

**PROCEEDINGS AT HEARING
OF
FEBRUARY 5, 2021**

COMMISSIONER AUSTIN F. CULLEN

INDEX OF PROCEEDINGS

Witness	Description	Page
	Proceedings commenced at 9:30 a.m.	1
	Colloquy	1
John Mazure (for the commission)	Examination by Mr. McCleery	2
	Proceedings adjourned at 11:25 a.m.	94
	Proceedings reconvened at 11:39 a.m.	94
John Mazure (for the commission)	Examination by Mr. McCleery (continuing)	95
	Examination by Mr. Smart	149
	Proceedings adjourned at 1:32 p.m.	180
	Proceedings reconvened at 1:41 p.m.	180
John Mazure (for the commission)	Discussion re timing	181
	Examination by Mr. McFee	183
	Discussion re scheduling	236
	Proceedings adjourned at 2:58 p.m. to February 8, 2021	238

INDEX OF EXHIBITS FOR IDENTIFICATION

Letter	Description	Page
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No exhibits for identification marked.

INDEX OF EXHIBITS

No.	Description	Page
541	Affidavit #1 of John Mazure sworn on February 4, 2021	3
542	MOF Briefing Document - Minimizing Unlawful Activity in BC Gambling Industry - February 6, 2015 (i)	56

543	MOF Briefing Document - Table Limits in Casinos - December 13, 2013	69
544	BCLC letter from Michael Graydon to John Mazure, re High Limit Table Changes - December 19, 2013 (redacted)	71
545	Letter from John Mazure to Michael Graydon - December 24, 2013	81
546	MOF Gaming Policy and Enforcement Branch Review - September 18, 2014	94
547	GPEB Review: Investigations and Regional Operations and Audit and Compliance Divisions Review - September 18, 2014	98
548	MOF Briefing Document - Internal Operational Review of the Gaming Policy & Enforcement Branch (GPEB) - Update - November 22, 2014	100
549	Briefing note prepared for Cheryl Wenezeki-Yolland dated November 26, 2014 (formerly exhibit C for identification)	107
550	MOF Briefing Document - June 4, 2015 Anti Money Laundering Workshop “Exploring Common Ground, Building Solutions” - May 14, 2015	109
551	GPEB Meeting Highlights - Anti-Money Laundering Workshop Exploring Common Ground - June 25, 2015	110
552	MOF Strategy Document - Gaming Policy and Enforcement Branch’s Anti-Money Laundering Strategy Phase 3 - September 3, 2015	118
553	MOF Briefing Document - Options For Issuing Anti-Money Laundering Directives to BCLC - September 1, 2015	121
554	MOF Briefing Document - Anti-money Laundering Strategy (Phase 3 Initiatives) - Date Requested, May 17, 2016	123
555	MOF Briefing Document - 2016 MNP Report on Anti-Money Laundering Practices in Gaming Facilities - September 30, 2016	142
556	MOF Briefing Document - Minister’s Direction to Manage Source of Funds in BC Gambling Facilities - February 2017	149

1
2
3
4
5
6
7
8
9
10
11
12
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14
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18
19
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February 5, 2021

(Via Videoconference)

(PROCEEDINGS COMMENCED AT 9:30 A.M.)

THE REGISTRAR: Good morning. The hearing is now resumed. Mr. Commissioner.

THE COMMISSIONER: Thank you, Madam Registrar.

Yes, Mr. McGowan.

MR. MCGOWAN: Yes, Mr. Commissioner. Mr. McCleery has conduct of the witness this morning.

THE COMMISSIONER: Thank you. Mr. McCleery.

MR. MCCLEERY: Good morning, Mr. Commissioner. On the schedule for today is Mr. John Mazure. I see Mr. Mazure on screen, and I believe his counsel, Mr. Penner, is on the call as well, so I think we're prepared to proceed. I understand that Mr. Mazure will be sworn.

THE COMMISSIONER: Thank you.

**JOHN MAZURE, a witness
called for the
commission, affirmed.**

THE REGISTRAR: Please state your full name and spell your first name and last name for the record.

THE WITNESS: Do I need to continue holding the Bible here, or ...

THE REGISTRAR: No. Sorry.

1 THE WITNESS: Okay. My name is John Charles Mazure
2 and my last name is M-a-z-u-r-e.

3 THE REGISTRAR: Thank you.

4 THE COMMISSIONER: Yes, Mr. McCleery.

5 **EXAMINATION BY MR. McCLEERY:**

6 Q Good morning, Mr. Mazure. Can you see and hear
7 me clearly?

8 A I can, thank you.

9 Q If at any point that changes, please do just let
10 us know.

11 A Okay.

12 Q Mr. Mazure, you were the Assistant Deputy
13 Minister and General Manager of the Gaming
14 Policy Enforcement Branch from approximately
15 September 2013 till June 2018; is that correct?

16 A It is.

17 Q And you have sworn an affidavit for the purpose
18 of giving evidence to this commission?

19 A I have.

20 MR. McCLEERY: Madam Registrar, can we please see
21 Mr. Mazure's affidavit.

22 Q Mr. Mazure, do you see the affidavit on the
23 screen in front of you?

24 A I do.

25 Q And that is the affidavit that -- or at least

1 the first page of it that you swore on
2 February 4th, 2021?

3 A It is.

4 MR. McCLEERY: Mr. Commissioner, can we have that
5 marked as the next exhibit, please.

6 THE COMMISSIONER: That's fine. I do notice -- first
7 of all, that will be exhibit 541.

8 **EXHIBIT 541: Affidavit #1 of John Mazure sworn**
9 **on February 4, 2021**

10 THE COMMISSIONER: I do notice there's an address
11 there which, if it's Mr. Mazure's personal
12 address, probably should be redacted from the
13 affidavit before it's posted.

14 MR. McCLEERY: Yes, I think that that's appropriate.

15 THE REGISTRAR: Exhibit 541.

16 THE WITNESS: Thank you.

17 MR. McCLEERY:

18 Q Mr. Mazure, just to orient me with your
19 situation, do you have hard copies of your
20 affidavit or any documents with you, or are you
21 going to be working from what's on the screen?

22 A I have a hard copy of my affidavit, but that's
23 it.

24 Q Okay. Thank you. That will help.

25 Mr. Mazure, in your affidavit you indicate

1 interview, I'm not a gambler myself, so I had
2 very little experience other than buying a few
3 lottery tickets years ago and I first had a
4 mortgage and I quickly realized that wasn't a
5 good financial strategy for paying off my
6 mortgage. So I'm not a gambler. I played a
7 little bit of crib. But it was all new to me,
8 the whole industry, the whole subject matter.

9 Q Thank you. I think we've all made that mistake
10 trying to pay off mortgage, but it's neither
11 here nor there.

12 And you indicate in your affidavit as you
13 tried to orient yourself to this unfamiliar
14 industry and what was to you a new organization,
15 you tried to meet with as many people as you
16 could, including people both within GPEB and
17 outside such as the BCLC CEO and other
18 executives?

19 A That's correct. Any new job that I went into,
20 at least in terms of management, that was
21 usually my first order of business, to
22 understand the program services, the area
23 provided and the people that worked in them and
24 then people we served or had to interact with.
25 So yes.

1 Q And through these efforts did you identify any
2 particular issues or challenges for the gaming
3 industry that you thought needed to be addressed
4 sort of in a short term after joining GPEB?

5 A Yeah, there were several challenges, I think,
6 facing, I think, the organization internally in
7 terms of their capacity, but also in -- across
8 the organization in terms of the programs we
9 had. There were seven divisions that reported
10 to me: investigations, audit, horse racing,
11 charitable licensing, charitable grants,
12 certification of registration, responsible
13 gambling, problem gambling. Each of those areas
14 had their issues. I think at that time, for
15 example, we -- a major issue that I had to deal
16 with was the response to the Public Health
17 Officer's report, and anti-money laundering was
18 another area where there was a government
19 strategy already in place for that, so that was
20 something else that I had to pick up.

21 So sort of across the organization some --
22 obviously some priorities were more important
23 than others, but there was a mix of things, and
24 that's one of the reasons I went there. There
25 was a variety of issues to deal with, and I

1 thought it would be good for my career to get
2 exposed to that.

3 Q And you just mentioned anti-money laundering and
4 the government strategy on that issue. Are you
5 able to say how high on the priority list that
6 was when you first joined the organization as
7 far as you identified?

8 A It was pretty high. I mean, the way the
9 organization kind of was dealing with its
10 biggest priorities was -- and there were two.
11 There was anti-money laundering. The other one
12 was e-gaming. Basically had a working group of
13 people within the organization. Usually
14 executives and maybe some -- executive
15 directors, sorry, and senior managers. And so
16 they would meet together on a regular basis to
17 handle those major priorities. So those were
18 the two big ones at that time.

19 Like I said, we -- shortly after I got
20 there, we knew the public health officer's
21 report was coming and that we would need to
22 respond. So the pile got larger.

23 Q And the public health officer's report, that
24 related to problem gambling; is that correct?

25 A Responsible and problem gambling, yes.

1 Q Continuing on this discussion of anti-money
2 launders and suspicious cash transactions, you
3 describe in your affidavit that a Mr. Larry
4 Vander Graaf raised this issue with you in -- if
5 not your first meeting, one of your initial
6 meetings with him; is that right?

