday, July 09, 2015 5:59 PM
To: Brad Desmarais
Cc: Ross Alderson
Subject: RRCR Chip Swap

Brad

Fyi, in case your monitoring emails, our BCLC Casino Division inadvertently disclosed the chip swap project to people internally and externally.

Danny Chang was contacted by GPI and questions were asked about order (unclear why directions were not specific to contact Karen Gray and or Darren Jang). Needless to say CHANG was taken back and was meeting with Walter SOO around same time and asked what his knowledge was.

Garth Pieper informed me this afternoon of the situation. I have called a meeting with him and Ross to discuss next steps. Now that SOO is aware we think the best bet is to advise Kroeker and Terrance Doyle of order. We may not get into much detail other than new chips were ordered and we were going to reach out to GCC to discuss plan once they were received.

I will send out an update once PIEPER, ALDERSON and I meet tomorrow and discuss ideas.

Kevin Sweeney, CRM
Director, Compliance & Investigations & Interim Director, Information Security & Privacy
Corporate Security and Compliance Division, BCLC

T 604 228 3151 C 778 866 7484

ksweeney@bclc.com

Appendix H

April 2015 emails

To: Rob Kroeker[RKroeker@bclc.com]
From: Brad Desmarais
Sent: Mon 16/04/2018 8:09:04 PM
Subject: FW: [REDACTED] latest

RR buy in refusal in 2015 – this will be as a result of our direction.

From: Ross Alderson
Sent: Monday, April 27, 2015 8:55 AM
To: Kevin Sweeney <KSweeney@BCLC.com>; Brad Desmarais <BDesmarais@bclc.com>
Subject: FW: GAO...latest
Importance: High

Hi Brad/Kevin, an FYI.

[REDACTED] attended RRCR over weekend with approx. \$500K in un-sourced chips. Although he did not buy in with the chips, RRCR cashed out \$200K worth of chips, [REDACTED] left and returned with a bank draft and bought in. RRCR then rejected a similar \$300K attempt by [REDACTED] to buy in.

Talking to Kris this morning apparently [REDACTED] was asked to return all his outstanding chips some time ago with a time line and he stated he had returned all his chips. It appears clear he is sourcing these from third parties, cashing them out and then using that cash to deposit to a bank account.

In a way this may not be such a bad thing.

The mass of RRCR outstanding chips are being returned.

[REDACTED] is not buying in with them **Original direction: (If [REDACTED] decides to buy-in with gaming chips, the site must be able to show that said chips were the result of a verified win by [REDACTED])**
[REDACTED] is having to deposit to a bank (LCT will be submitted by bank)
[REDACTED] then buys in with a bank draft which is traceable and more desireable.

In my opinion although [REDACTED] is trying to circumvent the process a little this may help us get rid of the outstanding RRCR chips while forcing [REDACTED] to use bank draft which meets our AML needs

Thoughts?

Ross Alderson CAMS

Director, AML & Operational Analysis
Corporate Security and Compliance Division, BCLC
2940 Virtual Way, Vancouver, BC, V5M 0A6
T 604 225 6382 C 604 828 2293 F 604 225 6488

ralderson@bclc.com

From: Kris Gade
Sent: Monday, April 27, 2015 8:18 AM
To: Kevin Sweeney; Ross Alderson
Cc: Bruno Gatto
Subject: FW: [REDACTED] latest
Importance: High

I would say the sites are “enabling” this behaviour... Not sure what we can do to make them get the point

here...

Kris Gade

Manager, Investigations
Corporate Security and Compliance Division, BCLC

2940 Virtual Way, Vancouver BC. V5M 0A6

T 604 228 3011 C 604 230 9695

kgade@bclc.com

bclc.com

From: Steve Beeksma
Sent: April-26-15 3:42 PM
To: Bruno Gatto; Kris Gade
Cc: Jerome Wakeland; Jim Husler
Subject: [REDACTED] latest
Importance: High

Hi all,

Just wanted to get this to you, I'm sure we'll be looking into it further tomorrow.

Yesterday I received a phone call from Peter Demonte (surveillance manager) advising that [REDACTED] came to RRCR and redeemed 200+ in chips (un-sourced). He took the cash and left the site. He returned later with a band draft in what I understand to be the same amount. The transaction was completed and [REDACTED] gambled with no further irregularities known at this time.

Peter called to give me a heads up as clearly [REDACTED] has found a work around. I told him it's OK for now as the buy in money was from a draft as directed and we'd make further inquiries on Monday.

Peter called again today to advise that he attempted the same thing today with \$300K in un-sourced chips. This time RRCR made the decision to not allow the transaction as they feel that he is circumventing the sanctions we imposed. It's believed he's taking the disbursed cash from the casino, depositing it into his bank then taking out a draft to gamble with.

Peter does not believe these chips are from past winnings.

Needless to say [REDACTED] will likely do the same thing at a competitors casino (if he hasn't already) so I'm sure it was not easy for RRCR to turn away \$300k.

I wanted to bring this to your attention ASAP as this will probably require some pretty quick action or direction from us tomorrow if we want to prevent him from trying this elsewhere.

More to follow tomorrow,

Steve

Sent from my BlackBerry 10 smartphone on the TELUS network.

Appendix I

GPEB River Rock Casino Resort \$5000 Chip Liability Spreadsheet

As of	River Rock Casino Resort \$5000 Chip Liability					Notes
	\$5000 Chip Stock (# of chips)	Dollar Value of \$5000 Chip Stock (\$)	Chip Liability (# of outstanding \$5000 Chips)	Dollar Value of \$5000 Chip Liability (\$)	% of chip inventory outstanding	
April 1, 2015	15034	\$75,170,000	2039	\$10,195,000	13.6%	Prior to us actively monitoring
May 1, 2015	15034	\$75,170,000	1792	\$8,960,000	11.9%	
June 1, 2015	15034	\$75,170,000	1592	\$7,960,000	10.6%	
July 1, 2015	15034	\$75,170,000	1444	\$7,220,000	9.6%	
August 1, 2015	15034	\$75,170,000	1660	\$8,300,000	11.0%	
September 1, 2015	15034	\$75,170,000	1599	\$7,995,000	10.6%	
October 1, 2015	15034	\$75,170,000	1584	\$7,920,000	10.5%	
October 2, 2015	15034	\$75,170,000	1211	\$6,055,000	8.1%	
October 3, 2015	15034	\$75,170,000	1244	\$6,220,000	8.3%	
October 4, 2015	15034	\$75,170,000	1236	\$6,180,000	8.2%	
October 5, 2015	15034	\$75,170,000	1304	\$6,520,000	8.7%	
October 6, 2015	15034	\$75,170,000	1324	\$6,620,000	8.8%	
October 7, 2015	15034	\$75,170,000	1417	\$7,085,000	9.4%	
October 8, 2015	15034	\$75,170,000	1375	\$6,875,000	9.1%	
October 9, 2015	15034	\$75,170,000	1400	\$7,000,000	9.3%	
October 10, 2015	15034	\$75,170,000	1366	\$6,830,000	9.1%	
October 11, 2015	15034	\$75,170,000	1399	\$6,995,000	9.3%	
October 12, 2015	15034	\$75,170,000	1404	\$7,020,000	9.3%	
October 13, 2015	15034	\$75,170,000	1415	\$7,075,000	9.4%	
October 14, 2015	15034	\$75,170,000	1406	\$7,030,000	9.4%	
October 15, 2015	15034	\$75,170,000	1401	\$7,005,000	9.3%	
October 16, 2015	15034	\$75,170,000	1400	\$7,000,000	9.3%	
October 17, 2015	15034	\$75,170,000	1414	\$7,070,000	9.4%	
October 18, 2015	15034	\$75,170,000	1490	\$7,450,000	9.9%	
October 19, 2015	15034	\$75,170,000	1518	\$7,590,000	10.1%	
October 20, 2015	15034	\$75,170,000	1548	\$7,740,000	10.3%	
October 21, 2015	15034	\$75,170,000	1576	\$7,880,000	10.5%	
October 22, 2015	15034	\$75,170,000	1470	\$7,350,000	9.8%	
October 23, 2015	15034	\$75,170,000	1344	\$6,720,000	8.9%	
October 24, 2015	15034	\$75,170,000	1353	\$6,765,000	9.0%	
October 25, 2015	15034	\$75,170,000	1397	\$6,985,000	9.3%	
October 26, 2015	15034	\$75,170,000	1360	\$6,800,000	9.0%	
October 27, 2015	15034	\$75,170,000	1250	\$6,250,000	8.3%	
October 28, 2015	15034	\$75,170,000	1277	\$6,385,000	8.5%	
October 29, 2015	15034	\$75,170,000	1382	\$6,910,000	9.2%	
October 30, 2015	15034	\$75,170,000	1273	\$6,365,000	8.5%	
October 31, 2015	15034	\$75,170,000	1205	\$6,025,000	8.0%	
November 1, 2015	15034	\$75,170,000	1194	\$5,970,000	7.9%	
November 2, 2015	15034	\$75,170,000	1197	\$5,985,000	8.0%	
November 3, 2015	15034	\$75,170,000	1163	\$5,815,000	7.7%	
November 4, 2015	15034	\$75,170,000	1177	\$5,885,000	7.8%	
November 5, 2015	15034	\$75,170,000	1257	\$6,285,000	8.4%	
November 6, 2015	15034	\$75,170,000	1217	\$6,085,000	8.1%	
November 7, 2015	15034	\$75,170,000	1313	\$6,565,000	8.7%	
November 8, 2015	15034	\$75,170,000	1299	\$6,495,000	8.6%	
November 9, 2015	15034	\$75,170,000	1293	\$6,465,000	8.6%	
November 10, 2015	15034	\$75,170,000	1287	\$6,435,000	8.6%	
November 11, 2015	15034	\$75,170,000	1254	\$6,270,000	8.3%	
November 12, 2015	15034	\$75,170,000	1183	\$5,915,000	7.9%	
November 13, 2015	15034	\$75,170,000	1173	\$5,865,000	7.8%	
November 14, 2015	15034	\$75,170,000	1167	\$5,835,000	7.8%	
November 15, 2015	15034	\$75,170,000	1188	\$5,940,000	7.9%	
November 16, 2015	15034	\$75,170,000	1207	\$6,035,000	8.0%	

