



COMMONWEALTH CASINO COMMISSION

Commonwealth of the Northern Mariana Islands

P.O. Box 500237

Saipan, MP 96950



MINUTES

December 28, 2016

I. PRELIMINARIES:

A. Call To Order

Chairman Juan M. Sablan called the meeting to order at 10:12 A.M. on December 28, 2016 at the Joeten-Kiyu Public Library (Technology Room) in Susupe, Saipan.

B. Roll Call

Commissioners present at the meeting were: Juan M. Sablan (Chairman), Joseph C. Reyes (Vice Chairman), Alvaro A. Santos (Treasurer) and Martin DLG. San Nicolas (PA & MR Officer). Commissioner Justin S. Manglona (Secretary) was off island, therefore excused by the Chairman. Also present were the Executive Director ("Director"), Edward C. Deleon Guerrero, the Executive Assistant to the Commission, Ruth Ann P. Sakisat. Legal Counsel Michael Ernest was off island but Assistant Attorney General (AAG) Michael Witry sat in his place as Legal Counsel.

C. Adoption of Agenda

Vice Chairman Reyes offered a motion to adopt the agenda, seconded by Commissioner San Nicolas. It was put to a vote and unanimously approved.

II. REPORTS:

A. Report by the Chairman

The Chairman explained that one of the reasons he called this emergency meeting was to discuss a complaint filed in federal court by one of IPI's former employee. He felt the allegations concerning Title 31 violations stated in the complaint warrants the Commission's immediate attention. He informed the Commission that he attended an emergency meeting called by the Director together with the Division Managers to brainstorm on how this matter is to be approached now and in future cases. The outcome of discussions in the meeting was to allow the court to decide whether the allegations were true or not but at the same time, he believed that CCC should issue an order for IPI to immediately activate their Compliance Committee as required by regulations.

Chairman Sablan acknowledged IPI's December 21, 2016 letter informing the Commission of former Judge Eugene Sullivan's selection as an independent member in IPI's Compliance Committee. Manager Ed Cabrera shared his concern that Mr. Sullivan's appointment may be a conflict due to his existing affiliation with the mother company. Chief Cabrera stated that he is not questioning former Judge Sullivan's credentials, rather his participation in IPI's compliance committee.

Chairman shared that he had an opportunity to briefly discuss CCC's proposed house bill with outgoing Representative Antonio P. Sablan. He added that the Commission has a pending request to meet with him to discuss the bill further but a date has yet to be set. Chairman Sablan recommended that the responsibility to communicate with the legislature on the pending bill should be assigned to the Executive Director and Vice Chairman Reyes. He asked that the Director and Vice Chair Reyes report back to the Commission on the January 2017 meeting. Commissioner Santos, and Commissioner San Nicolas agreed with the Chairman's recommendation.

Chairman Sablan commented that it will be a good idea to put together some kind of training for the incoming members of the legislature. He felt it was necessary to educate the legislature on the overview of the casino operations as it is a new industry in the Commonwealth in addition to the fact that they are new members of the legislature. He recommended the CCC organize a day session for this purpose. One of the areas that must be discussed with the legislators is the open government act which he felt should be amended to address emergency meetings and the release of sensitive documents as it pertains to the casino industry. The Director suggested that the CCC seek UNLV International Gaming Institute's expertise in providing training but not just on casino topics but also on policy implications. He noted that P.L. 18-56 and 19-24 need to be refined for the purpose of policy issues. The CCC can also seek the assistance of Mr. Dennis Amerine who is a consultant in the industry, the Director offered. He suggested that the Commission pay for the training. The Director reported that the Attorney General's Office is working on putting together training in coordination with the US Attorney's Office designed for enforcement agencies. He added that this will be a good opportunity to add an additional day to provide presentations to the members of the legislature.

Vice Chairman Reyes shared that he too had the chance to briefly discuss the bill with Representative Joseph Lee Guerrero who is the Chairman of the Committee on Commerce and Tourism. He and Rep. Guerrero agreed to talk more after the holidays, he said.

Vice Chairman Reyes informed the Commission that during the recent UNLV training he attended, he had several conversations with Mr. Shamika Ratwatte who is the Manager for Ernest & Young out of the Saipan Office. He then passed out brochures on UNLV's upcoming training schedule. Chairman Sablan instructed Ruth Ann to provide copies to the Commissioners. He stressed that ongoing training is very necessary as gaming is a new industry on Saipan and

regulating the industry is such a big and important responsibility.