7 A That's correct.

8 Q And Mr. Vander Graaf at that time was the
9 executive director of GPEB's investigations and
10 regional operations division?

11 A That's correct.

12 Q And was Mr. Vander Graaf -- if you recall, was
13 he the first person to raise this issue with
14 you?

15 A Oh, I don't know. Mr. Vander Graaf worked in
16 Burnaby. That's where most of our investigators
17 were, which made sense because that's where a
18 lot of the casinos were. But I did have -- the
19 fellow that was leading our anti-money
20 launders initiative was two offices away from
21 me in Victoria. So I may have talked to Bill
22 McCrea about it, but I think my first meeting
23 with Larry was in early October, and -- so he
24 was either the first or the second. Let's put
25 it that way.

1 Q Fair to say that you did not discuss that issue
2 with Ms. Wenezenki-Yolland before taking on this
3 role with GPEB?

4 A I don't recall. I would have had an initial
5 meeting with her where she -- we talked about
6 maybe a few things, but there was nothing that I
7 recall her telling me, these are things that you
8 kind of need to take stock of and deal with
9 right away. She kind of left that for me to, I
10 guess, discover for myself. And maybe she
11 didn't know either.

12 Q Thank you. I take it this was a fairly frequent
13 topic of conversation between you and Mr. Vander
14 Graaf as your relationship with him continued.

15 A Oh, yeah, yeah. Definitely. That first meeting
16 with Larry, I would -- sorry, with Mr. Vander
17 Graaf, it probably was -- the words probably
18 came out of his mouth probably within five
19 minutes. It was an important issue to him
20 and -- well, to the organization overall at that
21 point. So it did help emphasize the point to me
22 if I didn't know about it already that it was
23 important.

24 Q And can you describe, what was your
25 understanding of the nature of the Mr. Vander

1 Graaf's concern about large and suspicious cash
2 transactions?

3 A I think his -- in a nutshell, the suspicious
4 cash reports that we were getting, it was his
5 view based on, I guess, his experience and
6 information he had in terms of the reporting
7 that these were, you know, potentially the
8 proceeds of crime entering into the facilities.
9 Maybe not money laundering per se, but proceeds
10 of crime. And he had a real focus on -- I think
11 it wasn't the -- that was his general, I think,
12 feeling. He also had a focus that, you know, in
13 terms of how you would deal with it, that you've
14 really kind of got to look at the 20s, and that
15 was -- that was fairly consistent, as I recall.

16 I mean, those weren't the only options that
17 we might have talked about, but that's where he
18 seemed to, I think -- that's what he would have
19 recommended. What he did recommend.

20 Q So his recommendation, then, was to essentially
21 put a limit on the number of 20s that could come
22 into the casino? Is that essentially it?

23 A Well, yeah, I think there were different options
24 that he proposed, but it was, like, his focus if
25 he were going to do something in terms of cash

1 would have been -- he would target the 20s.

2 That was his position.

3 Q And at least during the time that Mr. Vander
4 Graaf remained with GPEB, did the branch take
5 any steps to pursue implementing that kind of a
6 measure?

7 A Take steps towards doing something like that? I
8 would say yes. Did we? Not in the time he was
9 there, but as I mentioned before, we had a
10 working group that was looking at this, and
11 Mr. Vander Graaf was a member on that working
12 group. As noted in my affidavit, there was sort
13 of three -- not sort of, there were three phases
14 kind of identified for the strategy and
15 regulatory intervention kind of was the third
16 phase. And so the group as a whole was looking
17 at that right about the time I got there.

18 They had done a lot of work on cash
19 alternatives. There was probably further work
20 to be done, but the thinking then was okay, so
21 what did we mean by regulatory intervention.
22 And I didn't know what that meant. And so there
23 was a lot of work done by the group in terms of,
24 you know, trying to understand and, I guess,
25 gather some evidence to inform, you know, what

1 potential solutions there could be. One of
2 which Mr. Vander Graaf recommended.

3 That led to the Malysh report. So -- and
4 once we got that in the fall, we began to start
5 to work on potential solutions, which could
6 include directives, regulatory changes. Those
7 types of things. So there was work progressing
8 on it. Had we implemented anything? Not to my
9 knowledge.

10 Q And we'll come back to that Malysh report in
11 just a little bit.

12 You mention in your affidavit that you met
13 with Ms. Wenezenki-Yolland weekly during the
14 time that you worked under her; is that right?

15 A Yes. Weekly pretty much the whole time. And it
16 was usually a fixed day, but if our schedules
17 didn't allow it, we -- but yes, I remember a
18 good 45 minutes to an hour working through
19 issues. So yeah, we were in different offices.
20 The Empress Hotel is between the two of them. I
21 burned up the pavement in front of that hotel
22 walking back and forth for those meetings.

23 Q And in this initial stage in the months after
24 you initially joined GPEB, were you sharing
25 Mr. Vander Graaf's perspective on these

1 suspicious cash transactions with
2 Ms. Wenezenki-Yolland?

3 A Yeah. I mean, it was one of the priorities we
4 were working on. I would have shared, you know,
5 the main -- especially because I was new and she
6 hadn't really given me any direction in terms of
7 what issues that I recall that I should be
8 working on. So I would have -- you know, and
9 this was true of -- as part of our working
10 relationship throughout it, that I'd bring
11 forward the issues we're working on,
12 particularly those where I might need her
13 assistance or things that might need to go to
14 the Minister. Those were important to get in
15 front of her early and give her a heads up in
16 terms of the information that she thought -- you
17 know, what might be needed in order to move
18 things forward.

19 So it was definitely in my best interests to
20 make sure she was aware of what was doing on.
21 And she was an Associate Deputy Minister, and so
22 the level of information I provided her with
23 reflected that, and if she wanted additional
24 detail, then I would have provided that to her
25 as well, so ...

1 Q Do you recall Ms. Wenezenki-Yolland having any
2 particular reaction to these ideas about the
3 risk of money laundering and suspicious
4 transactions in casinos?

5 A At the time that I arrived there, when I first
6 arrived and told her about the issue?

7 Q Yeah, let's say in the first year or so that you
8 were with GPEB.

9 A Well, in the first year I -- I don't remember
10 her reaction other than it's something -- you
11 know, it was obviously a government strategy at
12 the time we got there. You know, there were --
13 you know, Larry was -- sorry, Mr. Vander Graaf
14 was -- regularly would provide his report of
15 findings to me. And, you know, the numbers were
16 going up, so the concern was growing although
17 there was a lot of -- a lot of debate about why
18 the number was going up.

19 And that's a point, if you don't mind, I'll
20 just speak to really quickly is I probably spent
21 my first four or five months trying to get an
22 idea of and an explanation for this growth in
23 suspicious cash and what it meant. And, you
24 know, we had -- our investigations division was
25 primarily retired policemen, and I think a good

1 number of folks at BCLC in their corporate
2 security and compliance area were from similar
3 backgrounds. In fact, they'd worked together,
4 some of these individuals. And yet there was a
5 very diverse group of opinions and views on
6 what -- this suspicious cash trend and how it
7 could be explained.

8 And as I said, I didn't come into this
9 industry with any knowledge. I don't have a
10 policing background. I don't have a -- you
11 know, a background in that particular area, so I
12 was just trying to get an understanding. And
13 frankly try to -- like, trying to figure out
14 what's really going on here and what information
15 do we need and how big is the problem because
16 ultimately for me, you know, the solutions we
17 propose should reflect that. And so that's a
18 lot of the work for me in the first five months
19 and then subsequent to that as well, so ...

20 Q I'm going to come back to this question of sort
21 of different viewpoints on the issue in a
22 moment. Before I do, though, I'd ask you if
23 this -- these issues were brought to
24 Ms. Wenezenki-Yolland's attention. Do you know
25 if, let's say, in your first year in GPEB if

1 these issues were being brought to the
2 Minister's attention?

3 A Yeah, we would have -- we would have kept him in
4 the loop, and I don't know if we would have sent
5 briefing notes up, but anti-money laundering was
6 an item that was referenced in the -- I call
7 them the mandate letter. I think they're
8 officially called letters of expectations that
9 government would provide to BCLC. And during my
10 entire time there there was a section that dealt
11 with anti-money laundering.

12 And so it was something we had to keep him
13 apprised of, particularly in the fall. And not
14 because -- and the sole reason for that was
15 that's when the work began on the next year's
16 mandate letter and what language needed to be
17 included. And so we had to make sure the
18 minister was informed and understood what
19 language and what areas we thought needed
20 attention.

21 And so Ms. Wenezenki-Yolland was the -- she
22 kind of controlled that, and so I would provide
23 my input to her on that and we'd talk about it.
24 And then obviously there would be -- I can
25 remember not every year, but there would be some

1 experience as an Assistant Deputy Minister,
2 ministers don't like to be surprised, so we let
3 him know if there was something changing and
4 what it was, and what we were doing to respond
5 to it, so ...