November 17, 2015	15034	\$75,170,000	1191	\$5,955,000	7.9%	
November 18, 2015	15034	\$75,170,000	1127	\$5,635,000	7.5%	
November 19, 2015	15034	\$75,170,000	1126	\$5,630,000	7.5%	
November 20, 2015	15034	\$75,170,000	1137	\$5,685,000	7.6%	
November 21, 2015	15034	\$75,170,000	1190	\$5,950,000	7.9%	
November 22, 2015	15034	\$75,170,000	1159	\$5,795,000	7.7%	
November 23, 2015	15034	\$75,170,000	1033	\$5,165,000	6.9%	
November 24, 2015	15034	\$75,170,000	1068	\$5,340,000	7.1%	
November 25, 2015	15034	\$75,170,000	1111	\$5,555,000	7.4%	
November 26, 2015	15034	\$75,170,000	1102	\$5,510,000	7.3%	
November 27, 2015	15034	\$75,170,000	1089	\$5,445,000	7.2%	
November 28, 2015	15034	\$75,170,000	1090	\$5,450,000	7.3%	
November 29, 2015	15034	\$75,170,000	1088	\$5,440,000	7.2%	
November 30, 2015	15034	\$75,170,000	1078	\$5,390,000	7.2%	
December 1, 2015	15034	\$75,170,000	1087	\$5,435,000	7.2%	
December 2, 2015	15034	\$75,170,000	1078	\$5,390,000	7.2%	
December 3, 2015	15034	\$75,170,000	1058	\$5,290,000	7.0%	
December 4, 2015	15034	\$75,170,000	1055	\$5,275,000	7.0%	
December 5, 2015	15034	\$75,170,000	1042	\$5,210,000	6.9%	
December 6, 2015	15034	\$75,170,000	1063	\$5,315,000	7.1%	
December 7, 2015	15034	\$75,170,000	1049	\$5,245,000	7.0%	
December 8, 2015	15034	\$75,170,000	1087	\$5,435,000	7.2%	
December 9, 2015	15034	\$75,170,000	1042	\$5,210,000	6.9%	
December 10, 2015	15034	\$75,170,000	1105	\$5,525,000	7.4%	
December 11, 2015	15034	\$75,170,000	1076	\$5,380,000	7.2%	
December 12, 2015	15034	\$75,170,000	1086	\$5,430,000	7.2%	
December 13, 2015	15034	\$75,170,000	1055	\$5,275,000	7.0%	
December 14, 2015	15034	\$75,170,000	1054	\$5,270,000	7.0%	
December 15, 2015	15034	\$75,170,000	1056	\$5,280,000	7.0%	
December 16, 2015	15034	\$75,170,000	1137	\$5,685,000	7.6%	
December 17, 2015	15034	\$75,170,000	1093	\$5,465,000	7.3%	
December 18, 2015	15034	\$75,170,000	1073	\$5,365,000	7.1%	
December 19, 2015	15034	\$75,170,000	1122	\$5,610,000	7.5%	
December 20, 2015	15034	\$75,170,000	1075	\$5,375,000	7.2%	
December 21, 2015	15034	\$75,170,000	1109	\$5,545,000	7.4%	
December 22, 2015	15034	\$75,170,000	1044	\$5,220,000	6.9%	
December 23, 2015	15034	\$75,170,000	1002	\$5,010,000	6.7%	
December 24, 2015	15034	\$75,170,000	1083	\$5,415,000	7.2%	
December 25, 2015	15034	\$75,170,000	1086	\$5,430,000	7.2%	
December 26, 2015	15034	\$75,170,000	947	\$4,735,000	6.3%	
December 27, 2015	15034	\$75,170,000	993	\$4,965,000	6.6%	
December 28, 2015	15034	\$75,170,000	954	\$4,770,000	6.3%	
December 29, 2015	15034	\$75,170,000	927	\$4,635,000	6.2%	
December 30, 2015	15034	\$75,170,000	866	\$4,330,000	5.8%	
December 31, 2015	15034	\$75,170,000	913	\$4,565,000	6.1%	
January 1, 2016	15034	\$75,170,000	884	\$4,420,000	5.9%	
January 2, 2016	15034	\$75,170,000	844	\$4,220,000	5.6%	
January 3, 2016	15034	\$75,170,000	958	\$4,790,000	6.4%	
January 4, 2016	15034	\$75,170,000	942	\$4,710,000	6.3%	
January 5, 2016	15034	\$75,170,000	956	\$4,780,000	6.4%	

As of October 4, 2015	\$5000 Chip Stock (#)	Dollar Value of \$5000 Chip Stock (\$)	Chip Liability (# of outstanding \$5000 Chips)	Dollar Value of \$5000 Chip Liability (\$)	% of chips outstanding
River Rock	15034	\$75,170,000	1236	\$6,180,000	8%
Starlight	2008	\$10,040,000	139	\$695,000	7%
Edgewater	3999	\$19,995,000	56	\$280,000	1%
Burnaby Villa	1996	\$9,980,000	17	\$85,000	1%
Hardrock Coquitlam	999	\$4,995,000	10	\$50,000	1%
View Royal	400	\$2,000,000	0	\$0.00	0%
Kelowna	300	\$1,500,000	0	\$0.00	0%

As of December 10, 2015	\$5000 Chip Stock (#)	Dollar Value of \$5000 Chip Stock (\$)	Chip Liability (# of outstanding \$5000 Chips)	Dollar Value of \$5000 Chip Liability (\$)	% of chips outstanding
River Rock	15034	\$75,170,000	1105	\$5,525,000	7%
Starlight	2008	\$10,040,000	98	\$490,000	5%
Edgewater	3999	\$19,995,000	30	\$150,000	1%
Burnaby Villa	1996	\$9,980,000	3	\$15,000	0%
Hardrock Coquitlam	999	\$4,995,000	6	\$30,000	1%

As of January 5, 2016	\$5000 Chip Stock (#)	Dollar Value of \$5000 Chip Stock (\$)	Chip Liability (# of outstanding \$5000 Chips)	Dollar Value of \$5000 Chip Liability (\$)	% of chips outstanding
River Rock	15034	\$75,170,000	956	\$4,780,000	6%
Starlight	2008	\$10,040,000	91	\$455,000	5%
Edgewater	3999	\$19,995,000	34	\$170,000	1%
Burnaby Villa	1996	\$9,980,000	3	\$15,000	0.2%
Hardrock Coquitlam	999	\$4,995,000	18	\$90,000	2%

Appendix J

January 14, 2016 Direction to River Rock Casino Resort Re: Chips Back to PGF Account

14 January, 2016

DIRECTION TO RIVER ROCK CASINO RESORT RE: Chips Back to PGF Account

On Monday January 18, 2016 BCCLC will conduct a chip swap operation at River Rock Casino Resort. (RRCR) This project was shared with RRCR Management on January 12, 2016.

To assist in the operation BCCLC has agreed to allow a TEMPORARY variance to PGF procedure for Chips Back to PGF Account as outlined below.

Please note this is a temporary procedure and will be reviewed by BCCLC Compliance officers for compliance. BCCLC can rescind this temporary policy at any point.

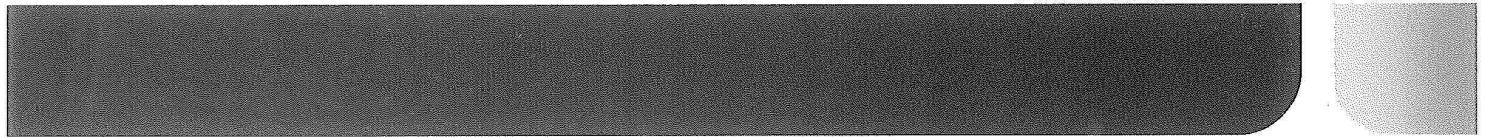
Temporary Procedure – Chips Back to PGF Account

1 GENERAL

- 1.1 Chips counted and verified at the gaming table for a high limit player that is known to the gaming floor staff are considered chips left on the table to be put back in the PGF account.
 - 1.1.1 The player must be a Patron Gaming Funds Account holder;
 - 1.1.2 All customer identification and customer due diligence procedures must have been followed before a player may be permitted to use this option.
- 1.2 The number denomination and dollar value of the chips has been verified and agreed upon by a countdown in the presence of the player before player leaves the table.
- 1.3 Player's play has been tracked in its entirety and the tracking sheet has been completed to ensure no chips from an unknown source have been introduced.

2 PROCEDURES

- 2.1 If an identified high limit table game player wishes to leave the table without taking his gaming chips and will either return within an acceptable timeframe, such as a meal break, or other short timeframe, the player's chips shall be counted down in the presence of the player before player leaves the table;
 - 2.1.1 The acceptable timeframe period shall be at Service Provider discretion, with consideration given to the knowledge of the player's usual behavior;
 - 2.1.2 Verified chips will be returned and entered back into the PGF account;
 - 2.1.3 In a rolling 24 hour period or until the end of play, chip movements to and from the PGF accounts do not have to be reported to FINTRAC;
- 2.2 Dealer, witnessed by Dealer Supervisor and player, shall count each denomination of chips.
- 2.3 Dealer Supervisor, witnessed by the Dealer and player, shall note, on the tracking sheet:
 - 2.3.1 Date;
 - 2.3.2 Time;



- 2.3.3 Player's name/signature
 - 2.3.4 Table game number;
 - 2.3.5 Number and denomination of each chip and resulting totals, including the breakdown of the original source of the chips; i.e. amount withdrawn from PGF Account, amount won at the table, other un-sourced chips.
 - 2.3.5a Unsourced chips must be returned to the patron prior to them leaving the table;
 - 2.3.5b If patron has left before the unsourced chips can be returned, the unsourced chips are kept using the established procedures of the abandoned chip policy.
 - 2.4 Player shall sign the tracking sheet of chips to show agreement with the total and source of chips;
 - 2.5 Table Games Floor Manager and Cage Supervisor shall be notified.
 - 2.6 Dealer Supervisor shall contact Cage to dispatch a Security Officer with an empty chip caddy and chip racks to the table;
 - 2.7 The Dealer, with the Dealer Supervisor and Security witnessing shall place the chips into the chip caddy along with the tracking sheet.
 - 2.8 The chips shall be delivered to the Cash Cage; and
 - 2.8.1 Recounted by the Cashier under the supervision of the Cage Supervisor;
 - 2.8.2 Brought back into the PGF account using established procedures;
 - 2.8.3 ITRAK incident created and tracking sheet scanned into the media tab.
- 3 PLAYER RETURNS AND WITHDRAWS FROM PGF ACCOUNT TO RESUME PLAY
- 3.1 If the Service Provider knows when the player is arriving to the site, or the player has called in notifying the site that they will be in, the Service Provider can arrange to have the player's chips at the table for when he/she arrives;
 - 3.2 Patron's identity shall be established and authenticated through the production of acceptable identification documentation when on site;
 - 3.3 All appropriate paperwork to be signed by the patron before commencing play.

A handwritten signature in black ink, appearing to read "R. H. [Signature]".

BCLC Director AML & Operational Analysis



CORPORATE SECURITY & COMPLIANCE OPERATIONAL PLAN

FILE NAME:	DATE:	FILE NUMBER:
Chip Swap Operation	January 18, 2016.	

BACKGROUND

Daily chip liability reviews of RRC \$5000 chips conducted by BCCLC since January 1st 2015 has determined a substantial shortage of RRC \$5000 chips in inventory with a dollar value that has ranged between 4.4 and 13.6 million.

The most recent daily chip liability review that was conducted on January 4, 2016, revealed a shortage of **\$4,710,000** million worth of RRC \$5000 chips or **942** total chips.

A large number of these chips are believed to be in circulation for reasons of servicing in some cases, an underground network of individuals that facilitate providing patrons with access to the chips to enable play at the RRC and specifically the high limit rooms, although there is also concern they may also be used for funding illegal gaming and as a financial instrument for other criminal activity.

BCCLC also believes the high number of outstanding RRC \$5000 chips poses a personal risk to the safety of those in possession of large quantities of these chips, as they may be targeted in a robbery.

This also poses a reputational risk to the gaming industry in British Columbia as this amount of outstanding chips could be viewed as funding an underground economy.

OBJECTIVES

1. To replace the current RRC \$5000 chip that is in circulation with a new RRC \$5000 chip.
2. On February 1st 2016 render valueless the current RRC \$5000 chip.
3. To implement safeguards to prevent a recurrence of this current situation by implementing policy* to mitigate the removal of chips from the RRC and specifically the high limit rooms. This will include setting future acceptable liability levels.
4. To encourage patrons to open Patron Gaming Fund accounts and make use of the account as a cash alternative and to prevent players from leaving the site with gaming chips.

**Temporary RRC policy will be introduced for the period of this project*

PROPOSED INVESTIGATIONAL SUMMARY

1. A marketing campaign to the public by BCCLC and/or Great Canadian Gaming Corporation (RRC) notifying patrons in possession of the RRC \$5000 chips in question to return the chips.
2. Those in possession of the RRC \$5000 chips will have until midnight January 31st, 2016, to return the chips.



