



Annual Report

For the period
1st April 2018
to
31st March 2019



BERMUDA CASINO GAMING COMMISSION

ANNUAL REPORT & FINANCIAL STATEMENTS

For the Period 1st April 2018 to 31st March 2019

Table of Contents

	Page
Chairman's Foreward	
Functions and Duties of the Commission	
Operations, Legal & Regulatory.....	
Finance and Human Resources.....	
Board of Commissioners	
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 recognized as a progressive, innovative and socially responsible regulatory body

PUBLIC POLICY GOALS

Increase employment, stimulate investment in Bermuda's economy and enhance the view of Bermuda as a tourist destination. Advertising or marketing standards will be of high caliber, and refrain from enticing locals or vulnerable. The goal is to use as little public funding as possible until the Commission reach the point that income is generated and able to contribute to the economy

OVERVIEW OF BERMUDA CASINO GAMING COMMISSION

The Bermuda Casino Gaming Commission ("The Commission") commenced operations in September 2015 following enactment of the Casino Gaming Act 2014.

The Commission is responsible for regulating the casino gaming industry in Bermuda based on the following five key principles:

1. Owners, vendors, managers, employees, and sources of finance should be free from any inappropriate past or present associations and behaviours, and uphold high ethical standards
2. Operators should possess sound operational and financial controls
3. The games offered should be fair, honest, and operate with a high level of security and integrity
4. All fees, taxes, and related payments, should be appropriately accounted for and paid
5. Controls should be in place to protect the vulnerable

GOVERNANCE

The Commission's line of reporting changed from the Ministry of Finance to the Ministry of Tourism and Economic Development in November 2018.

The minister provides policy direction to guide the Commission in achieving its work plan goals within the budget granted, and appoints the Commission's Board members who meet once a month during a three year term.

As of 31st March, 2019, the board consisted of the following members:

- | | |
|-------------------------|------------------------------------|
| • Mrs. Cheryl Ann Mapp | - Chairman (Legal) |
| • Mrs. Judith Hall-Bean | - Deputy Chairman (Human Resource) |
| • Mr. Dennis Tucker | - Commissioner (Hospitality) |
| • Mr. Jonathan Smith | - Commissioner (Enforcement) |
| • Mr. Daniel Reece | - Commissioner (Finance) |

CHAIRMAN'S FOREWORD

The challenges of the Bermuda Casino Gaming Commission during the fiscal year 2017/2018 saw the Commission address significant obstacles in progressing the development of a regulatory framework for casino gaming in Bermuda. Resources were expended to draft Regulations to complete the legislative package required to support the operations of the sector. In addition, The Commission began work to design governance documents, including licensing conditions, codes of conduct, supervisory principles, etc. that will afford transparency around the Commission's operations.

In anticipation of the transfer of responsibility for licensing and supervision of Betting to the Commission, the Commission embarked on a research exercise to determine options for the best approaches for this transition of a pre-existing sector which was currently unregulated.

A key achievement during this period was the reduction in expenditure as the framework was being developed in order to ensure that the Commission was exercising fiscal discipline whilst still ensuring the quality of services was not compromised. The Commission was also pleased to have successfully completed the annual audit process within the timeframe outlined by the Office of the Auditor General.

From a governance perspective, the former Executive Director vacated his post in December 2017 and there were 3 new members of the Commission appointed – including a new Chairman. These changes required a transition period and a subsequent extensive recruitment process, both locally and overseas was commenced.



As the Commission progresses to establish the regulatory regime for casino gaming, the following additional works will be continued during the next fiscal year:

- Tabling and passing of Casino Gaming Regulations in the House of Assembly
- Designing and implementing governance documents, such as licensing conditions, codes of conduct, supervisory principles, etc.,
- Developing a supervisory framework for the Betting sector which reflects international industry best practices standards
- Securing independent financing to support the Commission's operational expenditure
- Securing correspondent banking relationships for proceeds of casino gaming

**Cheryl- Ann Mapp
Chairman**

OVERVIEW OF BOARD OF COMMISSIONERS

Cheryl-Ann Mapp – Chairman, is a practicing member of the Bermuda Bar with 30 years' experience providing legal and compliance services on a wide range of complex regulatory issues. She heads Island Legal Outsourcing Solutions a regulatory compliance practice which provides outsourced independent legal, compliance and governance services within Bermuda and the Caribbean.