6 Q It may be hard to pin down the precise time
7 periods. I'm wondering if -- again focusing on
8 your -- roughly your first year with GPEB, do
9 you recall if you, you know, participated in any
10 oral briefings with the Minister that would have
11 touched on this issue?

12 A I can't recall. And I don't have my -- the
13 calendar in front of me. I mean, I've had to
14 kind of rely on that for specific dates. I
15 guess I fall back on what I said before. You
16 know, we would have briefed him if anything
17 significant was happening there. You know, I
18 just -- honestly I can't really answer you on --
19 I don't recall for that period.

20 Q Fair enough. Let's move on, then, to -- you
21 referred to some conflicting views on this issue
22 at least within the industry. Maybe let's start
23 with what was happening within GPEB. We've
24 heard a little bit about -- you told us about
25 Mr. Vander Graaf's perspective. Were there

1 other perspectives within GPEB itself on this
2 issue that would've perhaps disagreed with
3 Mr. Vander Graaf's viewpoint?

4 A I don't think there was -- in terms of what was
5 going on I don't think there was necessarily any
6 disagreement there. At the time I got there,
7 the focus was shifting, like I said, from sort
8 of just looking at -- sorry, just looking at
9 cash alternatives and starting to look at what
10 could we do as the regulator to address the
11 problem.

12 So I know that Mr. Vander Graaf's view was
13 that, you know, I think it would be fair to say
14 his view was that the cash alternatives alone
15 were not working. And I think there was general
16 agreement about that. It's just that I think
17 the rest of the group was trying to -- I think,
18 like myself, trying to understand the magnitude
19 of the province -- or of the problem, sorry,
20 and, you know, what possible solutions there
21 could be.

22 You know, in some respects, you know,
23 Mr. Vander Graaf maybe in his own mind had done
24 the analysis and had already arrived at the
25 solution he thought was to the problem, and the

1 rest of the group was taking a more of an open
2 approach to this in terms of what are the
3 potential solutions to this, because, you know,
4 no one really had any evidence of exactly what
5 was going on. Like I said, there was lots of
6 opinion, and -- yeah.

7 So yeah, there was, you know, like any
8 group -- and that's the benefit of having a
9 group looking at this is there was a diversity
10 of views, and, you know, ultimately I think that
11 contributes to a better outcome, so -- yeah. So
12 there was -- like, within GPEB, yeah, there
13 was -- there was different views, but I think
14 everyone helped. You know, we have a strategy.
15 It has different elements to it. It's just that
16 we hadn't fully explored phase 3, which was the
17 regulatory intervention, so ...

18 Q Right. And then maybe let's talk about what you
19 were hearing from other stakeholders in the
20 industry. I think in your affidavit you suggest
21 that some people in BCLC suggested that there
22 could be no money laundering in BC casinos
23 because people who brought in lots of cash
24 usually lost it; is that fair?

25 A Yeah, I think I heard that. Not from the

1 corporation. Like, it's not -- it wasn't their
2 official line, but depending on who I talked to
3 or -- and, you know, I talked to primarily Brad
4 Desmarais, who was their Vice President of
5 Corporate Security and Compliance. But I'd hear
6 from my staff about someone they had talked to
7 at BCLC and they thought it was something else.
8 And I'd say in that first three or four months I
9 was there there was different opinions of what
10 was going on, and I was just trying to sort it
11 out.

12 Q Do you recall -- you say that wasn't the
13 official position of BCLC and you mostly dealt
14 with Mr. Desmarais. Do you remember what
15 Mr. Desmarais's perspective was on this issue?

16 A Well, I met with him over a period of time, I
17 think well into 2014. Probably once every
18 couple of months. And, you know, there was the
19 opinion you just -- the one you just mentioned.
20 There was the cultural thing with cash. You
21 know, 20s are the most common denomination;
22 that's why you see a lot of those. You know,
23 the flight of capital from China. You know,
24 there were -- you know, some were more credible
25 than others.

1 But the fact that we had, you know -- and I
2 think it's been, you know -- in watching others
3 testify to this commission, there's obviously a
4 lot of experts in this area, and I wasn't one,
5 and the experts didn't agree. And so it was a
6 challenge to kind of get an understanding of
7 that. And so -- yeah, so BCLC, I guess I heard
8 a variety of opinions over time. I'm not an
9 expert in the area. I relied on Larry and Bill
10 McCrea and the rest of our executive. And
11 beginning in 2015 I relied on Len Meilleur, who
12 was my executive director of compliance from
13 that point.

14 So, you know, I didn't blindly follow them.
15 I had questions. If I didn't understand it, I
16 made sure that the logic made sense, and -- but
17 I relied on those folks for -- you know, in
18 terms of our path forward on that issue.

19 Q And I guess you've indicated that it took a
20 number of months for you to really get your head
21 around this issue; is that fair?

22 A I think in terms of hearing all the different
23 perspectives, yeah, yeah. I think it did. And
24 I mean, Mr. Vander Graaf made sure I knew about
25 it. Meanwhile the number continued to grow. So

1 there was more concern. And, you know, I think
2 I went to probably a few of the first AML
3 cross-division working group meetings within
4 GPEB.

5 And, you know, when the numbers started to
6 -- I mean, it was growing before, but it started
7 to grow a little faster, I believe. You know, I
8 told the group, you know, there's a bit of a
9 sense of urgency here; we need to move things
10 along a little bit quicker. And so that would
11 have happened probably in February -- late
12 January, February of 2014.

13 Q So would you say that you eventually came to --
14 you were persuaded by one of these different
15 perspectives or came to align yourself -- or how
16 did you come to a view as to what -- your view
17 as to what was happening in -- with this issue
18 in the industry?

19 A I think there was, you know -- I've seen it in
20 some documents that have been provided that --
21 you know, Mr. Vander Graaf reported to me. He
22 provided me with information. It wasn't
23 necessarily enough. There was an element of
24 trust there to trust him. I think when the
25 numbers started growing it became of concern to

1 me because there wasn't necessarily a logical
2 explanation for the growth, you know. Some of
3 the opinions I heard was oh, the service
4 providers are just being more diligent on their
5 reporting.

6 Now, Larry indicated he had, you know -- it
7 was his opinion that there was, you know, money
8 facilitators, loan sharks, whatever you would
9 have, you know. Bad guys providing money
10 outside casinos for -- or bringing it in and
11 gambling directly themselves.

12 At about that time I thought, I think we
13 have a problem here; I just don't know how big
14 it is, and trying to get a handle on it and --
15 because -- I mean, one of the things I told
16 Larry, I go, you know, I doubt very much that
17 every single dollar that's recorded as
18 suspicious cash coming into the casinos is, you
19 know, from illicit means. So we've got to be
20 careful here and we need a little more evidence
21 to get us, you know, some estimate as to the
22 size of the problem. Because just looking at
23 SCTs as a proxy for that, you know, I wasn't
24 confident enough at that time to understand.

25 So we needed more information. And I was --

1 the entire time that we worked together, that's
2 what I was looking for. And also putting it in
3 a form that, you know, I myself was comfortable
4 in going okay, this is what we're going to do.
5 Because any issue that we were going to
6 implement, I would have been remiss not to ask
7 BCLC what they thought. And in fact I had
8 direction from Ms. Wenezenki-Yolland when I got
9 to GPEB, as I indicate in my affidavit, that we
10 were to work together on issues.

11 So I wasn't going to issue a directive to
12 them without talking to them. And we'd better
13 have our case -- you know, enough evidence there
14 to kind of support what we're doing. We weren't
15 going to be implementing it ourselves. I mean,
16 BCLC's got the responsibility for conduct and
17 manage. But that was important. So, you know,
18 convince me, Larry, and then -- sorry,
19 Mr. Vander Graaf and then, you know, you get me
20 on board and then let's go forward. Like, we'll
21 talk to BCLC; we'll take this up the line to the
22 Minister. If we're looking for a directive, for
23 example.

24 Which, by the way, you know, I required the
25 minister's approval to issue a directive to the

1 BC Lottery Corporation under the *Gaming Control*
2 *Act*.

3 Q You mentioned this direction you received from
4 Ms. Wenezenki-Yolland to work with BCLC, I
5 guess, not just on this issue but generally on
6 any issues in the industry. Was it your
7 understanding you were not -- you were being
8 discouraged from raising issues to the Minister
9 or was that not the nature of the direction?

10 A I wouldn't use the word "discourage." I would
11 say, you know, the very nature of the *Gaming*
12 *Control Act* itself assumes that these two
13 entities are going to work together. They're
14 both Crown agencies, and so that was kind of the
15 expectation. And so I had worked for years at
16 Treasury Board staff within the Ministry of
17 Finance. I was well aware of how busy this guy
18 was.

19 And so I would say, you know, in terms of --
20 I was never given, like, an allotment of time
21 for him. It was based on the issue and
22 severity. And so, you know, I think I used the
23 word judiciously in my affidavit. If I didn't,
24 that's the word that comes to mind. It was
25 like, you need to -- you know, you need to -- I

1 mean, there's always going to be a -- I'd call
2 it a healthy tension between the regulator and
3 who they're regulating. But if there were other
4 issues, the expectation was that I was going to
5 manage those.