OPERATIONAL PLAN (Continued)

3. Anyone that is Voluntary Self Excluded or Barred, or otherwise unable to attend RRC that wishes to return chips can make arrangements by calling BCCLC on 1-866-815-0222 or email BCCLC through the BCCLC.com Customer support portal <http://corporate.bclc.com/customer-support.html>

A case will be dispatched to BCCLC Corporate Security to coordinate the return of chips in their possession.

4. Anyone returning chip values of \$10,000 or more is processed in accordance with FINTRAC reporting requirements.
5. One (1) BCCLC Investigator will be on duty from 0900 hrs. to 2400 hrs. each day, starting January 18, 2016 to January 31, 2016.

An assessment of the project will be conducted on January 25, 2016, to determine if the project will continue until January 31, 2016, or be concluded.

BCCLC Investigators will be available to conduct interviews of patrons returning large quantities of chips when the return involves a suspicious circumstance, a subject of interest or when the circumstances otherwise dictate.

6. Any **unknown** individual returning values of \$10,000 or more will be subject to an interview by BCCLC Corporate Security and Compliance personnel.
7. Any **known** individual returning values of \$50,000 or more, will be subject to an interview by BCCLC Corporate Security and Compliance personnel.
8. Anyone identified making **multiple** visits to the RRC and returning a single \$5000 chip, or returning **multiple** times with a small number of chips, will be subject to an interview by BCCLC Corporate Security and Compliance personnel.
9. Anyone returning large quantities of RRC \$5000 chips, when applicable, a Suspicious Transaction Report will be submitted by BCCLC Investigators.

INTERPRETERS

It is anticipated that many that will be interviewed will require an interpreter to communicate with in either the Mandarin or Cantonese language. Access to an interpreter proficient in each of these languages will be required during all operational hours either by phone or available at the River Rock Casino to be physically present at the interviews.

1. First consideration is to be given to making a request for an interpreter to an on duty River Rock Manager to utilize a River Rock employee.
2. If a River Rock employee is not available in the language required BCCLC options are available Monday to Friday, day-shift hours:



OPERATIONAL PLAN (Continued)

3. As a last resort the services of Mosaic Translation Services can be utilized:

MOSAIC Translation Services:

Monday to Friday 8:00am - 5:30pm - 604-254-8022
Afterhours line - 5:30pm - 4:00am - 604-254-8617.

Saturday/ Sunday/ Statutory Holidays – afterhours line - 604-254-8617.

OPERATION DURATION

A public announcement that those in possession of the RRC \$5000 chips have until midnight January 31st 2016 to return the chips to the RRC in exchange for the cash value of the chips.

The period for returning the chips ends at midnight on January 31, 2016.

The announcement will indicate that if the chips are not returned before midnight of January 31, 2016, the chips will not be accepted by the RRC or any other casino in British Columbia and the chips will have no value. Any persons wishing to return with 'old' chips after midnight on January 31, 2016 will be required to contact BCCLC on 1-866-815-0222 or email BCCLC through the BCCLC.com Customer support portal <http://corporate.bclc.com/customer-support.html> to arrange to speak to a member of BCCLC Corporate Security.

OTHER STAKEHOLDERS PARTICIPATION

SERVICE PROVIDERS

- Although there is a Casino & Community Gaming Centres, Standards Policies and Procedures prohibiting accepting another facilities chips, there will likely be an increase in attempts by individuals to cash in the RRC \$5000 chips at other facilities, therefore a reminder can be circulated to other Lower Mainland facilities regarding this policy.

Sec:3-3.1 Cage – Chip Inventory

- 3.4 Value chips issued from a casino facility, identified by that facility's logo, may be redeemed only within that facility;
- 3.4.1 No cross-company or other company (foreign) value chips can be redeemed (cashed) by any casino employee.
 - 3.4.2 No cross-company or other company (foreign) value chips shall be accepted as a tip by any casino employee.

GREAT CANADIAN GAMING CORPORATION

- For the duration of the project, Great Canadian Gaming Corporation (GCGC) will post notices throughout the RRC informing patrons of the initiative.



OPERATIONAL PLAN (Continued)

- Communication to RRC VIP Management regarding education into the process.
- There may also be an increase in attempts by individuals to cash in one RRC \$5000 chips on one or multiple occasions in an attempt to avoid detection and therefore a reminder should be circulated to all cage staff regarding this policy.

Section: 1-2.3 General - FINTRAC and Anti-Money Laundering Compliance

3 SUSPECTED MONEY LAUNDERING/"SUSPICIOUS FINANCIAL TRANSACTION"

NOTE: Please refer to the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) website, www.fintrac.gc.ca, for the full list of the casino industry indicators for suspicious financial transactions.

3.1 Casino staff should use the following list in conjunction with that provided by FINTRAC's guidelines to determine if an unusual financial transaction should be reported to BCLC Security Investigators via their manager and an incident report created in CRS. This list is not considered exhaustive and a common sense approach should be used at all times.

3.1.7 *Client has large chip-ins at the table with no recent activity or history of play to explain the source of the chips*

BCLC

- Marketing strategy.
- Internal communication for all staff awareness.

GPEB/GOVT

- Communication

SUBMITTED BY

A handwritten signature in black ink, appearing to read "R. Alderson". It is written in a cursive style with a long, sweeping flourish underneath the main name.

Ross Alderson
Director, AML & Operational Analysis

Appendix K

September 18, 2015 email re: Chip liability draft

To: Rob Kroeker[RKroeker@bclc.com]
From: Ross Alderson
Sent: Fri 18/09/2015 7:10:24 PM
Subject: Chip liability draft
[09_16_2015_Chip_Liability_Issue_\(2\).doc](#)

Rob, as per our recent meeting around chip tracking. Attached is a decision document regarding this process combined with a number of options.

Please feel free to comment and/or provide recommendations.

Regards

Ross Alderson CAMS

Director, AML & Operational Analysis
Corporate Security and Compliance Division, BCLC
2940 Virtual Way, Vancouver, BC, V5M 0A6
T 604 225 6382 C 604 828 2293 F 604 225 6488

[ralderson@bclc.com](#)

Appendix L

BCLC Corporate Security and Compliance Decision Document: Primary Chip Stock

CORPORATE SECURITY & COMPLIANCE**Decision Document**

Subject:	Primary Chip Stock
Issue Lead:	Manager Cash Alternatives & Special Projects
Submitted to:	Director AML & Operational Analysis

Decision Required

The need has been identified to build a process that establishes who the key accountability sits with to track the chip stock at each casino. Two reasons behind this is to ensure that BCCLC is aware of their assets in chip stock in the province, and to be aware of the chip liability as BCCLC now shares the cost of this with the Service Provider (SP).

Situation

In recent months, the River Rock Casino (RRC) has experienced an increase in patrons leaving the site with large quantities of \$5000 chips.

Daily chip liability reviews of RRC \$5000 chips conducted by BCCLC Corporate Security and Compliance since January 1, 2015 determined a substantial shortage of \$5000 chips in inventory with a dollar value ranging between \$6.1 million and \$13.6 million at any given time.

A large number of these chips are believed to be in circulation for reasons of servicing an underground network of individuals that facilitate providing patrons with access to the chips to enable play at the RRC and specifically the high limit rooms. There is also concern that they may be used for funding illegal gaming.

Given the severity around this issue, we conducted a review of the primary chip stock at River Rock to ensure that the quantities listed were in fact correct.

Review Conducted

The following items were reviewed:

- Vendor Shipments of chips purchased since 2009;
- CMS entries from 2009 – 2013;
- GMS Primary Stock numbers after conversion;
- Chip destruction/removal documents – stored in various locations which could not be accessed from 2009;

The following departments were interviewed:

- GMS personnel spoken to on how they determined primary stock numbers during the conversion
- Finance / Accounts Payable to ensure all vendor shipments were accounted for;
- Compliance on where the removal/destruction documents were located;
- Table Product Specialist to obtain vendor shipments and understand nominal stock;
- Manager of Business Operations to decipher the correct chip movement at River Rock;
- GCC Cage Director to obtain information on their end regarding chip movement.

With the information that was gathered, it was clear that accountability needs to be identified and a proper process established to ensure that moving forward, BCCLC can be confident with the amount of chips supplied to each facility.

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Findings

- When GMS was converted from CMS, the numbers in CMS were incorrect because it only tracked the day to day liability from the chips that existed in the casino at the time CMS was implemented. As well, the impact of foreign chip transfers by process in policy caused issues on the chip count. Because there was no nominal chip stock counted, the numbers leading up to the conversion to GMS are incorrect.
- Finance and GMS have confirmed that when they converted sites to GMS, they received their numbers from the SP, unless the site had recently converted their entire chip stock which in those cases, they just looked at the most recent addition and used that as the chip stock. This was applied to River Rock with their nominal chip stock from 2009.
- Finance has also confirmed that the only they have information around the destruction and removal of chips from what the Service Provider enters into the CMS system, now GMS; they rely on the SP to be accurate in entering the information. Copies are kept by Compliance on the media tab in Itrak. No cross checking formally exists with this process.
- CMS documentation is provided in dollar value, not chip quantity amounts. Finance has stated that another report does exist to identify chip counts that can be cross referenced to the chip movement report but the CMS system has been turned off and Finance has not referenced those reports even before the shutdown of the system.
- When SP's tracks chip destruction, this number may also be inaccurate because these numbers include foreign chips from other sites that they may have accepted but no differentiation is noted on the paperwork. So even reviewing this documentation would not be sufficient to gather appropriate Intel to determine accurate inventory counts.
- SP's do not enter chip additions or removals to the system immediately, which could cause errors.
- Documentation review has revealed that there are human errors all through the process. SP documentation reveals missing vendor shipments, vendor shipments reveal incorrect entries made by the SP into the CMS, some vendor shipments not found in SAP for accounts payable, documentation around removal/destruction of chips are stored in various places with compliance and the physical copies are stored in the daily paperwork on site. No formal process in place to define who owns this process to ensure all chip tracking is stored in one place for easier viewing. It appears that multiple departments are all keeping various documentations in different ways.
- The MBO for River Rock has done a complete reconciliation of the 5000 chips (Appendix A). Although the accuracy of this data cannot be 100% confirmed, fortunately, the numbers appear to add up to an amount that was entered into GMS. A review of the \$100 chips needs to be reviewed as well because we are significantly out on these counts. (Appendix B)
- Appendix C describes the current process, but as you can see, there is no one department that is accountable for the whole process to be complete. Some of the shortcomings of this process are:

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- Documents around removal/additions are stored on site with the daily paperwork. If we were to request this documentation, we would have to search multiple stored boxes from Iron Mountain.
- Security scans the addition/removal chip documents in the media file on ITRAK, but there is no policy around this which questions consistency. Once scanned, paperwork is then destroyed, and it is difficult to search for all files associated with a site if we wanted to do a complete review. In addition, this process is not in policy so prior years are not recorded. Security does not send any notification to Finance for the removal/destruction or addition of chips.
- Finance does not request destruction/removal documents as they rely on the SP to have accurate entries into the system.
- Product stores vendor invoices by fiscal year, not in one place for easy access.

Options

Even though the numbers for the 5000 chip count worked out to the amount entered into GMS, it was clear that the process to confirm this was exhaustive with no proper protocol in place.

Possible options to alleviate this situation are:

Option 1

One way to do this is to establish accountability with the department that starts the process which is Product (Appendix D), explained below:

- Product places the order with the vendor;
- Vendor ships the order to Vantec, who confirms the shipment with Product;
- Product notifies Security with shipment to site;
- Security ensures shipment to site; verifies the quantity and sends documents back to Product as well as scanning into ITRAK;
- Operations confirms that the site has entered the appropriate quantities into the system and notifies Product it has been complete, sending a confirmation report;
- Product sends a goods receipt and confirmation of site acceptance to Finance who can pay the vendor; sending back appropriate documentation to confirm payment.

