



Annual Report

For the Period
1 September 2015
to
31 March 2017



BERMUDA CASINO GAMING COMMISSION

ANNUAL REPORT & FINANCIAL STATEMENTS

For the Period 1 September 2015 to 31 March 2017

Table of Contents

	Page
Overview of Bermuda Casino Gaming Commission.....	3
Chairman's Message.....	4
Executive Directors Message.....	5
Operational Highlights.....	6
Board of Commissioners.....	10

Independent Auditor's Report

Audited Financial Statements

Notes to the Financial Statements

MISSION STATEMENT

To establish and regulate a sustainable casino gaming industry in Bermuda

VISION

To be recognised as a progressive, innovative and socially responsible regulatory body

OVERVIEW OF BERMUDA CASINO GAMING COMMISSION

The Casino Gaming Act came into effect in 2014, and by Section 6 of the Act, the Bermuda Casino Gaming Commission (“BCGC”) was established.

BOARD OF COMMISSIONERS

Governance

BCGC is under the direction of the Minister of Economic Development and Tourism, who appoints the selected members of the Board of Commissioners (the Commission), and provides policy direction to guide its operations.

The Board of Commissioners provide oversight to BCGC, and comprises the following members who are appointed by the Minister of Economic Development and Tourism, for a three (3) year term.

The Members are:

- Mr. Alan Dunch - Chairman
- Mr. Gary Madeiros - Deputy Chairman (Finance)
- Mrs. Judith Hall-Bean - Commissioner (Human Resource)
- Mr. Dennis Tucker - Commissioner (Hospitality)
- Mr. Derek Ramm - Commissioner (Enforcement/AML)

CHAIRMAN'S MESSAGE

It has been our distinct pleasure to begin the process of introducing Integrated Resort Casinos into Bermuda, based on the directives outlined in the Casino Gaming Act 2014.

Since the inception of the Bermuda Casino Gaming Commission in September 2015, we have worked tirelessly toward our goal of creating a dynamic and robust gaming industry – one that not only secures enhanced employment for Bermudians, but also increases investment to the island.

We are tremendously proud of our achievements to date. Bermuda has never before had a regulated gaming industry or legislation to protect its most vulnerable citizens from the risks of problem gambling. Yet in a very short space of time, with fairly minimal staff and budget, we have created a secure and solid foundation for a safe and responsible industry moving forward. This is no small feat.



No matter what obstacles have come our way, we have stood firm in our commitment to design an effective casino regulatory framework that works for Bermuda and benefits Bermudians at all levels of society.

Alan Dunch
Chairman

EXECUTIVE DIRECTOR'S MESSAGE



We believe that a well-regulated commercial gaming experience has the potential to increase the tourism appeal of Bermuda, providing the Island with a thrilling and exciting new amenity for the global tourism market. Our team of dedicated staff have worked tirelessly to ensure that the Island's first operating facility can open its doors to the local public in 2018/19 once a robust regulatory framework is set. If fulfilled, that means we were able to start this project from the ground up and managed to get it operational in less than three years, on a budget of less than \$10 million and with staff of less than ten people. That, by any estimation is ground breaking.

Getting to this point however, hasn't been simple. BCGC has devoted months to collaborating with entities like the Bermuda College, Bermuda Police Services, Bermuda's Financial Intelligence Agency and the National Anti-Money Laundering Committee.

We have enlisted help from international entities like the New Jersey Division of Gaming Enforcement, the UK Gambling Commission, the U.S. Consulate, the Nevada Gaming Control Board and the University of Nevada, Las Vegas (UNLV) to ensure no detail is overlooked and no stone unturned.

Since our inception, we have been met with both praise and criticism, taking both in stride. In December 2015, Global Gaming Business Magazine, the leading monthly gaming trade publication, commended BCGC's leadership for its talent and vision. While Gaming Expert Kevin Mulally, of Gaming Laboratories International, a company which has been sought out by more than 475 regulatory agencies around the world, admitted he had "great respect" for BCGC's leadership and staff, commending our determination in setting up the building blocks so Bermuda can benefit from a "very robust, fully implemented, responsible gaming prevention and treatment programme that meets its current and future needs. We look forward to taking even greater strides in the months to come and welcome your full support in this important endeavour.