6 Q And was it your understanding that that
7 direction to work with BCLC meant you were
8 required to get their agreement to implement any
9 new measures or just that you were required to
10 consult with them?

11 A I would say consult. Yeah. And get their
12 input. Just -- I mean, one of the -- one of the
13 responsibilities under the act for the General
14 Manager is to -- and I think it says "must." I
15 must advise the minister on policy, standards,
16 regulatory matters, I believe. So I had a duty,
17 I think, from a policy perspective to identify
18 the potential impacts of any actions I might be
19 taking. So if I was going to issue a directive,
20 if I were him, I was going -- I'd want to know,
21 okay, so what impact is this going to have.
22 Could be an impact on public safety, you know,
23 problem gambling, you know. Those were the
24 types of issues that I had to make sure that,
25 you know -- that were brought forward so that he

1 understood what the impacts would be.

2 Q Let's move forward now. You mentioned that
3 there were some activities ongoing in GPEB at
4 the time that you arrived on this issue of
5 suspicious cash transactions, and you mentioned
6 the -- GPEB's cross-divisional working group.
7 You refer in your affidavit -- I think you say
8 that you attended a few meetings of that group,
9 but then largely left it to Mr. McCrea to
10 manage. Is that fair?

11 A Yeah. I'd never worked with Bill before -- or
12 sorry, Mr. McCrea. And as I did with many of my
13 executive directors, I attended a few meetings
14 of them and their staff just to get a sense of
15 how they did things, you know, to get to know
16 their staff a little bit. And it was no
17 different with Bill. Bill did not have any
18 staff reporting to him at the time, but he was
19 in charge of kind of running those two big
20 issues. The working groups were those two big
21 issues: e-gaming and anti-money laundering.

22 At the time I had eight -- Bill was a
23 director, I believe, but the other seven were
24 executive directors, and I did not have the time
25 to wade into those areas. I had to trust

1 that -- and I had no reason not to -- to trust
2 that those guys were, you know, managing, you
3 know, the issues and the files. And I met with
4 each of them, I believe, weekly up until maybe
5 2014. And then I kind of went to biweekly. And
6 part of that was for me to gain an understanding
7 of the files and the issues they were facing.

8 So even though it was a big priority, it was
9 something that Mr. McCrea was charged with
10 leading, so I let him lead. And I -- you know,
11 so I attended a few meetings, then I left it in
12 his hands. And like any of my executive
13 directors, if there were issues that required my
14 attention or direction or decision, then bring
15 them to me and, you know, it's my responsibility
16 to do that.

17 Q And do you recall if that's something that
18 Mr. McCrea did on occasion? Did he bring issues
19 to you arising from this cross-divisional
20 working group?

21 A Yeah, Bill was really good, like I said. He was
22 a couple offices down from me, and so, you know,
23 the -- I'd pass him in the hall, so he'd mention
24 this or that. And if there was anything that
25 that really required me to be paying attention,

1 then he'd come into my office. We'd sit down.
2 He needed my approval to -- you know, to get
3 the -- what turned out to be the Malysch review
4 done and the report. So that happened, I think,
5 in late February, early March, to get that work
6 done.

7 So yeah, Bill was -- I think like most of my
8 other executive directors, they were keeping me
9 apprised of what was going on. And they still
10 knew, I mean, even in February or March, I was
11 still learning the business and understanding
12 what the issues were. So at our executive team
13 meetings that was important, and it was actually
14 just as important for all of them to hear what
15 their counterparts were working on because that
16 wasn't necessarily happening and that was one of
17 the issues that lead to the GPEB review, but
18 I'll leave that.

19 Q You also mentioned GPEB's AML strategy. That
20 was already in place when you arrived; is that
21 right?

22 A That's right. I mean, there was -- I was given
23 some documentation when I got there to kind of
24 look at, and that was my understanding. My
25 understanding talking to Bill was, like, we're

1 kind of -- we're not necessarily done with cash
2 alternatives, but we're starting to look at the
3 possible next action that the regulator would
4 take.

5 Q And that next action the regulator would take,
6 that was what was identified as phase 3 of that
7 strategy?

8 A Yeah, of the strategy that was in place when I
9 got there. Yes.

10 Q Did you ever form a view as to whether that
11 strategy was sort of sufficient to address the
12 problem, or did you -- or maybe more generally,
13 did you develop any concerns about the strategy?

14 A I think it's in my affidavit, but I'd say by the
15 summer of 2014 I had -- I think I'd been -- you
16 know, I'd been to a couple of meetings with the
17 BCLC executive. In early 2014 there was a shift
18 in the CEO. Michael Graydon left and Jim
19 Lightbody came in. So we had a much -- Michael
20 and I frankly didn't have much of a time to get
21 a relationship going because I was running
22 around talking to everybody and trying to
23 understand issues, so -- but Jim and I had a
24 good working relationship, and I think he
25 understood, you know, the need to work together

1 as well.

2 And so -- sorry, I've lost my train of
3 thought. This is what happens when you get to
4 be my age. Sorry, what was your question again?

5 Q Just whether you formed a view as to whether
6 there were any issues or whether you developed
7 any concerns about the strategy.

8 A Yeah. So, you know, one of the things I've
9 heard from BCLC, and particularly their board
10 chair -- I remember being at a meeting, I think,
11 with the Minister and the board chair -- that
12 there was concern that there was illegal
13 gambling sites out there. And so in talking
14 with my group I think I came to -- and this was
15 kind of my own position initially, but it just
16 seemed to me that you needed to have a policing
17 presence to deal with the illegal gambling
18 outside the casino. I mean, there was obviously
19 a need to have some kind of presence inside the
20 casino too, but that was -- that could be a
21 shared responsibility with the service providers
22 and BCLC. And so that was important.

23 Cash alternatives were important. What we
24 didn't want to happen is if we started to ask
25 people where -- you know, where do you get your

1 cash, you know, and they didn't like that, were
2 they going to go to an illegal casino. And so
3 we wanted to make it easy for them. Like, we
4 might ask you where you got the cash, and if you
5 don't like that, well, we have these other
6 alternatives; right?

7 So I didn't see it -- I didn't like the
8 language that said phase 1, phase 2, phase 3. I
9 honestly believed that those sort of three parts
10 of cash alternatives, asking, you know -- a
11 focus on the cash or the source of funds more
12 generally, and, you know, an enforcement, a
13 police sort of presence, enforcement, if nothing
14 else, to disrupt illegal activity, that a
15 combination of those was required. And in an
16 ideal world you'd kind of implement them all
17 together and then kind of monitor that and see,
18 you know, where you need to spend more time
19 perhaps.

20 So that's kind of where I was, in my own
21 mind, kind of going with this. The phase 1
22 seemed -- there's nothing wrong with that, but I
23 just, you know -- I think if those things would
24 have been considered, maybe we would have got a
25 jump on -- you know, together, we would have got

1 a jump on things earlier. They were kind of
2 addressed in that order and I'm not sure that
3 that's -- and hindsight's 20/20. I wasn't there
4 when the strategy started and it might have made
5 perfect sense back then.

6 Q By the time you did arrive, I gather you were
7 already moving into phase 3. So I suppose it
8 was too late to adopt that approach of doing
9 them all at the same time; is that fair?

10 A Well, I don't think it was necessarily too late.
11 It was just we had a bit of work to do to figure
12 out what -- in terms of, you know, what
13 direction, you know, we would give BCLC or what
14 we would -- you know, what regulatory -- because
15 I had this question: what do we mean by
16 regulatory intervention? Like, what was the
17 thinking there. Like, the cash alternatives,
18 you know, you could go okay, well, PGF, you
19 know, electronic funds transfers. It was more
20 tangible. Like, I don't know what people were
21 thinking of in terms of regulatory intervention.
22 I think the slate was clean. It was up to us to
23 figure it out, and that's what we were trying to
24 do in the balance of 2014.

25 Q And I think we'll move to the Malysh report in a

1 moment, which I think was part of the effort to
2 deal with that.

3 Before we get there, BCLC was also an
4 important player in implementing this strategy;
5 is that right?

6 A Yeah. The changes I made later in 2014 to the
7 organization, I firmly believe that, you know,
8 as a regulator, we couldn't do this ourselves
9 and frankly we were in an environment where
10 there was no chance that we were going to be
11 able to do this ourselves. Money was tight.
12 There was all sorts of controls in place. And
13 even aside from that, you know, we needed BCLC
14 to be on board as our partner. We needed the
15 police to be present. We needed the service
16 providers, which are contracted to BCLC. So
17 sometimes when I say "BCLC" I'm including the
18 service providers because they have a
19 contractual relationship. But we weren't going
20 to solve this on our own. And, you know, Jim --
21 or sorry, Mr. Lightbody knew that as well. And
22 it was -- it made sense. And Jim and I met
23 regularly as well. We talked about these types
24 of things.

25 And so -- yeah, sorry. I've talked so long

1 again, I forgot what you asked me.

2 Q That's okay. My next question was going to
3 be -- I asked you if BCLC was an important part
4 of that strategy. And I guess my next question
5 would be, you know, in this -- roughly your
6 first year with GPEB as you were getting
7 oriented to the industry and what was happening,
8 did you have any concerns about their
9 participation or engagement in implementing a
10 strategy?