All submissions to be stored in one file by casino name closing the invoice off. Product can also keep an ongoing tracking method of counts on a spreadsheet as they come in for each site.

Destructions and removals of chips can work the same way with all documentation going back to product.

Benefits:

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- One department is accountable to the entire process;
- All information is stored in one spot both digitally and physically if required;
- File can be auditable by the compliance team;

Risks:

- Product fails to follow up with all departments in the process;
- Depending on when the chips are sent to site, Finance may not get the billing complete in a timely process with the proposed option;

Option 2

Same as Option 1 but make Finance accountable for the process as final payment to complete the process comes from this department.

Benefits:

- One department is accountable for the entire process;
- Finance can check the GMS system themselves to ensure the chip order or chip destruction is correctly entered;
- File can be audited by compliance;
- Payment may be more timely with Finance being accountable to the process;

Risks:

- Finance fails to follow up with all departments in the process;
- Finance may feel this duty is out of their job scope.

Option 3

Tighten up policy to make it a requirement that all chip additions and removals documentation is scanned into the Itrak system in a way that all documents can be viewed for one site.

Benefits:

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- Ensure consistency in the process;
- If recorded by site in one file, all information would be present;

Risks:

- No easy way to review all information for a requested site without doing an extensive search through various reports;
- Inconsistency in the way GCO's report additions/removals;
- Itrak may not be able to store all documents per site; program limitations.

Option 4

Remain Status Quo.

Recommendations

It is recommended that we establish a process where checks and balances are in place and that accountability sits with one department (Option 1 or 2). Security continues to be the oversight to ensure this process is being followed and policy is updated to reflect the changes.

Next Steps

Identify and gather key stakeholders to determine the issues with the current process.

Establish accountability in key areas of discussion.

Identify and implement a process whereby we can rely on the accuracy of chip stock in the province.

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**Appendix A**

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Date	Comment	Quantity	Value
Jan 14 2009	New series chips added 5000 x \$5000	5000	\$ 25,000,000
Mar 1 2009	Remove for destruction	-158	\$ (790,000)
April 1 2009	Remove for destruction	-4	\$ (20,000)
May 1 2009	Remove Foreign to HO	-18	\$ (90,000)
June 1 2009	Remove Foreign to HO	-14	\$ (70,000)
July 1 2009	Remove Foreign to HO	-12	\$ (60,000)
Sept 1 2009	Remove Foreign to HO	-7	\$ (35,000)
Oct 1 2009	Remove Foreign to HO	-18	\$ (90,000)
Nov 1 2009	Remove Foreign to HO	-9	\$ (45,000)
Jan 1 2010	Remove Foreign to HO	-5	\$ (25,000)
Mar 1 2010	Remove Foreign to HO	-2	\$ (10,000)
Apr 1 2010	Remove Foreign to HO	-17	\$ (85,000)
May 1 2010	Remove Foreign to HO	-16	\$ (80,000)
June 1 2010	Remove Foreign to HO	-7	\$ (35,000)
July 1 2010	Remove Foreign to HO	-19	\$ (95,000)
Aug 1 2010	Remove Foreign to HO	-24	\$ (120,000)
Sept 1 2010	Remove Foreign to HO	-52	\$ (260,000)
Oct 1 2010	Remove Foreign to HO	-42	\$ (210,000)
Nov 1 2010	Remove Foreign to HO	-53	\$ (265,000)
Dec 1 2010	Remove Foreign to HO	-21	\$ (105,000)
Jan 1 2011	Remove Foreign to HO	-1	\$ (5,000)
Feb 1 2011	Remove Foreign to HO	-10	\$ (50,000)
Mar 1 2011	Remove Foreign to HO	-13	\$ (65,000)
Apr 1 2011	Remove Foreign to HO	-9	\$ (45,000)
May 1 2011	Remove Foreign to HO	-7	\$ (35,000)
June 1 2011	Remove Foreign to HO	-3	\$ (15,000)
July 1 2011	Remove Foreign to HO	-19	\$ (95,000)
Aug 1 2011	Remove Foreign to HO	-10	\$ (50,000)
Oct 20 2011	Add new chips- Replacement for defects	280	\$ 1,400,000
July 16 2012	Remove chips	-2	\$ (10,000)
Aug 1 2012	Add new chips- Replacement for defects	100	\$ 500,000
Aug 21 2012	Remove defective chips	-274	\$ (1,370,000)
Oct 31 2013	Add new chips	1000	\$ 5,000,000
		5534	\$ 27,670,000

Appendix B

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	<u>CMS</u>		<u>GMS</u>																
	Sept 1 2013	Oct 1 2013	Nov 1 2013	Nov 4 2013	Dec 31 2013	Mar 31 2014	Jun 30 2014	Sept 30 2014	Dec 31 2014	31-Mar-15	Jun 30 2015	Sept 9 2015	Sept 22 2015						
<u>Denomination</u>																			
\$0.25	2236	2484	2718	0	0	0	0	0	0	0	0	0	0	0					
\$0.50	19508	19350	18718	80000	80000	80000	80000	80000	80000	80000	80000	80000	80000	80000					
\$1	41320	43411	41281	80000	80000	80000	80000	80000	80000	80000	80000	80000	80000	80000					
\$2.50	10224	10227	10230	14186	14186	14186	14186	14186	14186	14186	14186	14186	14186	14186					
\$5	63796	65883	61600	80000	80000	80000	80000	80000	80000	80000	80000	80000	80000	80000					
\$25	26753	26775	25179	30000	30000	30000	30000	30000	30000	30000	32000	32000	32000	32000					
\$100	18231	18026	17346	29464	29464	29464	29464	29464	29464	29464	32464	32464	32464	32464					
\$500	14138	14149	13707	14516	14516	14516	14516	14516	14516	14516	14516	14516	14516	14516					
\$1,000	9533	9554	9564	9763	9763	9763	9763	9763	9763	9763	12263	12263	12263	12263					
\$5,000	4041	3742	4597	5534	7534	7534	7534	7534	10034	10034	15034	15034	15034	15034					
\$3	8	8	8	8	8	8	8	8	8	8	8	8	8	8					

Chip counts were incorrect in CMS, this number should have been 4534

Reorder 1000 pieces inv 165912.

Reorder 2000 pieces inv 167634

Reorder 2500 pieces inv 174048

Reorder 2000 pieces inv 180472

Reorder 3000 pieces inv 180472

Reorder 2500 pieces inv 180472

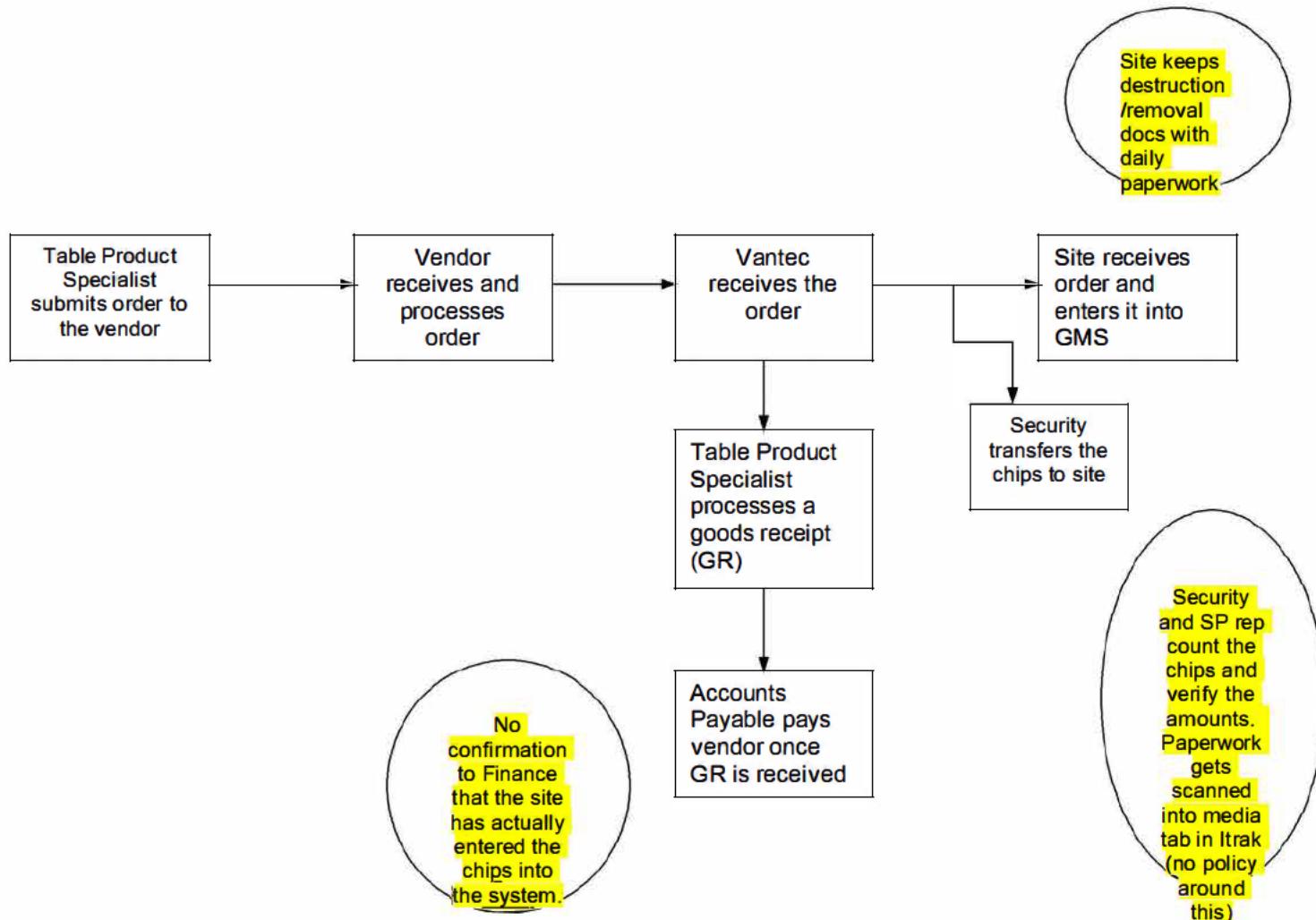
Reorder 5000 pieces inv 180472

Reorder 10000 pieces that are not at River Rock yet, but still in primary stock inv 185941