Richard Schuetz
Executive Director

OPERATIONAL HIGHLIGHTS

INTRODUCING GAMING EDUCATION AND TRAINING

In 2017, a dedicated team of Bermuda representatives, visited the UNLV, where they carried out in-depth discussions with experts from the top ranked global hospitality and gaming training programme.

During their two-day visit, they met with gaming professionals from both UNLV and the private sector, with time split between formal meetings and site visits.

The purpose of the trip was to identify resources and assets to assist us in ensuring a high level of Bermudians can participate in the casino industry, and to create an avenue for Bermudians to acquire specialist training.

BCGC is working to develop a partnership with UNLV, making it possible for Bermudians to get training online as well as at the Bermuda College.

BUILDING PARTNERSHIPS AND UNDERSTANDING

Commissioners and staff are working and collaborating with both foreign and local entities to make gaming a reality in Bermuda in 2018. Our organization has a good working relationship with the Attorney-General's Chambers; members of the opposition party; the Bermuda College; the Department of Workforce Development; the Bermuda Hospitality Institute; the Bermuda Tourism Authority; the Financial Intelligence Agency; the National Anti-Money Laundering Committee; the Bermuda Police Service; Government House; the US Counsel General; the faith community; the recovery community; Bermuda Charities; and numerous other partners.

Our overseas associates include, amongst others, the Gaming Laboratories International; the Nevada Gaming Control Board; the New Jersey Division of Gaming Enforcements; the National Council on Problem Gaming; and the UK Gambling Commission.

On top of this, we have entered into overseas partnerships with the New Jersey Division of Gaming Enforcement, and another with the UK Gambling Commission. BCGC intends to also sign partnerships with other entities such as the Bermuda Police Service, Financial Intelligence Agency (FIA), and other jurisdictions, as required.

STAFFING AND TRAINING

BCGC commenced with five (5) employees, including the Executive Director, from December 2015 until March 2016. Our team began with an Executive Director, General Counsel, Chief Financial Officer, Executive Administrator and Junior Office Assistant. Our team compliment was a total of seven (7) employees by 31 March 2017.

We are committed to ensuring our team continue to develop professionally and endeavour to provide resources for training to enhance our ability to regulate to world class standards.

SUITABILITY TESTING

Our intent is to ensure that owners, operators, managers, employees, vendors and sources of finance are free from any inappropriate past associations and behaviours, and represent high ethical standards. We will achieve this by conducting suitability testing.

VETTING CONSULTANCY AGENCIES

Since commencing operations in September 2015, BCGC has gone through a process of inviting bids for tender to assist with the vetting process of all consultancy agencies. This would ensure all experts hired to work on the Island's emerging gaming industry meet our suitability standards of operating with good character and demonstrating honesty/integrity in their professional and personal dealings.

We will partner with these firms to provide services which include suitability assessments of corporate entities and individuals; personal, civil and criminal background checks; forensic auditing including tracking sources of funds and funds transferred to potential gaming operators; risk management; compliance and internal control assessments. Our existing stakeholders have worked alongside us to ensure anti-money laundering regulations and policies are in place to protect the island. Additionally, they have assisted us in developing an internal compliance evaluation and assessment framework.

CASINO APPLICATION PROCESS

In March 2016, we began accepting applications for the Designated Site process - the first step toward introducing Integrated Resort Casinos to the Island. The next stage, the Request for Proposal (RFP) process, was officially opened on April 17, 2017, with the aim of attracting bids from those integrated resort developments, which best allow Bermuda to advance with its goals and objectives for gaming. This stage involved a complete investigation of personal and business associations; the criminal and civil history of those involved in the endeavour; as well as a rigorous study of the financial history and circumstances of all individuals and entities. It will also assess the percentage of Bermudians an operator plans to hire, job training criteria and AML conditions.