11 A I didn't have any concerns with that particular
12 strategy, but it was a part of a broader issue.
13 The act wasn't necessarily clear about -- in
14 terms of compliance more generally, our role
15 versus BCLC's. I wish the act was clear, but it
16 wasn't. And so -- and there was a history
17 between the two organizations. In some areas it
18 was not bad. In some areas it was -- it wasn't
19 good. And so one of my challenges when I first
20 got there was to, you know, to rebuild, I think,
21 a relationship, particularly on the compliance
22 side. So that's kind of overshadowing anything
23 we did, including AML.

24 Q And that's one issue I'll plan to come back to
25 in a little bit.

1 Before I get there, though you mentioned
2 earlier that you came to the view that law
3 enforcement engagement was important, an
4 important component of addressing this issue.
5 Did you get a sense when you first arrived at
6 GPEB what, if anything, law enforcement was
7 doing with respect to these large and suspicious
8 cash transactions in casinos?

9 A I guess my initial sense was I'm not sure we're
10 getting -- there's much activity doing on at
11 all. Like, in terms of investigations into
12 money laundering in casinos or that type of
13 thing, I didn't get any sense that that was
14 happening. And I base my recollection -- that
15 statement on the fact that we were providing a
16 lot of information to them through the
17 investigations division, and nothing seemed to
18 be happening.

19 So to me that raised some questions in my
20 mind. It's like, why do we keep doing this, you
21 know, and maybe we need to formalize an
22 arrangement with the RCMP in terms of at least
23 sharing information and, you know, as much as we
24 can pushing for, you know, more of a presence in
25 terms of dealing with issues in gaming. And

1 there's only so much we could do there. I mean,
2 they had their own priorities. I mean, it was
3 only later on that the opportunity presented
4 itself to kind of take advantage of it, and I'm
5 sure we'll get there.

6 Q All right, then. Let's -- you've mentioned a
7 couple of times now this Malysh report.

8 MR. McCLEERY: And Madam Registrar, can we pull up,
9 please -- it's Mr. Vander Graaf's affidavit,
10 which is exhibit 181. And I'm looking for
11 exhibit CC to that affidavit, which is at
12 page 293 of the PDF.

13 And for those working from the document
14 numbers, it's BCLC0000222.

15 Q All right. Mr. Mazure, you see the document on
16 the screen in front of you?

17 A I do.

18 Q And this is the report produced by Malysh and
19 associates for GPEB that you mentioned a couple
20 of times?

21 A It certainly looks like it, especially the first
22 page, yeah.

23 Q We'll come in a minute to some of the
24 recommendations that arose from that report.

25 MR. McCLEERY: But I first want to take you, if I

1 can, to page 317 of the PDF, Madam Registrar,
2 which is page 22 of the report.

3 Q And so we see there's a heading at the top of
4 the page that says "6.0 Gaming Businesses." Do
5 you see that, Mr. Mazure?

6 A Yes.

7 Q And then the first paragraph says:

8 "We surveyed AML compliance officers of
9 casinos in Canada, Nevada and Washington
10 State. Some of the Nevada companies also
11 had casino resort operations in other
12 countries."

13 Have I read that correctly?

14 A Yep.

15 Q This is a section of the report that deals with
16 the consultant's research into practices in
17 casinos in other jurisdictions. Is that
18 correct?

19 A Yeah, that appears to be so. It's been a while
20 since I've seen this report, so -- or gone
21 through it.

22 Q Fair enough.

23 A So it certainly looks like that the page is
24 dealing with, yeah, other -- practices in other
25 jurisdictions.

1 MR. McCLEERY: Let's move down, then, Madam
2 Registrar, to the next page. We'll see here
3 there's another heading that says "6.1 Cash
4 Acceptance." Do you see that?

5 A Yes.

6 Q The third paragraph down from that heading
7 says -- begins:

8 "Source of funds and source of wealth
9 interviews are becoming normal procedures
10 as FinCEN is developing policy initiatives
11 to increase the KYC/CDD --"

12 And do you understand that to be know your
13 client customer/customer due diligence

14 A I do.

15 Q Carrying on:

16 "... KYC/CDD activities, but this policy
17 is in its infancy and will take a few more
18 years to be fully implemented industry
19 wide. Casinos in Ontario generally will
20 not allow more than \$10,000 to \$15,000
21 Canadian cash in. These large deposits
22 trigger a CDD interview to learn the
23 source of funds. This interview is
24 usually conducted by the OPP police
25 officer."

1 Have I read that correctly?

2 A You have.

3 Q Do you recall any discussion arising from this
4 report about imposing these kinds of source of
5 funds interviews for large cash buy-ins in
6 casinos in British Columbia?

7 A Yeah. I think these discussions were happening
8 before that. I think -- I think our AML group
9 had a sense and some ideas about what can be
10 done. This report was intended to kind of
11 further inform that. Maybe there were things
12 that we weren't thinking of, and what are other
13 jurisdictions doing, so yes.

14 Q Do you recall if -- as a result of this report
15 or even perhaps later on, did you ever consider
16 whether GPEB investigators had the ability to
17 conduct these kinds of source of funds
18 interviews with patrons?

19 A I know this issue has come up a lot in front of
20 the commission. My recollection is a little bit
21 spotty on this one. You know, it's probably a
22 better question for Mr. Meilleur, I guess, at
23 least in 2015 on. But, you know, I know that
24 there were, you know -- there were concerns
25 about, you know, it really depends on who you're

1 questioning. If you know a little bit about the
2 patron and they have, you know, a criminal
3 background -- you know, I remember Mr. Vander
4 Graaf telling me that, well, we drive or own
5 vehicles; we don't have police cars; they're
6 going to know who we are.

7 So I think there was some -- there were
8 definitely some concerns, sorry, from a safety
9 perspective. The authority to ask them, I'm
10 just drawing a blank on it right now, to be
11 honest with you.

12 Q You mentioned that it might be a better question
13 for Mr. Meilleur. This report came out in
14 September 2014, which was I think still a number
15 of months away from Mr. Vander Graaf's departure
16 from the organization; is that right?

17 A That's right.

18 Q And you -- when this report came out, this is, I
19 think -- I would suggest Mr. Malysh is
20 identifying this as sort of an emerging new
21 practice in other jurisdictions. Do you recall
22 having that discussion with Mr. Vander Graaf at
23 that time as a result of this report as to
24 whether that's something that investigations
25 division should be doing?

1 funds declaration form. I do not recall
2 whether this Briefing Note was provided to
3 Ms. Wenezenki-Yolland or to Minister of
4 Finance, Mike de Jong, for direction or
5 decision."

6 I've read that correctly?

7 A You have.

8 Q The only reason I wanted to take you there is --

9 MR. McCLEERY: Madam Registrar, can we please see
10 GPEB0737.

11 Q I'd like to see if I've identified the correct
12 briefing note that you've referred to there.
13 Are you able to say whether this briefing
14 document on the screen is the one you refer to
15 in paragraph 75?

16 A Yeah.

17 Q And if you need to see more of it --

18 A I think the title and the -- was initiated by
19 Ms. Van Sleuwin, I think. I know the document
20 you're talking about.

21 Q Okay. And this is --

22 A And the date.

23 Q This is the briefing document you refer to in
24 that paragraph of your affidavit that I've just
25 read?

1 A Yes. Yeah. I mean, if you scroll down under
2 the "Options" section, I think it talks about
3 those various ones.

4 Q Yeah. With any of these documents feel free to
5 ask Madam Registrar to scroll up or down, if
6 that would --

7 A No, I'm pretty confident that between the
8 author, the timing and the title that that's the
9 one I'm referring to.

10 Q Okay. And what was Ms. Van Sleuwin's role at
11 that time?

12 A She was the executive director of our audit and
13 compliance division.

14 MR. McCLEERY: And, Madam Registrar, can we go down
15 to page 8, please. I think we're actually -- or
16 no, not there yet.

17 Q And if we go down to the bottom half of the
18 page, there's a heading there that says -- is
19 "Recommendation." And I'll just quickly take
20 you through that. It says:

21 "A multi-prong approach should be
22 considered as there are areas where we
23 need to be prescriptive because our
24 tolerance for risk is less and other areas
25 where we can provide general expectations

1 Patron Banning Strategy which may
2 include: BCLC and service provider
3 banning criteria; circumstances where
4 GPEB would ban a patron; and, time
5 frames for bans."

6 And the third bullet point:

7 "Solicit input from GPEB AML Working
8 Groups and Industry Working Group during
9 development and implementation stages."

10 Have I read that one correctly?

11 A I believe you have, yes.

12 MR. McCLEERY: If we can go to the next page, Madam
13 Registrar.

14 Q We see here, it looks like this was presented to
15 you for your approval; is that correct?

16 A That's the way it's written.

17 Q And do you recall whether you approved this or
18 not?

19 A Can you just -- sorry, I'm a little -- I'm
20 losing my sense of timing here on the dates on
21 this. Can we just scroll to the top, Madam
22 Registrar, just so I can confirm when this was
23 put in front of me. So this is early in 2015.