Appendix C

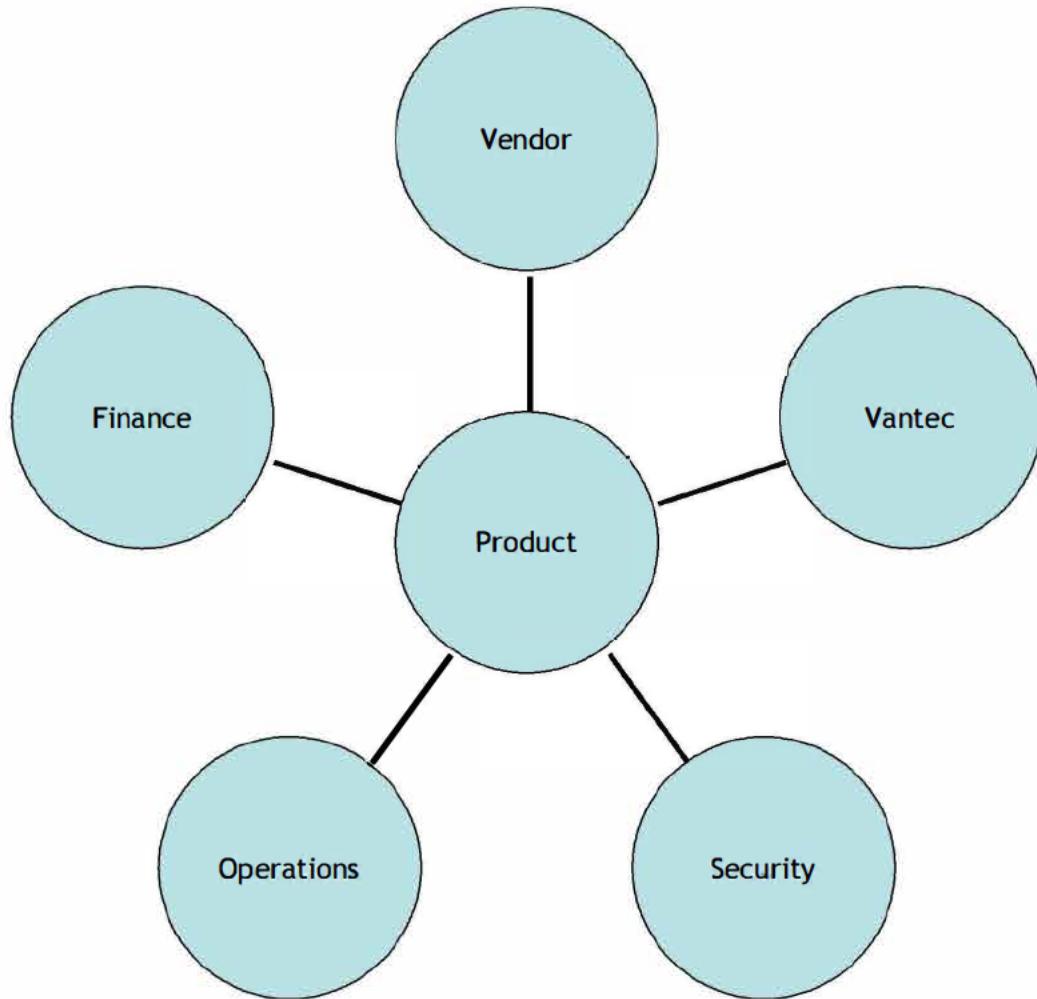
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Appendix D

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Appendix M

BCLC Corporate Security and Compliance Decision Document: RFID in Casinos



CORPORATE SECURITY & COMPLIANCE

Decision Document

Subject:	RFID in Casinos
Issue Lead:	Manager, AML Intelligence
Submitted to:	Director AML & Investigations
Date:	June 30, 2016

Decision Required

The purpose of this document is to determine how we can best utilize existing RFID technology to ensure high limit chips in our casino properties are tracked to account for chip movement ensuring that the chips do not leave the casino premises, specifically, the high limit rooms.

Introduction

In 2014/2015 River Rock Casino (RRC) experienced an increase in patrons leaving the site with large quantities of \$5000 chips. A large number of these chips were believed to be in circulation for reasons of servicing an underground network of individuals that facilitated providing patrons with access to the chips to enable play at the RRC and specifically the high limit rooms.

BCLC believed the increased number of outstanding high limit chips posed a personal risk to the safety of those in possession of large quantities of chips; as they might be targeted in a robbery. It also posed a reputational risk to the gaming industry in British Columbia as the amount of outstanding chips were possibly viewed as funding underground economies.

This issue was not common to just BC; it was highlighted in the United States in an article by Senior Financial Reporter Colby Adams, regarding the monetary penalty of \$9.5 million levied by the Financial Crimes Enforcement Network (FinCEN) to Caesars Palace who were fined for poor oversight of their private gaming salons. It was determined that Caesars Palace “allowed a blind spot to exist in its compliance program in the private gaming salons enabling some of the most lucrative, and riskiest, transactions to take place with little oversight.”

As part of this settlement, FinCEN ordered Caesar’s to improve its Bank Secrecy Act (BSA) controls by training employees to file currency transaction reports not linked to cash and identify and report “bill stuffing” and “chip walking,” which often involves clients redeeming tickets for slot machines they never played or leaving the site without redeeming their chips respectively.

This settlement was the third penalty assessed against casinos last year by the Treasury Department bureau. The seriousness of this issue instigated BCCLC to take a stance to implement tighter safeguards to prevent high limit chips from leaving sites, not only at RRC, but at properties across the province.



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The issue of chips leaving Casinos, or “chip walking” has been a significant issue for BC Casinos. In addition to the outstanding chip liability previously mentioned, BCLC has observed through conditions placed on several “VVIP” or high value players, specifically where BCLC only allow play with sourced chips and sourced cash, that there are deficiencies highlighted in the current process. Some facilities are unable to confirm what is sourced and what are un-sourced cash and/or chips. Limiting the use of high value chips to defined high limit rooms will primarily impact the River Rock Casino Resort (RRCR) who provides access to high value chips on multiple tables in multiple rooms.

The American Gaming Association Best Practices for Anti-Money Laundering Compliance (December 2014) defines chip walking as below:

“Chip Walk: When a patron, after drawing upon a marker with the casino, leaves the casino floor with a significant amount of chips without offsetting chip redemptions or chip buy-ins at another table. “Chip walk” is distinct from situations in which a patron may take a significant amount of chips from the casino but those chips are the results of gambling wins (“walking with winnings”) or are chips that the patron purchased with his or her own funds.”

Current practices include tracking all large cash “buy-in” and “cash-out” transactions in the event a series of transactions may amount to a total of \$10,000 or more within a static period; whereby patrons will be identified and a report filed to FINTRAC. Although the Pit Supervisors track all play on a patron tracking card, they do not prohibit the high limit chips from leaving the site with the patron. Sites have indicated they feel uncomfortable challenging players who choose to leave the room with chips and cite this as a poor customer experience as some players may choose to leave the room momentarily to eat or refresh. This issue is not mitigated by the use of technology for example potentially having a RFID alarm sound at the entrance or exit point.

Policy was currently revised to include the tracking of \$5000 chips:

12 TABLE GAMES PLAYER TRACKING HIGH VALUE CHIPS (\$5000 DENOMINATION)

12.1 Service Providers shall institute and use a method to enable information for tracking of players and their movement of \$5000 chips to be collated and retained on a daily basis from the Player Tracking Cards;

12.1.1 The method to be used must be approved by BCLC prior to being implemented;

*12.1.2 The information contained within the collation method must, at a minimum, contain
the following:*

12.1.2.a Individual tracking by patron;

12.1.2.b Subject ID (SID) or, if the patron has no SID, name of patron;



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12.1.2.c Date of session;

12.1.2.d Time the patron arrives and begins playing and time the patron ends play and departs;

12.1.2.e Number of \$5000 chips patron introduces for play at table upon arrival;

12.1.2.f Number of \$5000 chips the patron has in their possession at time of leaving i.e. not cashed out;

12.1.2.g Additional comments;

12.1.2.h A summary of all \$5000 chips held by each patron.

12.2 When players arrive at a high limit table, Dealer Supervisors are required to note on the player tracking card whether the player is in possession of any high value chips (\$5000 chips) and, if so, the dollar amount.

12.3 When players leave a high limit table, Dealer Supervisors are required to note on the player tracking card the total dollar value of high value chips the player has in their possession.

12.4 The Service Provider shall create a process to ensure the dollar amount of high value chips the player cashes out at the cash cage is forwarded to the Dealer Supervisor for inclusion on the player tracking card.

12.5 The player tracking card and collated chip tracking information shall be retained and made available upon request to BCLC Security Investigators or Gaming Compliance Officers.

There were also changes made to the abandoned chip policy to have these chips going back into a PGF account:

3 PLAYER DOES NOT RETURN TO RECLAIM CHIPS WITHIN 24 HOURS

3.1 If the player does not return to claim the chips within 24 hours:

3.1.1 If player is a PGF Account holder the Cage Supervisor and Cashier shall:

3.1.1.a Deposit funds from all chips eligible for redeposit to the player's PGF Account (initial withdrawal and verified win chips);

(1) Only chips with a known source may be re-deposited to a PGF Account.



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3.1.1.b Any other chips where source is unknown (not tracked) shall be redeemed and the funds brought into the cash desk using the GMS Inventory In - Abandoned Chips Chips Left at Table transaction account;

(1) Cashier shall enter player's name, details of table game, date and time chips were abandoned in the comments section.

3.1.2 If player is not a PGF Account holder the Cage Supervisor and Cashier shall:

3.1.2.a Redeem all chips and the funds shall be brought into the cash desk using the GMS Inventory In - Abandoned Chips Chips Left at Table transaction account;

(1) Cashier shall enter player's name, details of table game, date and time chips were abandoned in the comments section.

BCLC AML Department have also incorporated reviews of Casino daily chip stocks into their duties. The review is aimed to monitor and investigate significant chip stock variances.

RFID Information vs. Electromagnetic Technology

Radio Frequency Identification (RFID) is a technology that uses tiny computer chips to track and record each chip's movement throughout the casino. Because each RFID tag is encoded with the chip's value and other valuable data, it is instantly identified and validated when it comes in contact with an RFID reader and antenna.

Available in low and high frequency, gaming chips, plaques and jetons provide an array of cost saving and security benefits. Currency using low frequency RFID is ideal for counting, tracking, authentication, inventory and security. High frequency RFID provides more sophisticated money tracking capabilities with faster reading speeds and an easy to use interface with a casino's management system. RFID chips can only track movement from antenna to antenna; this means chips have to be physically placed on the pad for them to be tracked.

Electromagnetic (EM) technology is used by many retail chain stores, supermarkets and libraries around the world. In this technology, a magnetic, iron containing strip with an adhesive layer is attached to the merchandise. This strip is not removed at checkout; it is simply deactivated by a scanner that uses a specific highly intense magnetic field. One of the advantages of the EM strip is that it can be re-activated and used at a low cost.



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The EM system works by applying intensive low frequency magnetic fields generated by the transmitter antenna. When the strip passes through the gate, it will transmit a unique frequency pattern. This pattern is, in turn, being picked up by an adjacent receiver antenna. The small signal is processed and will trigger the alarm when the specific pattern is recognized. Because of the weak response of the strip and the low frequency (typically between 70 Hz and 1kHz) and intensive field required by the EM system, EM antennas are larger than those used by most other EAS systems, and the maximum distance between entry pedestals is 40 inches.

The newer acousto-magnetic (AM) system, which has the ability to protect wide exits and allows for high speed label application, uses a transmitter to create a surveillance area where tags and labels are detected. The transmitter sends a radio frequency signal of about 58 kHz in pulses, which energize a tag in the surveillance zone. When the pulse ends, the tag responds, emitting a single frequency signal like a tuning fork. While the transmitter is off between pulses, the tag signal is detected by a receiver. A microcomputer checks the tag signal detected by the receiver to ensure it is at the right frequency, is time-synchronized to the transmitter, at the proper level and at the correct repetition rate. If all these criteria are met, the alarm occurs. Because tags and labels are not used on chips, this option would not be conducive to our operations.

Options

Option 1

Use electromagnetic technology in the gaming chips to capture when patrons are entering or exiting the room with chips.

Pros:

- Will track players entering/exiting with chips.

Cons:

- This is old technology that does not exist in casinos; in fact, GPI does not supply this technology anymore;
- New chips need to be purchased with EM technology;
- Metal detectors need to be purchased for all the entrances and exits and they would have to be set up 40 inches apart which does not cover the distance of the doorways;
- This technology was never designed as a customer facing tool; the detectors would be unpleasant to the eye. This technology was designed for staff rooms;
- Will not display the amounts of players entering/exiting of chips;
- Patrons can wrap chips in tin foil which would create interference.

Option 2

Use the RFID re-writeable feature to assign chips to players.



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Pros:

- With the RFID re-write option, chips can be assigned to each player.