This Suitability stage is rigorously performed to ensure all individuals and entities involved in the project offer the highest standards of character, honesty and integrity.

CREATING POLICIES & PROCEDURES

In late 2014, the Casino Gaming Act was passed, allowing for the formation of BCGC, with a goal to "maintain and administer systems for the licensing, supervision and control of casinos". One of the initial tasks, was to thoroughly review the 2014 Act and advise the Minister on any amendments to be made to ensure the legislative framework met the Island's current and future needs and global best practices. It was determined forty-one (41) crucial amendments needed to be made to the Act, so as to shorten the time to market, make the Act more attractive to operators, reduce expenses, and reduce the human resource needs of BCGC, all while maintaining system and process integrity. The Act created provisions for BCGC to recommend a maximum of three (3) provisional licences, in addition to the legislatively approved provisional licence granted to the developer of the site located in St. George.

VETTING SERVICE PROVIDERS

BCGC has also collaborated with Bermudian firm ADL Compliance Limited, to complete comprehensive background checks on employees who join are team. This includes criminal, civil and credit checks and other media vetting etc. These are of paramount importance to ensure those with access to a local casino's financial assets and complex technologies are both honest and possess integrity.

FEES AND TAX REGULATIONS

BCGC has ensured the enactment of two (2) sets of very important regulations, namely the Casino Gaming (Casino General Reserve and Taxes) Regulations 2017 and The Casino Gaming (Casino Fees) Regulations 2017. Most importantly, a third set of regulations entitled “the Casino Gaming (Casino Licence Application) Regulations 2017”, were being prepared to be signed off by the Minister in March.

An initial application fee applies to anyone interested in obtaining a Designated Site Licence. For those successful at the RFP stage, they will be eligible for a provisional license, pending a thorough suitability assessment. Out of the fees paid for each provisional license, a portion of that sum goes directly to the Problem Gaming Council, towards the training of treatment professionals. An additional sum from each provisional license will be provided to local educational facilities, for the purpose of providing educational and vocational training relating to gaming employment.

ANTI-MONEY LAUNDERING

Since inception, we have addressed the importance of developing an anti-money laundering (AML) and anti-terrorist financing (ATF) culture at the very foundation of our commission. With that said, we have compiled a list of “best practices” to be included in AML legislation, and have also met with representatives of Bermuda's National Anti-Money Laundering Committee (NAMLC), to discuss our desired casino-specific legislative AML provisions. From those discussions, “guidance notes” were prepared to provide extensive guidance and instructions for casino operators on AML matters.

The appointment of Commissioner Derek Ramm also demonstrates our commitment to safeguarding the Island from AML. Mr. Ramm is the Director of the Ontario Lottery and Gaming Corporation's AML programmes. He has also served as Canada's liaison for gaming for the Financial Action Task Force, and as the gaming industry representative to the Canadian Department of Finance - which is Canada's advisory committee for AML/ATF.

In addition, our Executive Director, Richard Schuetz, has over forty (40) years' experience within the gaming industries of the U.S., China and Europe; while our General Counsel has served with the Bermuda Monetary Authority, finally our Chief Financial Officer has served as the Director of Finance for the UK Gaming Commission.

As part of our mission to establish working relationships with individuals and institutions within the Bermuda and global AML/ATF ecosystem, BCGC has met with the Financial Intelligence Agency (FIA), the Bermuda Police Service (BPS), the Bermuda Monetary Authority (BMA), HSBC Bermuda, Butterfield Bank and Clarien Bank. Outside of Bermuda we have engaged with the Division of Gaming Enforcement for the State of New Jersey, the Gambling Supervision Commission of the Isle of Man, the Gambling Commission of the UK, and others.

We have also assembled a library of materials in office to address the institutional, historical and legal issues surrounding AML/ ATF.