Mrs. Mapp has held key leadership roles as general counsel, compliance manager and compliance consultant and has been engaged to support professional firms, financial services companies, government and private entities grappling with practical and policy issues in anti-money laundering/anti-terrorism financing, regulatory compliance, governance, risk, privacy and business continuity. She has served the local community in leadership roles on various government boards and industry groups and in the non-profit sector. .

Judith Hall-Bean – Deputy Chairman, 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).

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.

***Jonathan Smith**, served as the Commissioner of Police. He works in the private sector as co-owner of a leading off-site records storage company, a secure document destruction and IT asset Disposal Company, property management and real estate development companies. He is a member of the Telecommunications Commission and the Broadcasting Commission. He previously served as a Government Senator, member of the Public Service Commission, Defense Board, Immigration Board and Trustee of the National Sports Centre.

He has considerable leadership, management and security-sector related experience and trained at the Bramshill Staff College in the UK and the Canadian Police College. His considerable experience with intelligence, security services and law enforcement was derived from relationships, training and work with CIA, FBI, DEA and Metropolitan Police. He served as Chairman of the Emergency Measures Organisation, co-chair of the joint UK-USA White Collar Crime Investigative Team in Miami; Chairman of the Firearms Working Group for the

UK Caribbean Overseas Territories and as an executive member and 2nd VP of the Association of Caribbean Commissioners of Police.

During his tenure as Commissioner, the Bermuda Police Service underwent five years of expansion, a successful external inspection, and creation of the first Police Support Units, Community Beat Officers, the first Operational Community Policing Strategy and an increased firearms capability. His interests include politics, economics, social and military history. He has written two books; 'In the Hour of Victory,' of which the documentary film adaption won two major International Film Festival awards; and, 'Island Flames,' which was the best-selling book in Bermuda for two years. A third book, 'Black & Blue,' is being written.

He was awarded the OBE for this service to law enforcement. He holds a BSc. in Management from the University of Maryland and a Diploma in Criminology and Police Studies from the University of Cambridge, UK. He is divorced with three adult sons.

***Daniel Reece**, is an independent compliance consultant with over 15 years of experience in the financial services industry. He has held senior compliance and finance positions at major banks and other financial institutions in Bermuda. Daniel is a qualified accountant and holds the Associate in Risk Management (ARM) designation from the American Institute for CPCU.

Commissioner Reece's responsibilities included budget preparation, financial analysis, and reporting, conducting risk assessments (business, reputational, country, regulatory etc.), performing Money Laundering Reporting Officer (MLRO) duties and reporting to relevant stakeholders including Senior Management, Board of Directors and Regulators.

Commissioner Reece also has extensive knowledge in reviewing and creating compliance policies and procedures, independent audits, transaction monitoring (including implementation of systems), regulatory onsite preparation and follow up, and training at all levels of financial organizations.

As a former police officer, Commissioner Reece has received extensive training in Bermuda, United Kingdom and the USA on all aspects of financial crime. He was also one of the founding members of the Bermuda Service Financial Intelligence Unit, which later became the Financial Intelligence Agency (FIA). Daniel has served on the previous tourism boards that have been responsible for developing Bermuda's tourism plan.

***Since the date of publication, the following members resigned**

- Mr. Allan Dunch - Chairman (Legal background)
- Mr. Garry Madeiros - Deputy Chairman (Finance background)
- Mr. Derek Ramm - Commissioner (Enforcement & AML background)

***Since the date of publication, the following members were appointed by the Minister**

- Mrs. Cheryl Ann Mapp - Chairman (Legal background)
- Mr. Jonathan Smith - Commissioner (Enforcement background)
- Mr. Daniel Reece - Commissioner (Financial background)

Functions and Duties of the Commission

Prior to the launch of casinos, the Commission must ensure the appropriate regulatory framework, governance, and operational support is in place.

The Commission's regulatory responsibilities include the following:

1. Vetting the suitability of all parties directly involved in the operating of casinos in Bermuda;
2. Outline the required systems and controls for casino operations that ensure integrity, and fairness;
3. protect the vulnerable, including children; from any harm or exploitation arising from casino gaming;
4. minimize opportunities for money laundering or any other criminal associated with casinos;
5. Advise the minister on matters of general policy relating to casino gaming in Bermuda.

Collaboration

The Commission established working relationships with various local and international institutions, such as, the Financial Intelligence Agency ("FIA"), the Bermuda Police Service ("BPS"), the Bermuda Monetary Authority ("BMA"), on island banking institutions, the Division of Gaming Enforcement for the State of New Jersey, the Gambling Supervision Commission of the Isle of Man, the UK Gambling Commission and other entities.