Cons:

- This would still require a manual entry into the system;
- Sites can only assign chips from the cage, not at the table;
- Need a third party vendor to write the software for the chips to be assigned per patron;
- As soon as the chips go to the table tray, the chip loses its assigned value to player, which means chips being handed back from the table to the patron will not be assigned.

Option 3

Consider RFID tables for the high limit rooms only to track all chips to players. RFID tables have multiple antennas beneath the felt to read data from RFID gaming chips. This would allow chips to be tracked with an accuracy level of 99.99%.

Pros:

- Accurate bet tracking at each player position and at the tie/pair bet spots.
- Game play prompts and alerts for error-free game play. Dealer can no longer make a mistake and it stops collusion because the system knows what the payouts should be.
- Instant chip counts, totals and logged table transactions.
- Reduced counterfeit chips.
- Improved ratings for players.
- GLI approved already and can tie into the GMS system.

Cons:

- Initial cost for the tables is quite high (\$35,000 per table); need 25-50 tables for it to make sense financially to get an ROI on the product.
- Tables currently do not allow for back betting.
- If all the chips do not stay on the table, the table will not capture the information needed to track to player. Players will pocket them which would throw the count out.
- Chip tracking will only work if the whole room is converted to these tables.

Options not using the RFID/EM technology:**Option 4**

Introduce betting jetons with a \$25,000 value; a jeton being slightly larger than a chip. Jetons would have the serial number printed on the outside face so that sites could manually track who received what jetons. Jetons would only be played and redeemed in the high limit rooms.



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Pros:

- Jetons can be easily tracked due to players not wanting to carry multiple chips;
- See this as a potentially positive move in terms of reducing the movement of high value chips out of the casino;
- Easier for players to use jetons as some patrons currently playing the maximum hands can empty the chip tray of \$5,000 chips fairly quickly which does not provide enough time to get a fill thus delaying the game and upsetting the player. The same can go the other way when we receive a fill and then a player proceeds to lose his chips back to the Service Provider with the dealer running out of space to put the chips especially during peak business hours;
- Increase game speed as it is easier for dealer and supervisor to recognize total value played;
- Reduce time spent on figuring out payouts;
- If patron tries to hand off the chips to other players, they cannot cash them out at the cage because they are tracked by serial number;
- Provides an aspirational value to high limit players.
- Serial numbers can be manually tracked;
- Jetons only played in the high limit rooms.

Cons:

- A lack of proper documentation to report, investigate and address procedures on discrepancies in the \$25,000 jeton inventory could result in the same situation as we were in with River Rock;
- The process for redeeming the jetons at the table (i.e. coloring down for 5K chips), may require some consideration as chip trays may need to be modified depending on the size of the jetons;
- It would be costly to serialize the chips \$8.50 to \$15 per chip depending on features.

Option 5

Limit \$5000 chips and higher to only the high limit rooms; and ensure that there are no buy-ins or cash outs of high limit chips on the main gaming floor.

Pros:

- As play would only be in the high limit rooms, the tracking would be easier per person if the same cage/room services all transactions.

Cons:

- Players will not like the limitation imposed on not taking chips off property and reduce their visits to the high limit rooms for play.
- Revenue decline on the main gaming floor due to ban of play with high limit chips.
- Players would still walk out the door with chips regardless of established rules.
- Depending on what is considered high limit rooms, some rooms may warrant the higher value chips but are not classified as VIP rooms. This could result in play that would be inconvenient to the player as they would have stacks of lower denominational chips in front of them if no high value chips are offered at the tables.



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Option 6

Introduce the higher denomination chips by using an imprest float. The idea is to treat the chips like roulette chips whereas they are restricted to a specific table and have no value away from the table. We could even extend this to say that the chips are restricted to the high limit rooms and would have no value outside the high limit rooms.

Pros:

- This would deter and prevent internal theft, misappropriation by way of Dealer/Player collusion, and use of chips for illicit non-gaming purposes.
- The chips would be restricted to a specific table or high limit room and are non-transferable and players would not leave the casino with large denomination value chips.
- Easier to track when play is contained to the table/room.

Cons:

- Imprest float per table or room could get expensive if chips are treated like roulette chips and have different chips for different tables or high limit rooms. The cost of getting chips for multiple tables or multiple rooms would be a financial burden to BCLC at a cost of \$3.95 per chip for 39 mm chips or \$4.02 per chip for 43 mm chips.
- Proper tracking would still be a requirement if contained to the room so that players could not pass off chips;
- Patrons may feel that the aspirational value in the high limit rooms is gone.

Recommendation

Using various RFID/EM technologies to track chips will be costly and will not necessarily resolve the issue of chip walking. There will always be a way for a player to “beat” the system.

In 2015/2016 BCLC implemented a number of initiatives to mitigate “chip walking” including better tracking by Service Providers, training for Service Providers, more customer friendly policy around abandoned chips and regular reviews of site Chip liability levels. It would be fair to say that BCLC have far more insight into where chips are than in 2014.

However to further reduce chip walking from casinos and therefore further reduce risk for AML non-compliance, option 6 seems to be the best option. The onus would sit with the Service Provider to manage their rooms and if the chips leave the table, they would be rendered valueless, which would force patrons to cash out before they leave. While this would require additional training, promotion and Service Provider buy in it is still likely to be more effective than the various RFID/EM technologies and far more cost effective.

Chip walking has not been identified as an issue to date by Canada’s Federal AML regulator, FINTRAC.

Appendix N

January 15, 2018 minutes of the meeting of the BCLC Board of Directors



**Minutes of the Meeting of the Board of Directors
held at 8:00 am (PT) 15 January 2018**

Location: Presentation Room – BCLC, 74 W. Seymour Street, Kamloops, BC

Board Present:

Board Not Present:

Wendy Lisogar-Cocchia

Management Present:

Jim Lightbody	President and Chief Executive Officer
Amanda Hobson	Chief Financial Officer and Vice President, Finance and Corporate Services
Jamie Callahan	Vice President, Human Resources
Brad Desmarais	Vice President, Casino and Community Gaming
Susan Dolinski	Vice President, Social Responsibility and Communications
Patrick Davis	Chief Information Officer and Vice President, Business Technology
Kevin Gass	Vice President, Lottery Gaming
Rob Kroeker	Vice President, Legal, Compliance, Security
Gurmit Aujla	Director, Audit Services (for items 6.4, 6.5, 6.6 and 7.1.3)
Jennifer Keim	Corporate Secretary
Jennifer Smith	Associate Corporate Secretary
Suzanne Rowley	Assistant Corporate Secretary

Guests:

Paula Presta KPMG LLP (for items 6.2 and 6.3)

Bud Smith took the Chair at 8:00 am with Jennifer Keim acting as recording secretary. As proper notice of the meeting had been given and a quorum was present, the Chair declared the meeting to be regularly constituted and open for the transaction of business at 8:00 am.

1 ADOPTION OF AGENDA

On motion duly made and carried, the agenda was adopted.

2 APPROVAL OF MINUTES

The minutes of the 25 October 2017 meeting were presented.

On motion duly made and carried, the minutes of the meeting were approved.

The minutes of the 5 December 2017 meeting were presented.

On motion duly made and carried, the minutes of the meeting were approved.

3 REPORT BY CHAIR

Bud Smith discussed public relations and the need for BCLC to focus on its areas of jurisdiction and not those of other entities. He updated the Board on ongoing work to fill several Board vacancies.

4 REPORT BY PRESIDENT

Jim Lightbody highlighted the strong financial results for the year to date and provided an update on public and government relations.

5 CORPORATE APPROVALS

5.1 Q3 Financial Statements	Approval
Amanda Hobson presented the Q3 financial statements and invited questions. Discussion followed.	
On motion duly made and carried, the following resolution was adopted:	
<i>WHEREAS the Board has reviewed the financial statements for the third quarter of fiscal year 2017/2018;</i>	
<i>NOW THEREFORE be it resolved that:</i>	
1. <i>The financial statements for the third quarter of fiscal year 2017/2018 are hereby approved; and</i>	
2. <i>Any officer or director is hereby authorized on behalf of the Corporation to execute and deliver all such documents and instruments, and to do all such other acts and things as in his or her opinion may be necessary or desirable to give full effect to the foregoing resolution.</i>	
5.2 Q3 Revised Forecast & Projections	Approval
Amanda Hobson presented the Q3 revised forecast and projections. Discussion followed.	
On motion duly made and carried, the following resolution was adopted:	
<i>WHEREAS the Board has reviewed the Corporation's forecast for the third quarter of fiscal year 2017/2018 and 2018/19-2021/22 projections (the "Q3 Revised Forecast and Projections");</i>	
<i>NOW THEREFORE be it resolved that:</i>	
1. <i>The Q3 Revised Forecast and Projections are hereby approved; and</i>	
2. <i>Any officer or director is hereby authorized on behalf of the Corporation to execute and deliver all such documents and instruments, and to do all such other acts and things as in his or her opinion may be necessary or desirable to give full effect to the foregoing resolution.</i>	
5.3 Business Plan, Operating & Capital Budgets	Approval
Amanda Hobson presented the business plan, operating and capital budgets. Discussion followed.	
On motion duly made and carried, the following resolution was adopted:	
<i>WHEREAS the Board has reviewed the business plan, operating and capital budgets for fiscal year 2018/2019 (the "Business Plan and Budgets");</i>	
<i>NOW THEREFORE be it resolved that:</i>	
1. <i>The Business Plan and Budgets are hereby approved; and</i>	
2. <i>Any officer or director is hereby authorized on behalf of the Corporation to execute and deliver all such documents and instruments, and to do all such other acts and things as in his or her opinion may be necessary or desirable to give full effect to the foregoing resolution.</i>	
5.4 Service Plan	Approval
Amanda Hobson presented the draft service plan and advised that there had been some recent requests for organizational and formatting changes from government. Discussion followed, including with respect to some suggested edits to be considered before the Chair approves the final version of the Service Plan.	
On motion duly made and carried, the following resolution was adopted:	
<i>WHEREAS the Board has reviewed a revised Annual Service Plan for F18/19 – F20/21;</i>	
<i>AND WHEREAS the Board has received a recommendation from Management to approve the said Service Plan;</i>	

NOW THEREFORE be it resolved that:

1. *The Annual Service Plan for F17/18 – F19/20 is hereby approved together with such changes as may be approved by the Chair of the Board; and*
2. *Any officer or director is hereby authorized on behalf of the Corporation to execute and deliver all such documents and instruments, and to do all such other acts and things as in his or her opinion may be necessary or desirable to give full effect to the foregoing resolution.*

5.5 Additional KPMG Services

Approval

Amanda Hobson presented the information relating to retaining KPMG LLP for further advisory accounting services. Rob Kroeker presented the information related to KPMG LLP's draw audit services. Discussion followed, including regarding measures taken to ensure the maintenance of KPMG LLP's independence.

On motion duly made and carried, the following resolution was adopted:

WHEREAS Management has recommended that the Board approve certain services to be provided by KPMG LLP;

NOW THEREFORE be it resolved that:

1. *The engagement of KPMG LLP to provide the following services is hereby approved:
 - a. advisory accounting services relating to the implementation of IFRS 16 and IFRS 9 for the period from December 1, 2017 to March 31, 2019, inclusive, for a fee not to exceed \$100,000;
 - b. advisory accounting services relating to year-end accounting activities for the period from January 1, 2018 to May 31, 2018, inclusive, for a fee not to exceed \$40,000;
 - c. advisory services relating to a Lean workshop for the period from January 1, 2018 to March 31, 2018, inclusive, for a fee not to exceed \$50,000; and
 - d. draw audit services for the period from March 1, 2018 to August 31, 2018, inclusive, for a fee not to exceed \$196,500.*
2. *Any one officer or director is hereby authorized on behalf of the Corporation to execute and deliver all such documents and instruments, and to do all such other acts and things as in his or her opinion may be necessary or desirable to give full effect to the foregoing resolutions.*

5.6 Annual Corporate Objectives

Approval

Jamie Callahan presented the fiscal year 2018/19 annual corporate objectives. Discussion followed.