The Director commented Ernest & Young is the firm selected to do IPI's audit. He noted that IPI's next audit should go beyond just a financial audit. The audit should include IPI's compliance with its own internal controls and an audit on whether their internal controls are in compliance with the Commission's Minimum Internal Control Standards (MICS). The next audit by Ernest & Young should be more comprehensive as they are known to be the audit firm most familiar with gaming audits, he said. The Director shared that it was Ernest & Young that recommended for the Commission to use the Missouri MICS as a template based on their experience doing the audit in that jurisdiction.

Chairman Sablan asked the Commissioners to revisit the Regulations and to bring to the Director's attention any recommendations for changes. He asked that the changes be discussed in the next Commission meeting. He announced that he was almost done with his page by page review of the regulations and has about fifty changes so far that he would like to share with the Commission.

B. Report by the Executive Director

The Director stated that the Commonwealth Casino Commission takes its responsibility very seriously especially when it comes to hearing of alleged violations of Public Laws, Regulations or the MICS. The case before the Commission has already been filed in federal court, therefore it may be necessary for some discussions to be taken up under executive session, he explained.

He reported further on the following:

Federal Case-the Commission assembled its Management Team and reviewed all the files in the CCC's possession in relation to the complaint in federal court. The team also visited the casino and made requests for additional documents from IPI's Legal and Compliance Divisions as part of its own investigation. Some of the allegations are very serious but the Commission at this time takes the position that these are only allegations. However, the case is being closely monitored by the Commission. He added that what they've found so far could be disclosed under executive session if the Commissioners wish to hear them. There's a part in the Regulations that require all employees, particularly key employees to report to the Commission any knowledge of violations of the laws, regulations or MICS, he stressed. If an employee is caught withholding such information, the consequences may include up to the revocation of their license. However, he pointed out that some of the allegations in the case are beyond the mandates of the casino regulatory responsibility.

IPI Training Requirement-all key staffs of IPI should be trained in issues of Anti-Money Laundering, Suspicious Activity Reporting, Cash Transaction Reporting and all the other necessary reporting mechanism. IPI does not have the luxury of choosing whether or not to provide the training. The training is necessary and

and unanimously approved.

Chairman Sablan noted that for licensing purposes at the CCC, it will be helpful for IPI to issue a Certification of AML training. The Director announced that the CCC has begun implementing a questionnaire to determine if IPI employees applying for licenses have actually received AML training.

VI. MISCELLANEOUS MATTERS: Updates from IPI

A. Compliance with Title 31 - Anti Money Laundering Requirements

Mr. Dave Guerrero reported that he is still working on completing his Compliance Team. He shared that he presently has six, himself included, and he is looking at hiring six more for the compliance side. He announced that he is still in the process of looking into Actemize as it is a more sophisticated software for the case management of all AML investigations. He added that the casino is currently using a software called NuWave which does the AML questions but it will soon be changed to Actemize. However, NuWave will still be kept for tax purposes, he explained.

Mr. Guerrero announced that IPI will be sending some of their staff to attend Casino Essentials AML Seminar in San Diego, California. He thanked the Commission for sharing the information with them about the training. Mr. Guerrero added that he is also looking into more broad types of AML trainings for financial institutions and not just the ones for casinos. IPI will also utilize webinars through the Association of Certified Anti-Money Laundering Specialists (ACAMS), he added. He announced that he is a member of ACAMS and he's certified in ACAMS as well.

The Director asked Mr. Guerrero who are required to specifically complete AML training before their employment. He responded that all employees are required to undergo some type of AML training. He noted that there are three types of training: Intro to Title 31, Suspicious Activity and Currency Transaction Report.

Ms. Velma Lore, Permit & Licensing Manager for the Commission shared that a new BSI employee applying for a license with the Commission whose position is a Slot Representative, had no clue what AML was based on the questionnaire. As a result, the processing of her application for a license is on hold, she said. The Director again stressed that it is of utmost importance for all IPI staff to receive AML training, otherwise the CCC will not issue a license.

Ms. Bertha Leon Guerrero added that during on boarding, AML training is provided. IPI offers AML training every Wednesday with a session in the morning and one in the afternoon. However, as of now priority is given to dealers and cage personnel, she noted. The Director informed Ms. Leon Guerrero that CCC staff will be visiting the casino floor to interview and conduct a survey on all key employees with regards to AML training. If any key staff is found to have not

received any AML training, they will be taken off the floor until such time they receive the training. Chairman Sablan emphasized the seriousness of this issue and stated that it will be best if part of the licensing requirement is for the employee to have received AML training. He reiterated on the need for IPI to be issuing certifications which should be attached to the license application.