24 Yeah. So I think -- so this is just
25 subsequent to -- so, sorry, when this note was

1 written, Ms. Van Sleuwin was not -- I should
2 clarify that -- not the Executive Director of
3 Audit. She was one of the people that was let
4 go when I reorganized the branch. So this is,
5 you know, a month after I reorganized the
6 branch. So one of the things I asked her to do
7 was to -- I'm not sure I asked her to do it in
8 the form of a briefing note, but give me some
9 options here in terms of what we could do. And
10 that's probably the extent of the direction that
11 I gave her.

12 And indeed in the fall I think she had --
13 when she was the Executive Director of Audit,
14 she was -- she and her staff, I think a couple
15 of her managers, were working on some ideas
16 about, you know, what the language could look
17 like for a potential directive and that kind of
18 thing. So this is -- I mean, it's written in
19 the form of a briefing note with an approval
20 attached to it. I was looking for ideas and
21 potential -- you know, following up from the
22 Malysh report, what do we think we can do here.
23 And she's giving me a menu of things to choose
24 from.

25 This, from my perspective at this point in

1 time, was very ambitious. And I'm not sure, you
2 know -- like, I'm fairly certain I didn't take
3 this forward, you know, to -- because it was a
4 regulatory change that requires, you know,
5 getting the Associate Deputy Minister on board
6 because we need to get onto the -- you know,
7 there's a calendar for doing that sort of
8 activity within government and a process and it
9 talks about a public interest standard, which I
10 think I would be able to do myself, if I recall
11 the legislation properly. And a directive,
12 again, if it's to BCLC, we'd have to get the
13 Minister on board. It was a bit of a framework
14 we could work under and some options to pursue,
15 and that's the way I viewed it.

16 Q So even though it says "approved" -- at the very
17 last page suggests that it was ready for
18 approval, you didn't understand it to actually
19 be something that you could personally approve
20 and implement; is that fair?

21 A Well, I definitely knew I couldn't implement it.
22 I could say yeah, approval, we've got to take it
23 forward to get the requisite approvals of others
24 if required. And, I mean, I spent quite a bit
25 of time in the Ministry of Finance. This was a

1 standard briefing document. It's actually --
2 you can see on that first page it says "decision
3 required" and typically notes would go up for
4 information or decision required. And the fact
5 that this wasn't just -- I'm not sure why it
6 said "decision required." For me it would be
7 information.

8 If I was pushing it up the line, it would
9 require a decision, perhaps, of the Associate
10 Deputy Minister and for a directive from the
11 Minister. So it was something definitely put in
12 front of me, and I think with the change in
13 leadership responsible for this area -- so Len
14 Meilleur was now the executive director for what
15 I now call the compliance division. And just so
16 it's clear to everyone, that compliance division
17 included the former investigations division
18 staff, the audit staff and horse racing staff.
19 So I was looking for Mr. Meilleur at this point
20 to kind of take a look at this and see what we
21 needed to do next.

22 And I think the very last bullet that you
23 read on -- at the bottom there where it talked
24 about working with industry and talking to them
25 and consulting. I think it was on the -- at the

1 bottom.

2 Sorry, Madam Registrar, it's at the bottom
3 of the "recommendations" page.

4 Q It's page 8, I believe.

5 A Yeah. So I think it's to the effect that we
6 need to, you know -- we need to talk to industry
7 about this, and industry being BCLC and the
8 service providers and probably FINTRAC and
9 others. And so this is in January of 2015. By
10 June Mr. Meilleur is taking -- he's doing
11 exactly that. He's having his AML workshop with
12 everybody to talk about these types of things.
13 And also to get buy-in to the problem to make
14 sure we're all agreeing there is a problem here
15 now and we need to address it, and so what are
16 some of the options, so ...

17 Q I want to focus in on one of the elements of
18 this. If we look at the second -- I'll call it
19 sub-bullet point to the second bullet point.

20 Where it says:

21 "- introduce a public interest standard,
22 excluding the enhanced procedures, and
23 a regulation change which requires
24 that service providers, as a condition
25 of their registration, must comply

1 with Enhanced Cash Transaction
2 Handling Procedures and Enhanced
3 Reporting Requirements, as outlined
4 above, as established by GPEB."

5 And it's referring, I understand to --

6 MR. McCLEERY: If we go back to the previous page,
7 Madam Registrar.

8 THE REGISTRAR: I'm sorry, did you say up the page?

9 MR. McCLEERY: Page 7, please. Yes.

10 Q We see at the top of this page there's a heading
11 that says "Enhanced Cash Transaction Handling
12 Procedures" and the halfway down "Enhanced
13 Reporting Requirements" which are referred to in
14 that bullet point that I've just read.

15 Underneath "Enhanced Cash Transaction
16 Handling Procedures" the third bullet point
17 says:

18 "Cash transactions (in bundles of
19 denominations of \$20) received in excess
20 of prescribed amount cannot be accepted."

21 I'll suggest to you what this is proposing in
22 part is that the conditions of registration for
23 service providers would be amended such that it
24 will limit the amount of cash they could take in
25 in 20s. Is that how you understand this?

1 A Sorry, I just need to see the top of that page
2 there. I'm not sure what that says there, but
3 if it's -- if this paragraph is related to that
4 second option in the recommendation where it
5 talks of the terms of registration, then I
6 agree. I agree.

7 Q Well, let's -- I was using that as a premise.
8 Did you understand yourself as General Manager
9 of GPEB to have the authority to set terms and
10 conditions of registration without approval of
11 anyone else?

12 A I did.

13 Q Okay. So you could have implemented this
14 recommendation that the terms and conditions of
15 registration require service providers to limit
16 the amount of cash that they take in, whether in
17 a particular denomination or in some other way;
18 is that fair?

19 A Could I have done this? Yes. Sorry. Yeah. So
20 if -- this is one of the things that's really
21 bothered me. I cannot for the life of me
22 remember why we didn't. And two explanations
23 come to mind here. Some of this, when I look at
24 it now, you've got to be -- we had to be very
25 cognizant of the fact that we could not wander

1 into the conduct and manage mandate of BCLC. So
2 we had to be careful in that respect.

3 And there's another area. It came up, I
4 think, in the fall of 2017 where BCLC asked us
5 to include a term and condition, I think,
6 regarding a chief compliance officer position be
7 mandated for all service providers. And that's
8 another one where I'm a little perplexed, but I
9 think it has something to do with -- we had to
10 be careful we didn't wander into their conduct
11 and manage mandate, and -- you know, because of
12 the lack of clarity in the act in some areas.
13 In this particular one -- and I was -- my staff
14 knew this -- because I was new to this -- and I
15 also talked to our legal counsel more generally
16 about things, but I'd be very surprised if I
17 didn't ask for a legal opinion on this.

18 And so the fact that we didn't pursue it as
19 an option, I'm suggesting, came from one or both
20 of those reasons. Now, I would suggest, because
21 he probably remembers better than I,
22 Mr. Meilleur before he became executive director
23 of this new compliance division, he was the
24 executive director of the registration and
25 certification division, which is where the terms

1 and conditions -- where that responsibility lay.

2 So I'm not saying he has the answer, but
3 he's in a much better position probably to
4 answer that. He's much more familiar with
5 that -- those --

6 Q So that we're clear on your evidence, then,
7 you -- generally you agree that you had the
8 authority to set terms and conditions of
9 registration. But you're not sure if you had
10 the authority to do -- take this particular
11 action because it might have infringed on the
12 conduct and manage mandate?

13 A No question I had the authority. And in fact it
14 had been delegated to the executive director in
15 this particular -- the Executive Director of
16 Registration and Certification had the authority
17 to make changes to terms and conditions.

18 Q Okay. Thank you. I want to just digress for a
19 moment and discuss a change in bet limits that
20 took place in 2014, which you addressed in some
21 level of your affidavit, so I don't propose to
22 go through the entire story now. Am I --

23 THE COMMISSIONER: Sorry, Mr. McCleery, just before
24 you do that. Would you like to mark those last
25 two exhibits?

1 MR. McCLEERY: The last one that I just looked at was
2 GPEB0737, and I would like that one marked.

3 THE COMMISSIONER: All right.

4 MR. McCLEERY: I apologize for the oversight.

5 THE COMMISSIONER: That's fine. And the Malysh
6 report?

7 MR. McCLEERY: The Malysh report is already an
8 exhibit to Mr. Vander Graaf's affidavit.

9 THE COMMISSIONER: I see. Right. Thank you. Sorry,
10 I didn't mean to interrupt you. Or I did mean
11 to interrupt you, but I didn't want to derail
12 you. Go ahead.

13 THE REGISTRAR: So that would be exhibit 542,
14 Mr. Commissioner.

15 THE COMMISSIONER: Thank you.

16 **EXHIBIT 542: MOF Briefing Document - Minimizing**
17 **Unlawful Activity in BC Gambling Industry -**
18 **February 6, 2015**

19 MR. McCLEERY:

20 Q Mr. Mazure, returning to this bet limit increase
21 in 2014. Am I correct that you ultimately came
22 to the conclusion that BCLC did not require
23 GPEB's approval to increase betting limits?