On motion duly made and carried, the following resolution was adopted:

WHEREAS, for purposes of the CEO, Executive, and Management incentive holdback plans, the Board has reviewed the proposed annual objectives for the fiscal year ending March 31, 2019 (the "Corporate Objectives");

NOW THEREFORE be it resolved that:

1. *The Corporate Objectives are hereby approved; and*
2. *Any officer or director is hereby authorized on behalf of the Corporation to execute and all such documents and instruments, and to do all such other acts and things as in his or her opinion may be necessary or desirable to give full effect to the foregoing resolution.*

5.7 Annual Resource Plan Approval

Jamie Callahan presented the annual resource plan and highlighted the planned increased in positions, in part to accommodate BCLC's new responsibility to provide GameSense Advisors, who were previously engaged by the Gaming Policy Enforcement Branch. Discussion followed.

On motion duly made and carried, the following resolution was adopted:

WHEREAS the Board has reviewed the Resource Plan for the fiscal year ending March 31, 2019;

AND WHEREAS Management has discussed such Resource Plan with the Board;

NOW THEREFORE be it resolved that:

1. *The Resource Plan is hereby approved; and*
2. *Any officer or director is hereby authorized on behalf of the Corporation to execute and deliver all such documents and instruments, and to do all such other acts and things as in his or her opinion may be necessary or desirable to give full effect to the foregoing resolution.*

5.8 Pension Plan Statement of Investment Policies & Procedures Approval

Amanda Hobson presented the statement of investment policies and procedures for the British Columbia Lottery Corporation Pension Plan and advised that the process is still underway to select a new investment advisor. Discussion followed.

On motion duly made and carried, the following resolution was adopted:

WHEREAS the Board has reviewed the British Columbia Lottery Corporation Pension Plan Statement of Investment Policies and Procedures ("SIPP");

AND WHEREAS the Board has discussed the SIPP with Management;

NOW THEREFORE be it resolved that:

1. *The SIPP is hereby approved; and*
2. *Any officer or director is hereby authorized on behalf of the Corporation to execute and deliver all such other documents and instruments, and to do all such other acts and things as in his or her opinion may be necessary or desirable to give full effect to the foregoing resolution.*

5.9 Rules Respecting Chips Approval

Rob Kroeker presented the draft Rules Respecting Chips and invited questions. The Board reviewed the draft, which contained different versioning of wording in sections 5 and 7. Discussion followed. The Board then decided to adopt the wording referenced as Version 1 of both section 5 and section 7.

On motion duly made and carried, the following resolution was adopted:

WHEREAS the Directors of the Corporation wish to approve the Rules Respecting Chips (the "Rules") presented to the Board and confirm the delegation of power to the President and Chief Executive Officer ("CEO") to determine the effective date of the Rules and to make future amendments to the Rules;

NOW THEREFORE be it resolved that:

1. *The Rules, as presented to the Board, are hereby approved;*
2. *The Directors of the Corporation hereby delegate to the CEO, the power, authority, and discretion vested in or exercisable by the Directors of the Corporation to determine the effective date of the Rules and to amend the Rules from time to time;*
3. *The signature of the CEO on an amended version of the Rules will be conclusive evidence that the amended version is authorized by this resolution; and*

4. *The CEO is hereby authorized on behalf of the Corporation to execute and deliver all such documents and instruments, and to do all such other acts and things as in his or her opinion may be necessary or desirable to give full effect to the foregoing resolution.*

6 CORPORATE OPERATIONS

Item	Discussion
6.1 Board Vacancies	Discussion
This subject was covered in the Report By Chair (item 3).	
6.2 KPMG Audit Issues Log	Discussion
Paula Presta provided an update on a variety of matters including: planning for the implementation of IFRS 15, the fiscal sustainability review, leasing standards, and the pension plan actuarial valuation. She advised that no major changes are expected to arise from the new operational services agreement before next fiscal year. Finally, Ms. Presta noted that KPMG LLP had completed a Lean Workshop with BCLC. Discussion followed.	
6.3 Key Estimates & Judgments	Discussion
Amanda Hobson presented the report. Following discussion, the board went in camera with KPMG at 9:37 am, concluding at 9:56 am.	
6.4 Service Provider Financial Update	Discussion
Amanda Hobson presented the service provider financial update, including recent developments related to Paragon and Gateway. Discussion followed.	
6.5 Q3 Audit Services Report	Discussion
Gurmit Aujla presented new additions to the annual audit plan including new anti-money laundering initiatives, interim recommendations from Peter German, and player notification of limited sports wager. Discussion followed.	
6.6 Anti-Fraud Controls	Discussion
Rob Kroeker and Gurmit Aujla presented the report and detailed the work undertaken to help identify BCLC's top ten fraud risks, and develop and implement the appropriate controls. Discussion followed.	
6.7 Q3 ERM Report	Discussion
Rob Kroeker presented the report and invited questions. None arose.	
6.8 Risk Advisory Services Resources & Relationships	Discussion
Rob Kroeker provided information on the current resources being utilized. No questions arose.	
6.9 ERM Policies	Discussion
Rob Kroeker advised that there are no changes proposed for the current enterprise risk management policies.	
6.10 Risk Appetite & Tolerance Levels	Discussion
Rob Kroeker explained the method used to develop the risk appetite and tolerance levels and advised that no changes are proposed at this time.	

6.11 Q3 Business Continuity Report	Discussion
Amanda Hobson presented the report and highlighted the process being undertaken to assess risks and develop response plans to identified risks. Business continuity program initiatives are on time and on budget.	
6.12 Q3 Occupational Health & Safety Report	Discussion
Amanda Hobson presented the report and invited questions. Discussion followed.	
6.13 Q3 Dashboard	Discussion
Amanda Hobson presented the dashboard and invited questions. Discussion followed.	
6.14 Kamloops Property Update	Discussion
Amanda Hobson provided an update on the ongoing RFP process and the collaboration sessions that are currently underway with the proponents. Discussion followed.	
6.15 Whistleblower Policy & Procedure	Discussion
Jamie Callahan advised the Board that the Minister is planning a new whistleblower standard that will be applicable to all Crowns and therefore BCLC's policy and procedures may have to undergo significant change. In the interim, a new Governance and Corporate Social Responsibility Chair is needed as the escalation point under BCLC's current policy.	
<i>WHEREAS the positions of Governance Committee and Corporate Social Responsibility Chair and Risk Committee Chair are currently vacant;</i>	
<i>NOW THEREFORE be it resolved that, effective immediately:</i>	
1. <i>Andrew Brown is appointed Governance and Corporate Social Responsibility Committee Chair; and</i>	
2. <i>Bob Holden is appointed Risk Committee Chair.</i>	
6.16 Exec Performance Management Process	Discussion
Jamie Callahan provided details about the four components of the Executive performance management process. Discussion followed.	
6.17 Implementing Government Direction/German Review Update	Discussion
Jim Lightbody and Rob Kroeker presented the steps being undertaken to respond to both government direction and any recommendations that arise from the Peter German review. Discussion followed regarding the possibility of moving from a risk based approach to a prescriptive approach regarding cash buy-ins. The Board requested that the next quarterly anti-money laundering report to the Minister include a letter from the Chair setting out details associated with placing a limit on cash buy-ins. Discussion followed.	
6.18 Management Reports	Discussion
6.18.1 Finance & Corporate Services	
Amanda Hobson presented the report and highlighted the completion of the draft fiscal sustainability report for government. Discussion followed.	
6.18.2 Casino & Community Gaming	
Brad Desmarais presented the report, providing an overview of the rebranding of View Royal Casino, and an update on the Victoria RFP process. He invited questions and discussion followed.	

6.18.3 Lottery Gaming

Kevin Gass presented the report and highlighted the progress of the lottery transformation project and Lotto Express. Discussion followed.

6.18.4 Digital & Enterprise Services

Jim Lightbody presented the report, highlighting a recent review of the online gaming model. He noted that live casino games are expected to launch on PlayNow by the end of the month. Discussion followed.

6.18.5 Business Technology

Patrick Davis presented the report and detailed recent work done to further mitigate cybersecurity risks. Discussion followed.

6.18.6 Social Responsibility & Communications

Susan Dolinski presented the report, noting recent communications initiatives and the upcoming transition of GameSense Advisor positions from GPEB to BCLC. She invited questions and discussion followed.

6.18.7 Human Resources

Jamie Callahan presented the report and advised that the annual engagement survey will be launching next week. Discussion followed.

6.18.8 Legal, Compliance, Security

Rob Kroeker presented the report and updated the Board on a recently completed audit and progress on the facial recognition program. Discussion followed.

7 OTHER BUSINESS

7.1 In camera Session **Discussion**

The Board went in camera sequentially with the below parties at 2:10 pm, concluding at 3:08 pm.

7.1.1 Legal Services Report

During this *in camera* session and on motion duly made and carried, the following resolutions were adopted:

WHEREAS the Board has reviewed draft Bylaws of the Corporation;

NOW THEREFORE be it resolved that:

1. *The Bylaws, as presented to the Board, are hereby approved.*
2. *The Board Chair is hereby authorized on behalf of the Corporation to execute and deliver the Bylaws and all such documents and instruments, and to do all such other acts and things as in his or her opinion may be necessary or desirable to give full effect to the foregoing resolution.*

WHEREAS the Board has reviewed and considered certain proposed amendments to the Board Manual;

NOW THEREFORE be it resolved that:

1. *The revised Board of Directors Guidelines, as presented to the Board, are hereby approved.*
2. *The following tabs of the Board Manual are hereby rescinded: "General Guidelines for Committees", and "Ad Hoc Committees".*

7.1.2 Material Litigation Report – General Counsel

7.1.3 Director, Audit Services

7.1.4 CEO – Evaluation Process Planning

7.1.5 CEO – Annual Goals & Objectives

During this *in camera* session and on motion duly made and carried, the following resolution was adopted:

WHEREAS the Board has reviewed the proposed annual goals and objectives for the President and Chief Executive Officer for the fiscal year ending March 31, 2019 (the "CEO Objectives");

NOW THEREFORE be it resolved that the CEO Objectives are hereby approved.

7.1.6 Whistleblower Reports, if any

7.1.7 Board

8 TERMINATION OF MEETING

There being no further business, the meeting was terminated at 3:10 pm.

NEXT MEETING

15 May 2018 – Kamloops

Bud Smith
Chair

Appendix O

BCLC Rules Respecting Chips, effective February 5, 2018



APPLICATION

1. The Corporation may authorize a casino operator to issue chips designated for use in casino games at a particular casino on behalf of the Corporation, and these Rules apply to all chips issued by a casino operator on behalf of the Corporation.

OWNERSHIP, POSSESSION, & USE OF CHIPS

2. A chip is and at all times remains the property of the Corporation regardless of whether it is in the possession of a chip holder.
3. If so authorized by the Corporation, a casino operator may issue a chip to an individual in exchange for money equal to its face value, and subject to these Rules, an individual may only obtain a chip from a casino operator at a casino.
4. The issuance of a chip to an individual in exchange for money equal to its face value is not a deposit.
5. Subject to and in accordance with these Rules, a chip holder may:
 - (a) exchange a chip for casino game play equal to its face value at the casino where the chip was issued; or
 - (b) redeem a chip for money equal to its face value at the casino where the chip was issued.

In addition to the foregoing, from time to time and on public notice, the Corporation may enumerate the circumstances in which a chip holder may convey a chip to the casino operator at the casino where the chip was issued, either (i) as a tip, or (ii) in exchange for food, beverages and/or other amenities.