Creating Job Opportunities

The impending launch of casinos presents opportunities for Bermudians to work in the gaming industry. To make this a reality, the Commission continues to collaborate with the Bermuda College, the Department of Workforce Development, the Bermuda Hospitality Institute and the University of Nevada Las Vegas to develop an educational curriculum to train Bermudians to work as croupiers.

National Risk Assessment

The Commission participated in the National Risk assessment ("NRA") that is being facilitated by the National Anti-Money Laundering Committee ("NAMLC"). Additionally, the Caribbean Financial Action Task Force ("CFATF") requires our input as well as our intended plans to ensure AML/ATF risks are identified.

Ongoing projects will continue to be significantly impacted by the upcoming CFATF mutual assessment which will take place in the third quarter of 2018. The Commission is putting procedures in place that will positively affect the current and future assessments of Bermuda's AML/ATF framework. Participation in this process will ensure the Commission supervises to international standards.

Operations, Legal & Regulatory

In August 2018, the Commission hosted representatives of the UK Gambling Commission to assist with reviewing Bermuda's betting sector. Consultation meetings were held with the executives of the Commission, board members, and betting shop operators.

The UK Gambling Commission representatives recommended the following:

- The Commission adopt a principles-based regulatory approach as opposed to a prescriptive approach
- Reduce the tax on bets placed
- Geofence Bermuda to prevent international betting operators from offering online betting or create a licensing regime for them. Enforcing geofencing enables users on gaming applications the ability to access the applications within certain coordinates only. This is beneficial to the community, as it reduces risk of addictive gaming habits. Once the user is no longer within the resorts perimeters, gaming is disabled

The Commission ensures we are remaining current in gaming practices by attending annual International Casino conferences ("ICE").

Problem and Responsible Gaming

The Commission's commitment to educating, equipping and empowering the community is supported internationally by continued membership with the National Council on Problem Gambling ("NCPG"). Membership afforded the Director of Problem & Responsible Gaming ("DPRG") to attend NCPG's Annual Conference that was held in July 2018, Cleveland, Ohio.

In keeping with our vision to be a socially responsible regulatory body, the DPRG and Council members participated in four segments of a radio talk show entitled: "Strength for the Journey". Two segments of the radio show, "Teacher Talk" was attended March 2019, during the international Problem and Responsible Gambling Awareness Month.

The Commission have ongoing discussions with representatives of the Bermuda Addiction Certification Board ("BACB") and the International Gambling Counselor Certification Board ("IGCCB") to facilitate the implementation of a schedule in preparation for international certification of local Counselor's. Fifty-two local Counselors participated and completed more than twenty hours of the mandatory thirty hours of clinical training for international certification on the treatment of problem gamblers that was hosted by the Commission.

The DPRG conducted twelve presentations to primary, middle and high-school Parent Teacher Associations on the convergence of gaming and gambling, its impact on school-aged children, and various intervention strategies.

Finance and Human Resource

The Commission documents its financial policies and procedures, all processes for the production of annual budget reporting, annual audit reports, procedural requirements and banking preparations. There is an ongoing process of generating additions and creating amendments to operational and financial organizational policies and procedures so that the Commission continues to be efficient, effective and transparent in carrying out our duties.

The HR Committee is comprised of the Chief Financial Officer, Deputy Chairman and one member of the Board of Commission. Meetings take place as required for discussion of matters in preparation for Board approval.

A Finance Sub-Committee was implemented comprising of the CFO and one member of the Board for review and pre-approval of budgets, audit reporting, etc. prior to Board approval. The Finance Sub-Committee meet monthly or as required. The Finance Sub-Committee ensure the Commission's expenses remain below the projected value.

The Team

During this fiscal year, the team has downsized and the work plan activities were accomplished with fewer resources than initially intended.

The Commissions' Board also experienced transition, with two members remaining from the previous composition which ensured ongoing continuity and progress. At the time of producing this report, the Minister had secured the appointment of new Board members with equally impressive areas of expertise.

After providing a firm foundation for the organization to forge ahead we experienced the departure of the Executive Director. Efforts to search for a replacement Executive Director continue and an Acting Director has been put in place.

Financial Accountability

The Commission is subject to an annual audit by the Office of the Auditor General to ensure efficiency and accountability. We also respond to any recommendations to improve our reporting and control framework. Our audited financial statements, which are included in this report, are tabled in the House of Assembly.

We have successfully resourced the organization with expenditure at 46% below our anticipated budget. This speaks to our ability to be fiscally prudent with our expenses whilst developing our regulatory regime. We continue to work with external audit firms to consult on best practice for control procedures and processes.