

February 17, 2010

Terri Van Sleuwen
Executive Director
Audit and Compliance Branch
Gaming Policy and Enforcement

Gaming Policy and Enforcement Branch
Audit and Compliance Division
Burnaby

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Dear Ms. Van Sleuwen:



**RE: Review of BCLC Player Gaming Fund Accounts Pilot Project
Interim Audit Report 2009/2010
Examination Period: 2009DEC07 – 2010JAN25.**

Further to your correspondence dated 2010FEB01 and the audit findings and exceptions identified by your investigative auditors; I will address each of these items separately in the body of this reply.

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1. A PGF account opened December 23, 2009 had the following problems:

PII - FINTRAC

b. An incident report was not created in ITRAK for the account opening.

Response: *River Rock Casino site management have been reminded to follow Great Canadian Inc. policy and BCLC policy with regards to preparing an ITRAK report for PGF account openings effective immediately.*

c. There was a lack of oversight by BCLC in a timely manner. BCLC did not identify the issues until December 30, 2009. The site created the ITRAK incident file and the LCTR after the GPEB auditor advised them of these errors.

Response: *The account was opened 2009DEC23. The following day was Thursday Christmas Eve and subsequently the Christmas holiday season;*



Friday DEC25th Christmas Day; Saturday DEC26th Boxing Day; Sunday DEC27th; Monday DEC28th statutory holiday; with the return to shift Tuesday DEC29th. This does not appear unreasonable under the circumstances as the account came under scrutiny by investigators DEC30th 2009.

2. GCGC HQ did not open the PGF account in compliance with policy. Specific problems include:

a. The account is interest bearing and \$70.69 of interest was earned in Dec. 2009.

Response: Great Canadian Inc. has opened accounts at their head office that facilitate the management of PGF accounts. The PGF accounts were initially opened as standard bank accounts with instructions to the bank (HSBC) to charge bank fees and credit interest to GCGC main operating accounts. Subsequently instructions were given to the bank to make PGF accounts non-interest bearing. Since HSBC is not accustomed to not paying its account holders interest of the funds in their accounts, at HSBC's request GCGC drafted a letter to instruct the bank not to permit interest to be earned on any funds in the PGF accounts. This instruction letter was required since the request was not in their standard banking procedure. Interest earned in Dec. 2009 of \$70.69 was returned to the bank in January 2010 once the issue was identified. No patron received any interest as a result process nor was any patron impacted negatively in any way. Therefore this issue has been resolved.

b. The account is not restricted to only allowing deposits via EFT from a registered Canadian bank.

Response: GCGC has requested that the bank (HSBC) not accept deposits via wire transfer from anything other than a Canadian registered bank. The bank has indicated that again this is not standard banking procedure and it is not possible to permit only Canadian registered bank wires into the PGF account. Deposit was made into the Great Canadian Inc. HQ PGF account. GCGC internal control procedures identified the foreign wire transfer and rejected the use of these funds to the patron. The deposit was subsequently returned to the originator. No funds were dispersed to the patron.

3. Electronic funds of \$270,696.21 Canadian were accepted into GCGC's HSBC PGF bank account from a foreign bank (Macau) on December 11th, 2009. These funds were returned the originating bank on December 15th, 2009.

Response: As noted in the previous response 2. b., it is not standard banking procedure for HSBC to block funds initially being deposited to the account from a non-Canadian bank. GCGC internal control policies set this risk as non

existent due to the rejection for use of funds to the patron as detailed in BCLC PGF policy.

- 4. A bank draft for \$30,000.00 CAD from a domestic financial institution was deposited directly by a casino patron to GCGC's HSBC PGF bank account on January 22, 2010. These funds were used for gaming by the patron on the same day. GCGC HQ failed to recognize the deposit as a non EFT and improperly authorized the River Rock cage to release the funds for gaming.**

Response: *GCGC has further implemented policy and procedures effective February 1, 2010 to mitigate the risk of accepting non wire funds of this nature. First and secondary reviewers at the HQ level will review the procedural checklist prior to authorizing the release of funds to the patron.*

CONCLUSION:

BCLC notes that these incidents are singular in nature, reflecting both the 'learning curve' and 'growing pains' expected with the introduction of any new project undertaken in a Casino environment. GCGC HQ staff, as well as Casino front line staff have worked diligently throughout this process in order to become compliant. Errors have been non intentional to say the least. It is important to emphasize that this whole process is new not only to Great Canadian Gaming Corporation and BCLC but to the HSBC as well. The idea of asking banks to change their traditional policies and protocols in order to satisfy requirements for what amounts to a BCLC 'pilot project' is extremely difficult and comes with a significant 'learning curve' for all participants. These issues take time and patience to resolve completely. None of these issues or errors were created or made with malicious intent but as part of a new compliance regimen.

Yours truly,



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