6. A chip holder bears the risk of loss or damage to a chip while it is in his or her possession.
7. Subject to these Rules and unless otherwise required by law, a chip is non-transferable. From time to time and on public notice, the Corporation may enumerate the circumstances in which a chip may be transferred.

REDEMPTION & SURRENDER OF CHIPS

8. Subject to these Rules, a chip holder may present a chip to the casino operator at the casino where the chip was issued, and the casino operator will promptly redeem the chip for money equal to its face value.
9. A chip holder who presents a chip to a casino operator for redemption is deemed to represent and warrant to the Corporation and the casino operator at the time of presentation that he or she lawfully possesses the chip and complied with the

**RULES RESPECTING CHIPS**

Corporation's rules in coming into possession of the chip, and such representations and warranties will survive the redemption of the chip.

10. At any time the Corporation may demand that chips in a chip holder's possession be surrendered and promptly upon such demand the chip holder will surrender all of the chips in the chip holder's possession to the Corporation.
11. The Corporation may, in its discretion, refuse to redeem a chip for money (including chips surrendered on demand), including for the following reasons:
 - (a) if the chip holder:
 - (i) has not complied with the Corporation's rules;
 - (ii) does not satisfy the Corporation that the chip holder is lawfully entitled to possession of the chip;
 - (iii) upon request by the Corporation, does not provide:
 - (A) satisfactory evidence of the chip holder's identity;
 - (B) any information reasonably requested by the Corporation related to the chip holder or the chip including how the chip holder acquired the chip; and
 - (C) a release of any further claims relating to the chip;
 - (b) if the chip has been altered, damaged, or the Corporation suspects that the chip may be counterfeit; and
 - (c) in the event of a dispute about a chip.
 12. If the Corporation or a casino operator refuses to redeem a chip when presented, it may take possession of the chip from the chip holder, and must issue a receipt as evidence that the chip was surrendered or presented for redemption, pending further determination of the matter by the Corporation. Such a receipt is not evidence that the chip holder is entitled to payment of the money equal to the face value of such chip.
 13. The Corporation is not required to inquire into the right of a chip holder to possess any chip presented for redemption.

CHIP RECALL

14. The Corporation may at any time recall the chips currently designated for use in a particular casino, require the return of all such chips, and designate new chips for use in the casino.



RULES RESPECTING CHIPS

15. The Corporation will provide public notice of a chip recall. The notice will provide a period of at least 14 days after the initial date of the recall during which chip holders may present chips to the casino operator for redemption.
16. In the event of a chip recall, chip holders must present all chips in their possession at the casino where they were issued for redemption within the 14-day redemption period.
17. The Corporation may refuse to redeem any chips that are not presented for redemption by the chip holder at the casino within the 14-day redemption period.

CHIP IDENTIFICATION

18. A chip may be equipped with RFID (radio frequency identification) or other technology that allows the Corporation to track the chip and a chip holder's compliance with these rules.

GENERAL

19. The Corporation may from time to time amend these Rules.
20. The *Gaming Control Act* and the other rules of the Corporation apply to these Rules. In the event of any discrepancy or inconsistency with these Rules, the *Gaming Control Act* shall prevail.
21. In these Rules:
 - (a) "**casino**" means a facility for casino games conducted and managed by the Corporation;
 - (b) "**casino operator**" means a services provider who has entered into an agreement to provide services relating to the Corporation's conduct, management and operation in a casino;
 - (c) "**chip**" means a physical chip, marker or token authorized and designated by the Corporation for use in a particular casino;
 - (d) "**chip holder**" means an individual having possession of a chip;
 - (e) "**Corporation**" means British Columbia Lottery Corporation, and in Sections 9, 10, 11 (excluding 11(a)(i)), 13 and 17 of these Rules, also means a casino operator acting on behalf of the Corporation; and
 - (f) "**game**" means a lottery scheme within the meaning of section 207(4) of the Criminal Code and "gaming" carries an equivalent meaning.



RULES RESPECTING CHIPS

22. Where the word "include", "includes", "including", "included" or other variation on "include" is used in these Rules, such word is deemed to be followed by the words "without limitation".
23. A provision in these Rules relating to the discretion, approval, consent, authorization, determination, option, satisfaction or opinion of the Corporation, of that the Corporation "may" take a particular action, is in the sole, absolute and unfettered discretion of the Corporation (or where applicable, the casino operator acting on behalf of the Corporation), with no requirement to act reasonably or provide reasons.
24. Unless the context otherwise requires, words importing the singular include the plural and vice versa and words importing gender include all genders.
25. In the event that any provision of these Rules is determined by a court of competent jurisdiction to be void or unenforceable, such determination shall solely affect such provision and shall not, in itself, render void or unenforceable the remaining provisions hereof.

Appendix P

September 2016 Emails re: RRCR Pre-Swap \$5000 Chips Deposited into PGF Accounts

From: Barber, Rob FIN:EX
Sent: Wednesday, September 28, 2016 3:02 PM
To: Mayer, Douglas GPEB:EX
Subject: RE: RRCR Pre-swap \$5000 Chips Deposited into PGF Accounts

Interesting. Thanks Doug. I will see if I am able to find out more and let you/Parm know.

On the face of it, I do have concerns.

Regards,

Rob

From: Mayer, Douglas FIN:EX
Sent: Wednesday, September 28, 2016 2:58 PM
To: Barber, Rob FIN:EX; Serheniuk, Kim FIN:EX
Cc: Basi, Parminder FIN:EX; Fitzgerald, Anna FIN:EX; Stewart, Robert A FIN:EX
Subject: RRCR Pre-swap \$5000 Chips Deposited into PGF Accounts

Hi Rob/Kim,

Here's something we weren't expecting to come across that may be of interest to your team (although you might already be aware of this).

Please see Parm's email below for details. During his review into PGF activity he came across some interesting transactions in the PGF trust ledgers obtained from Great Canadian. He found 8 transactions involving 7 patrons where they brought in old (pre-chip swap) \$5000 chips, these chips shouldn't have been allowed to be deposited into the PGF however the ledgers identified that a BCLC investigators approved them to be deposited into their PGF accounts.

If it's a concern we'd be happy to meet with you both, we have a bit more information related to these transactions we can share.

Thanks,

Doug

If you believe that you have received this email in error, please notify the sender and delete the email from your mailbox.

From: Basi, Parminder FIN:EX
Sent: Tuesday, September 27, 2016 3:45 PM
To: Mayer, Douglas FIN:EX
Subject: Unsourced Chips Deposited into PGF Accounts

Good Afternoon Doug,

I have analyzed PGF activity at sites offering the program (River Rock, Hard Rock, Edgewater, Grand Villa, Starlight and recently Elements Casino) for the period January 1 – July 31, 2016. The following concern was found.

Unsourced Chips Deposited into PGF Accounts at River Rock Casino

On eight different occasions at River Rock Casino, a total of \$1,540,000 of old pre-swap 'unsourced' gaming chips were deposited into PGF accounts during our review period (detailed in the table below). This is of concern for the following reasons:

- BCLC Standards, Policies and Procedures do not permit 'unsourced' chips to be deposited into PGF accounts. BCLC Policy only permits chips from a verified win or sourced chips previously withdrawn by the patron from their PGF account to be re-deposited. In the occasions noted below, the chips were accumulated by the patron outside of their PGF account.
- The PGF deposits below, although approved by a BCLC Investigator, undermine the purpose of the PGF account, which is to ensure that only authorized funds are deposited into a patron's account. Authorized deposit means bank draft or certified cheque from a regulated financial institution, cheque from a Canadian casino, wire transfer, electronic funds transfer (EFT), debit card transaction, or internet banking transfer from an authorized personal bank account, or chips from a 'verified win' issued at the same casino opening the account.
- The six different patrons below, have all been issued a BCLC 'Unsourced Cash' directive. This is important because around August 2015, BCLC's AML unit began advising high risk patrons that they were no longer permitted to buy-in at any BCLC site with "un-sourced" cash/chips. The directives were issued primarily to patrons who were buying in with funds of questionable source.

Date	PGF Account #	Patron Subject ID	Patron Name	Amount Deposited into PGF Account	Details per RRCR PGF Trust Ledger	BCLC Investigator Approved By	Has Patron Been Issued a BCLC 'Unsourced' Cash Directive	Last Date of PGF Activity Prior to 'Unsourced' chips Deposited into PGF Account
January 23, 2016	[REDACTED]	[REDACTED]	[REDACTED]	\$450,000	Re-deposit 90 pcs Old Brown Chips.	Tom Caverly	Yes - [REDACTED]	January 19, 2016 – Patron withdraws \$40K from PGF account to conduct a buy-in at MDB 27. PGF Closing Balance is \$0 at day end. Patron returns on January 23, 2016, with \$450,000 of old chips to deposit into PGF account.
January 27, 2016	[REDACTED]	[REDACTED]	[REDACTED]	\$180,000	Deposit 36 x Old 5K chips.	Steve Beeksma	Yes - [REDACTED]	January 7, 2015 – Patron took a PGF 'Return of Funds-' cheque for \$900,000. PGF closing balance is \$0 at day end. One year later, on January 27, 2016, patron deposits \$180,000 old chips into PGF account.
January 30, 2016	[REDACTED]	[REDACTED]	[REDACTED]	\$100,000	Deposit 20 pcs Old Brown Chips.	Tom Caverly	Yes - [REDACTED]	May 4, 2015 – Patron withdraws \$50,000 from PGF account to conduct a buy-in at MDB 76. PGF closing balance at day end is \$0. Almost nine months later, on January 30, 2016, patron deposits

					Commission of Inquiry into Money Laundering in British Columbia	CPCL 1608	\$100,000 old chips into PGF Account.	
February 2, 2016	[REDACTED]	[REDACTED]	[REDACTED]	\$105,000	Deposit 21x5000 old chips.	Steeve Beeksma	Yes - [REDACTED] [REDACTED]	Refer to January 23, 2016 G [REDACTED] transaction.
February 18, 2016	[REDACTED]	[REDACTED]	[REDACTED]	\$135,000	27x\$5000 old chips.	Tom Caverly	Yes - [REDACTED] [REDACTED]	Refer to January 30, 2016 M [REDACTED] transaction.
March 22, 2016	[REDACTED]	[REDACTED]	[REDACTED]	\$150,000	As per BCCLC Jerome Wakeland Deposit 30 x Old \$5k chips.	Jerome Wakeland	Yes - [REDACTED] [REDACTED]	September 21, 2015 – Patron withdraws \$55,000 from PGF account to conduct a buy-in at MDB 16. PGF closing balance at day end is \$0. Almost six months later, on March 22, 2016, patron deposits \$150,000 old chips into PGF Account.
June 23, 2016	[REDACTED]	[REDACTED]	[REDACTED]	\$130,000	As per Stone LEE from BCCLC AML Unit and verified by RGSM Ricky LAI 19759	Stone Lee	Yes - [REDACTED] [REDACTED]	June 21, 2016 – PGF closing balance is \$10,000. June 23, 2016 patron deposits \$130,000 unsourced chips into PGF account.
July 15, 2016	[REDACTED]	[REDACTED]	[REDACTED]	\$290,000	Abandoned Chips Claimed approved by BCCLC for deposit to PGF		Yes - [REDACTED] [REDACTED]	July 13, 2016 – Patron withdraws \$100,000 from PGF account to conduct a buy-in at MDB 21. Two days later, patron deposits \$290,000 abandoned chips into PGF account.
Total				\$1,540,000				

Sincerely,

Parminder Basi, CPA, CGA
 Commercial Gaming Auditor
 Gaming Policy & Enforcement Branch
 220 - 4370 Dominion Street
 Burnaby, BC V5G 4L7
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