24 A Ultimately, yes. It was -- I think, as I
25 mentioned, it was one of the first issues I had

1 to deal with after joining GPEB in terms of --
2 that involved, you know, potential use of
3 authority by the General Manager. So it was my
4 first exposure to that, and that's the decision
5 I arrived at, yes.

6 Q And did you -- though you didn't have authority
7 to approve it, did you provide advice or
8 feedback to BCLC on the proposal?

9 A Yeah. I think -- I talked to Michael Graydon, I
10 think, about this and said -- if I recall
11 correctly, you know, we were looking at -- these
12 were fairly substantial betting limits, so, you
13 know, we were looking at, you know, who bets at
14 this level and do we have a potential problem
15 gambling issue here or is it just that they've
16 got a lot of money and they're no different than
17 anybody else. You know, and I have -- because I
18 have -- I think I've seen a briefing note where
19 it talks about these things. We'd looked at it
20 from a money laundering perspective as well.

21 Now, remember at this point in time I'm
22 still trying to sort out what's going on here in
23 terms of money laundering because I'm still -- a
24 lot of diversity of views here, so but it was a
25 consideration that staff identified for me. I'm

1 not sure if there was other issues as well, but
2 those are the types of things that I identified
3 for Michael. And he was -- in fact I think he
4 wrote or called me and said he was frustrated it
5 was taking us so long to do this. And we were
6 under-resourced in that area. And I said, look,
7 it's -- blame me, not so much them. I'm trying
8 to understand what my authority is here, how
9 this fits in.

10 And I remember the outcome of that
11 discussion was I told him, like, you know, that
12 the section of the act we're talking about, it
13 has -- gives me authority. It doesn't say I
14 must, but it says I may, you know, exercise this
15 particular authority. It doesn't cover every
16 case that we can think of, so we're going to
17 kind of have to do this as -- on a case-by-case
18 basis. And he agreed and later had the similar
19 discussion with Mr. Lightbody to the same
20 effect. Like, we're going to have to kind of go
21 through this and hopefully some themes will
22 arrive -- you know, arise and say okay, for
23 these types of things you don't, and these other
24 types of things you do.

25 Now, the only thing I'll say to that is

1 over time I gained more experience on the AML
2 file, and I thought, you know, if a request
3 coming forward, especially a cash alternative
4 request came forward, I was tying that into the
5 overall strategy for anti-money laundering. So
6 I might feel that -- you know, that that's
7 something we may not be able to approve, but we
8 should definitely be working together on because
9 it's part of a broader issue.

10 MR. McCLEERY: Madam Registrar, can we please see
11 BCLC0015178.

12 Q Mr. Mazure, you mentioned a briefing document on
13 this bet limit increase issue. Is this the
14 document that you're referring to, at least as
15 far as you can tell from the first page?

16 A The title certainly suggests it, yeah.

17 Q And the date on which it was prepared is
18 December 13th, 2013. That's just a few months
19 into your time with GPEB; is that right?

20 A That's right.

21 Q And we'll look at a few of these as we go
22 forward and hopefully -- we can maybe orient
23 ourselves using this one. Where it says
24 "initiated by," what does that indicate?

25 A That's who requested the briefing note be

1 prepared. So it's not necessarily the person
2 it's intended to go to, which is the case here.

3 Q Right. And then where it says "ministry
4 contact," does that just indicate who you can
5 speak to if you want more information?

6 A Yeah. In this case I knew Ms. Thorneloe. She
7 was a couple offices down. But if this note was
8 going to the Minister, he wouldn't know her.

9 Q And do either of these fields indicate who
10 actually wrote the document?

11 A Usually the ministry contact. I'm trying to
12 figure -- think here now. Sorry. Typically it
13 would be the ministry contact. Like, if you
14 wanted to understand the details of this,
15 usually the ministry contact was the person who
16 wrote it. In this particular instance, I'm
17 fairly confident that Ms. Thorneloe wrote it,
18 and she reported to Ms. Jaggi-Smith, and she
19 would have approved it.

20 MR. McCLEERY: Okay. Thank you. Madam Registrar,
21 can we go to the bottom of page 4 of this
22 document.

23 Q Okay. And we see starting at this point,
24 Mr. Mazure, there's three options presented.
25 And I don't really need to go through -- well,

1 maybe I'll take you through quickly -- take you
2 through them quickly. Option 1 is:

3 "Approve Baccarat Table Aggregate Increase
4 but not other Table Games."

5 Under "pros" it lists:

- 6 "- Addresses the issue of player
7 convenience for Baccarat;
8 - Has potential to increase revenue from
9 high limit Baccarat;
10 - Prevents other table games, with
11 potentially higher risk, from
12 increasing their limits."

13 And then under "cons":

- 14 "- Does not address player convenience
15 for other table games;
16 - Increases the risk potential for money
17 laundering by \$10,000 per hand."

18 Under option 2 the heading is:

19 "Approve Table Aggregate Increase for all
20 High Limit Table Games."

21 MR. McCLEERY: If we go over the next page, Madam
22 Registrar.

23 Q The pros for that option:

- 24 "- Addresses the issue of player
25 convenience for high limit table

1 games;

2 - Increases the potential for gaining
3 revenue.

4 Cons:

5 - Increases the ability to launder large
6 sums of money for current high limit
7 games;

8 - Leaves the door open for other table
9 games to become high limit games;

10 - Does not align with the Problem
11 Gambling strategy or the PHO's
12 recommendations."

13 Option 3: Status Quo.

14 Pros:

15 - Aligns with current anti-money
16 laundering practices;

17 - Supports the PHO's suggestion to
18 consider potential harms of policy
19 changes.

20 Cons:

21 - May limit revenue generated by high
22 limit table games;

23 - Does not address the issue of player
24 convenience."

25 Have I read those correctly, if you could keep

1 up?

2 A Yes.

3 Q Would you agree that -- and I think you
4 mentioned this earlier -- it's evident from this
5 document that GPEB identified an increased risk
6 of money laundering as a potential result of the
7 increased bet limits; is that fair?

8 A Yes.

9 Q In providing advice to BCLC on this, do you know
10 if that potential increased risk of money
11 laundering was communicated to BCLC?

12 A Oh, yeah. I think I would have mentioned to
13 Michael these are the types of things that we're
14 looking at; right? And the big one in this
15 case -- sorry, not the big issue, but a major
16 issue for me was what authority do I have here.
17 And so -- and like I said before, I'm repeating
18 myself, but I'm still trying to figure out
19 whether -- how big and how -- you know, to what
20 extent there is a money laundering program -- or
21 not program, problem.

22 So -- and there is -- and this was a
23 function of the relationship at that point in
24 time when I arrived at GPEB, and this is
25 something that I had discussions with the people

1 who wrote briefing notes is if I could put it in
2 these terms: I want you to provide me with
3 realistic pros and cons. And I'm not saying
4 that these were unrealistic, but you can't
5 assume the worst, in particular behaviour of
6 BCLC or anybody else.

7 So I'm not saying this briefing note has
8 that, but, you know, there's -- you know, yes, I
9 would agree \$10,000, you know, per hand could
10 increase money laundering. I would argue a year
11 after this, if I would have got this request a
12 year later, my decision might have been a little
13 bit different. I might have thought because we
14 knew more about source of funds and we knew more
15 about, I think, the underlying problem, I
16 probably -- I'm not sure I would have made the
17 same decision. I might have said yeah, I
18 approve it in principle, but, you know, we
19 shouldn't -- if we're not -- this is about -- at
20 the point they're bringing cash into the casino,
21 unless we're taking care of that and we're
22 assured that's legitimate, this could make the
23 problem worse.

24 And I think that's what my staff were saying
25 to me. But at that point in time, I was still

1 trying to get a handle on these things. And I
2 guess the other thing I would say is this seemed
3 rather, you know -- to be kind of delving into
4 the details of the business. So I was still
5 trying to sort that out in my mind, to be honest
6 with you.

7 Q You say if this had come to you a year later you
8 might have made a different decision. If I
9 understand your evidence correctly, the decision
10 you made was that you didn't get to make this
11 decision. How might your decision have changed
12 a year later?

13 A Well, I think -- like I said, there was a grey
14 area there where is it conduct and manage or is
15 it something where I can weigh in. So that's
16 one thing. The more of these things that I had
17 to deal with, the more comfortable I got with,
18 okay, there's a grey area here that we -- you
19 know, that we can find ourselves in.

20 And the other thing is I honestly believed,
21 I think, at that point in time that, you know,
22 we needed to -- you know, it wasn't enough to
23 just -- we needed to ask -- start asking
24 questions about the source of funds. And there
25 was different ways of doing that. But, you

1 know, I can make the same point, and I think I
2 do later on -- I forget when it is, but BCLC was
3 looking to delimit convenience cheques. I think
4 this was in 2016. And I made a point at that
5 time, like, I'm willing to look at these cash
6 alternatives. Now, this wasn't an alternative
7 to cash leaving the facility, but, you know --
8 and we talked to FINTRAC about this as well.