FINANCIAL ACTION TASK FORCE (FATF) RECOMMENDATIONS

Bermuda is preparing for a Mutual Evaluation of its AML/ATF regime in 2018. In preparation for that evaluation, the Bermuda National Anti-Money Laundering Committee (NAMLC) identified technical gaps and challenges, which required legislative amendments. Those amendments are necessary to enhance the ability of NAMLC agencies to be more effective in performing their functions and cooperate appropriately with other agencies within the AML/ATF regime.

Although there are presently no casinos in Bermuda, BCGC is required to establish a robust regime, which is compliant with FATF standards. Due to the volume and value of financial transactions that will take place, the casino industry is now 'in scope' for the Caribbean Financial Action Task Force (CFATF) review of potential areas of vulnerability. The unique niche nature of how transactions are processed provides a potential area for crime, which will be required to have strong AML/ATF controls in place. Such controls assist in protecting the reputation of Bermuda as a resort destination. These include: sharing timely information between the FIA and BCGC; ensuring important patron identification information is collected and deposits are made to patron accounts. It also includes prohibiting certain transactions and activities in order to prevent money laundering in casinos.

PROBLEM AND RESPONSIBLE GAMING

TREATMENT PROVIDER PARTNERSHIPS

BCGC has utilized an evidence-based best practice approach in developing a programme to provide protections for the vulnerable - which includes underage persons, as well as problem and pathological gamblers. We are working in connection with existing local treatment providers and the Government to ensure proper protections are in place for the vulnerable, and their families, long before the first casino opens its doors.

Vulnerable individuals, and those with an addiction to gaming, are already present in Bermuda. They are able to feed their habit by way of illegal gambling and the loosely regulated gambling already on Island. At present there is no assistance or protections whatsoever available to those individuals

Fulfilling one of our primary objectives, BCGC has set up its Problem Gaming Council, including expertise from five (5) Bermudians, such as: Family Therapist and Counsellor Dr. Ernest Peets Jr.; Former Executive Director of the Mid-Atlantic Wellness Institute Dr. Sharon Apopa; Former Civil Servant Kevin Monkman and Retired Lawyer Kathleen Keane. Meanwhile, Commissioner Judith Hall-Bean, a retired Civil Servant, was named Council Chairman.

Further demonstrating our commitment, we have been welcomed by the National Council on Problem Gambling (NCPG) as an Organizational Member. We are looking to the leadership of the NCPG to assist in our mission of creating a competent and well-developed problem gaming programme in Bermuda.

STAKEHOLDER PRESENTATIONS

Dedicated to educating and training those in special interest fields, as well as general interest we have held a series of presentations for the community.

In May 2016, Jenny Williams, the former Chief Executive of UK's Gambling Commission, visited the Island to meet with local politicians to discuss the implementation of integrated resort casinos to Bermuda and was on hand to answer a series of questions on the issues and challenges surrounding gaming. Ms. Williams, in 2005, was integral in the development of the UK Gaming Commission (which regulated commercial gambling and lotteries in the UK), and led the body until her retirement in 2015. She said local stakeholders were "very interested" in her experience and finding out what the potential issues would be for Bermuda. She maintained that casinos were the most "supervised and controlled places for gambling environments in the world, and were actually one of the least problematic elements of the gaming industry, in her experience."

OVERVIEW OF BOARD OF COMMISSIONERS

Alan W. Dunch J.P., was appointed Chairman of the Bermuda Casino Gaming Commission in February 2015. Tasked with overseeing and guiding the Commission in its mission of licensing and regulating the casino gaming industry on the Island, Chairman Dunch also served as Director of litigation practice at his law firm, MJM Limited.