The Director explained that in order for money laundering to be completed and the reporting to be avoided, it will require almost a conspiracy between the table and the cage which is the reason the Commission requires a separation of duties. It is very important to train separately and keep duties separated, he said. The Director acknowledged Mr. Guerrero's efforts but commented that these incidents can and do occur and the Commission is preparing its process procedurally to avoid it from occurring. Mr. Andrew Yeom, Manager of Compliance at the Commission, emphasized that it is very important for AML training to also be extended to the Marketing staff out of the Macau office as they deal with completing KYC forms in relation to source of funds. The Director stated that during the annual registration process, no licenses will be renewed for employees who have not undergone any type of AML training. This requirement also applies to the CEO, COO and VPs, he added. He then commented that he fully supports the such requirement.

Mr. Dave Guerrero informed the Commission that the Macau and Hong Kong staff have had AML training before. It was Angela Hardesty that flew out to conduct the training, he said. He also added that during his trip to Macau, discussions were also taken up on AML as it pertains to the software Actemize that the company was proposing to adopt at the time. He considers those discussions as training as they went in great detail to understand the requirements and the procedures in complying with AML regulations.

Vice Chairman Reyes commented that it is also important for IPI to provide its staff training on the Commission's regulations and MICS. He then inquired on IPI's procedure with regards to passwords for access to sensitive information. Ms. Leon Guerrero explained that immediately upon separation, all access for the termed employee is disabled by IT. A daily report showing changes in staff is sent to IT and Audit, she assured. If it involves a key employee, IT is immediately notified of what action to take according to the status change, she said.

Vice Chair expressed how concerned he was about security and passwords. The Director brought up the situation when Bruce Loprete separated from the company in which a lot of access codes and passwords of termed employees were never removed because Bruce never got the chance to do it. It ended up that Eugenio Sousa, VP of Security, had to go through a list to systematically remove access and authorizations for affected employees. The Director recommended that it would be advisable that during IPI's exit interviews, all access should be removed before moving on to another level of the interview. These should all be coordinated with Security and IT, he noted. The Director

added that the Commission has been working with Dallmeier, security company working on the system at the new casino, on addressing this issue.

B. Workforce Plan: Personnel AML Training

The item was simultaneously discussed under item A.

VII. EXECUTIVE SESSION:

Vice Chairman Reyes made a motion to move into Executive Session to discuss the following:

- A. Report by Legal Counsel
- B. Imperial Pacific International (CNMI), LLC ("IPI") Compliance Issues
- C. Casino Surveillance and Monitoring

The motion was seconded by Commissioner Santos. It was put to a roll call vote, and unanimously approved at 11:50 am.

Vice Chairman Reyes moved to exit Executive Session, seconded by Commissioner Santos. It was put to vote and unanimously approved at 12:30 pm.

VIII. ADJOURNMENT:

Vice Chairman Reyes moved to adjourn the meeting. Commissioner Santos seconded the motion.

Discussions:

Commissioner Santos thanked AAG Michael Witry for his presence in the meeting and for offering his opinions on certain matters.

Chairman Sablan announced that he will be off island beginning December 29, 2016 for an undetermined number of days. Vice Chairman Joseph C. Reyes will serve as Acting Chairman during his absence. He shared that his daughter will be undergoing surgery in California.

The Chairman also announced that the Executive Director will be off island as well beginning January 5, 2017 for medical reasons. An appointment for an Acting Executive Director will be forthcoming. He asked for everyone's cooperation. He shared that he will be monitoring his email as he expects to be kept updated on matters. His cell phone will also be roaming in the event he needs to be reached by phone.

The motion to adjourn the meeting was put to a vote and unanimously approved. The meeting was adjourned at 12:40 pm on December 28, 2016.

Prepared by: R. Sakisat Date: 01/27/17
Ruth Ann P. Sakisat
Executive Assistant to the Commission

Concurred by: J. Manglona Date: 1/27/17
Justin S. Manglona
Commission Secretary

APPROVED AND ADOPTED ON: 30th day of January, 2017.

J. Manglona Date: 1/30/17
Justin S. Manglona
Commission Secretary