A lifelong Bermudian, he is recognized for his significant involvement and contributions within the legal community, both on the Island and internationally. In his formative years, he was named a Bermuda Government Scholar and Outstanding Young Person of the Year by the Bermuda Jaycees. He went on to receive his Bachelor of Commerce Degree in Accounting at Mount Allison University in New Brunswick, Canada, followed by a Bachelor of Arts Degree in Economics from the same institution. He obtained his legal education from the University of New Brunswick and was called to the Bar in Canada in 1979; shortly before being admitted to the Bar in Bermuda. Chairman Dunch sits on a number of Boards of Directors and provides business, labour and general advice to clients world-wide.

Garry A. Madeiros, a Chartered Accountant, has served on a large number of corporate, community and government boards. This includes sitting as Chairman of the Defence & Promotions Board for the Bermuda Regiment; Member of the Executive Committee of Bermuda 2009, which spearheaded the celebration of Bermuda's 400th Anniversary, Chairman of the Board for two Bermuda schools – CedarBridge Academy and Mount Saint Agnes Academy; Director and Chairman of Finance of the Mid-Ocean Club and President of the Institute of Chartered Accountants of Bermuda, among many others.

Mr. Madeiros spent 14 years as President & CEO of Belco Holdings Limited (now known as Ascendant Group Limited), Bermuda Electric Light Company and Bermuda Gas & Utility Limited, until his retirement in 2007. A graduate of St. Francis Xavier University in Nova Scotia, Canada, where he received a Business Administration Degree with a Major in Accounting, Mr. Madeiros went on to achieve his Chartered Accountant designation from the Institute of Chartered Accountant of Nova Scotia. He was appointed Deputy Chairman of the Bermuda Casino Gaming Commission, effective May 1, 2015.

Judith Hall-Bean, was employed as a Civil Servant with the Bermuda Government for almost 49 years, before retiring from her final post as Deputy Head of the Civil Service in 2013. For a number of years, Ms. Hall-Bean served as the Chairperson of the Government Negotiation Team, directly responsible for employment contract negotiations with the Unions representing Government employees. In addition to being a member of the Bermuda Casino Gaming Commission, she also serves on the Juvenile Panel, the Criminal Injuries Compensation Board and is a member of a handful of charitable boards (The Family Centre, The Bermuda Red Cross, Outward Bound, The Bermuda Hospitals Charitable Trust and others).

Derek Ramm, appointed as Commissioner in April 2015, serves as the Director of Anti-Money Laundering Programmes for the Ontario Lottery and Gaming Corporation (OLG), one of North America’s largest gaming companies. He leads the anti-money laundering and counter-terrorist financing programmes throughout Ontario, which includes 24 casinos. Prior to this, he spent more than seven years as a federal officer with the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC), the Canadian Government’s Financial Intelligence Unit. Mr. Ramm is frequently invited to give seminars to public and private sector organisations on the fight against money laundering and terrorist financing. He is currently based in Oakville, Canada.

Dennis Tucker, is a lifelong Bermudian who had a distinguished career in the local hotel industry, stemming back to 1960. During his time in hospitality, Mr. Tucker served in a variety of positions for the Bermuda Employers Council and the Bermuda Hotel Association. He currently serves as the Chief Executive Officer and Secretary to the Board of Trustees of the Hotel Pension Trust Fund; he also actively participates in philanthropic endeavours through the Bank of Bermuda Foundation and as President of the Sandys Rotary Club. He was appointed Commissioner to BCGC in February 2015.

RENUMERATION REPORT

Executive Director	\$190,000 - \$240,000
General Counsel	\$170,000 - \$210,000
Chief Financial Officer	\$145,000 - \$190,000

*Since date of publication, there have been modifications to the membership of the Board of Commissioners. The members are now as follows:

- Mrs. Cheryl Ann Mapp - Chairman (Legal background)
- Mrs. Judith Hall-Bean - Deputy Chairman (Human Resource background)
- Mr. Dennis Tucker - Commissioner (Hospitality background)
- Mr. Johnathan Smith - Commissioner (Enforcement background)
- Mr. Daniel Reece - Commissioner (Financial background)



Audited Financial Statements

For the Period
1 September 2015
to
31 March 2017