9 I'm not prepared to kind of delimit
10 convenience cheques if we're not making sure the
11 cash coming in the door is legitimate; otherwise
12 we're just making the problem worse. There's a
13 parallel potentially with that limit. So I
14 might have made a different decision, like I
15 said.

16 And just to illustrate another example of
17 the grey area, because you're probably going to
18 ask me about it anyway. In January 2018 when
19 Peter German made the interim recommendation,
20 there's a good email thread there, a good, long
21 email thread about Jim -- Mr. Lightbody telling
22 me he thinks he's got the authority, and I'm
23 telling him I think I've got authority too. And
24 that's the way it was. If people want to
25 understand what it was like working in that

1 environment with an act that wasn't clear, this
2 is what it was like. And so it depended on the
3 relationship, depended on the issue.

4 Q Coming back to this briefing document, the pros
5 and cons for each option also each mention
6 revenue in some way or another. Is that your --
7 how you read those?

8 A Yep.

9 Q Did you believe it was within GPEB's mandate to
10 consider the revenue implications of this kind
11 of a decision?

12 A Sorry, I'm going to answer that in two ways. Or
13 not in two ways. There's two parts of it.

14 So you said GPEB, so GPEB was responsible
15 for the overall integrity of gaming. It doesn't
16 say subject to a minimum revenue of X or
17 something like that. So we never believed --
18 and my staff, if I would have disagreed with
19 them, I would've had a mutiny on my hands. They
20 were adamant that we don't worry about revenue.
21 And I agreed with them. We, the broader we.

22 But remember, I've been asked to advise -- I
23 must advise the minister on policy implications.
24 I worked at Treasury Board staff for years. I
25 advised Treasury Board on issues, implications,

1 impacts. So one of the implications -- and I
2 don't think it was specific to the fact that we
3 reported to the Minister of Finance. I would
4 have done it if we were still part of the
5 Ministry of Energy and Mines. I would advise
6 the Minister of potential implications of a
7 particular action. That could be player safety;
8 that could be problem gambling; that could be
9 revenue; that could be a multitude of things.

10 So it was in -- it was in my power as GM --
11 or not in my power. I was expected to advise
12 the Minister on that. But did I ever worry
13 about -- in terms of a directive, in terms of
14 the overall integrity of gaming? No. And
15 I've -- you know, I think -- we'll probably
16 cross this bridge at some point too.

17 MNP in their report, they talked about
18 balancing revenue and these types of things.
19 That's an area in their report we simply didn't
20 agree with. No, I never balanced, I never --
21 like, this is identifying a potential
22 implication for me. It's probably another thing
23 I talked with staff about is, like, if it's
24 going to the Minister, include it. If it's
25 going to me as a decision as the General Manager

1 of GPEB, I don't want to see it because it's not
2 relevant.

3 Now, I had some very interesting
4 discussions with the Associate Deputy Minister
5 about this because we were part of the Ministry
6 of Finance, and they cared about revenue. But I
7 had to make -- I remember making the point
8 within a discussion with her that we may end up
9 disagreeing at some point, and I'm the one with
10 authority under the act and I'm going to be held
11 to account for that. So it was one point I
12 wouldn't -- I never felt like there was any
13 question that that wasn't on the table.

14 MR. McCLEERY: Thank you. Mr. Commissioner, can we
15 mark this as the next exhibit, please.

16 THE COMMISSIONER: Yes. Yes, we can. Very well.

17 THE REGISTRAR: Number 543, Mr. Commissioner.

18 THE COMMISSIONER: Thank you.

19 **EXHIBIT 543: MOF Briefing Document - Table**
20 **Limits in Casinos - December 13, 2013**

21 MR. McCLEERY: And, Madam Registrar, can we now move
22 to BCLC16516.

23 Q And, Mr. Mazure, I think you alluded to this
24 earlier. This is a letter dated December 19th,
25 2013, to you from Mr. Graydon about this bet

1 limit increase; is that right?

2 A Yes.

3 MR. McCLEERY: And can we move to the last paragraph,
4 Madam Registrar. Just the bottom of the page.

5 Q In here Mr. Graydon writes:

6 "A very simple decision took 13 weeks to
7 resolve and if not for senior-level
8 intervention, BCLC and the Province of
9 British Columbia would miss out on an
10 important incremental revenue opportunity.
11 It is clear we can do better to save a lot
12 of time and effort on the part of our
13 staff, not to mention gaining a number of
14 weeks to execute this change with better
15 communication and before any documents are
16 created. "

17 Have I read that correctly?

18 A You have.

19 Q And you mentioned this earlier. Mr. Graydon was
20 displeased with the amount of time it took to
21 get a response from GPEB on this issue; is that
22 right?

23 A Very clear. I mean, he sent me this letter. I
24 think we also spoke on the phone about it.

25 Q In this paragraph at the beginning he refers to

1 senior level intervention. Do you know what
2 he's referring to there?

3 A Well, him and I, probably. Like, this request
4 would have come from probably his casino
5 division. And the fact that it got on his
6 plate, I think -- he's talking about him there.

7 Q Okay.

8 A I would have been involved in this anyway
9 because I didn't -- I wouldn't have delegated
10 this decision to somebody else. I would have
11 made it myself. So I think he's referring to
12 himself there.

13 Q Did Mr. Graydon approach the minister, to your
14 knowledge, about this decision?

15 A I don't recall. Sorry, I don't think he did.

16 Q No, that's fine, if that's ...

17 A Yeah.

18 MR. McCLEERY: All right. Can we mark that as the
19 next exhibit, Mr. Commissioner.

20 THE COMMISSIONER: Yes. That will be the next
21 exhibit.

22 THE REGISTRAR: 544, Mr. Commissioner.

23 THE COMMISSIONER: Thank you.

24 **EXHIBIT 544: BCLC letter from Michael Graydon**
25 **to John Mazure, re High Limit Table Changes -**

1 **December 19, 2013 (redacted)**

2 MR. McCLEERY: Okay. And, Madam Registrar, can we
3 now move to GPEB3227. And we can go to the
4 second page of that.

5 Q Mr. Mazure, this is a letter dated
6 December 24th, 2013, from you to Mr. Graydon; is
7 that right?

8 A Yes.

9 Q Was this in response to the letter that we just
10 looked at from Mr. Graydon to you?

11 A Yeah. Yes, it is.

12 Q I want to just --

13 A Sorry, I haven't seen this in a while, so I'm
14 just --

15 Q Yes.

16 A -- refamiliarize myself with it.

17 Q Please take your time with any documents to
18 identify them. Don't feel the need to rush.

19 I just want to direct you to the first
20 paragraph here.

21 A Yeah.

22 Q "Dear Michael: Thank you for your letter
23 regarding the high limit table changes. I
24 understand your frustration with the
25 length of time taken to receive a

1 response. As you are aware, GPEB's Policy
2 and Communications group is staffed at 40%
3 and response times can be challenging."

4 Have I read that correctly?

5 A Yes.

6 Q Why was the policy and communications group so
7 understaffed at that time, if you recall?

8 A At that point in time -- and I think for a good
9 chunk of time before that, as I recall being in
10 my other position -- but government was really
11 controlling its costs fairly closely. And there
12 was different ways of doing that, but one of
13 them was they were really scrutinizing when --
14 particularly if someone retired or left an
15 organization, I think they called it critical
16 hires, and that's what the committee was called
17 in Ministry of Finance when I joined GPEB. But
18 they were looking closely at whether that
19 position was critical or not in terms of the,
20 you know, success of the organization and the
21 mandate of the programs.

22 I wasn't there during this period -- or
23 during the period prior to this happening, but I
24 was told if we lost an investigator, it was
25 deemed critical and we could replace them. That

1 wasn't the case with policy and communications.
2 So as people left, we were not -- they were not
3 able to replace them, so I had -- I think the
4 two individuals that were on that previous
5 briefing note and an executive director who was
6 responsible for a bunch of other things, they
7 managed policy, communications, issues
8 management, which was huge for us.

9 We were -- I was confident -- I was fairly
10 certain when I joined GPEB that we probably had
11 enough people overall. I'm not sure they were
12 all in the right spots. And this is one area
13 that was really deficient, and it limited our
14 ability to respond.

15 And it doesn't say this here, but, you know,
16 I remember mentioning this to Michael. I said
17 look, if you wanted this in place, this
18 change -- like, this change, they wanted this
19 change in place for the Chinese New Year, which
20 is the end of January, beginning of February,
21 thereabouts. I said, going forward, get these
22 things to us as early as you can think about
23 them; give us more time to do this given the
24 resources I have; I can't throw more resources
25 at this, but if I have more time, you know ...

1 And this one was coloured by the fact that
2 you have a new ADM or new GM as well. And, you
3 know, the discussion I had with Michael Graydon
4 about that, I had exactly the same one with Jim
5 when he came on board, and Jim understood. And
6 so I think for the most part they got stuff to
7 us as quickly as they could. And the other
8 feature of that too was if you get it to me
9 quickly, I might be able to tell you whether I
10 even need to be involved or approve it, and then
11 you're good to go. And if I can do need to look
12 at it and approve it, then we'll get back to you
13 with questions that we have. So it was a way of
14 managing thing.

15 So remember, my marching orders were to work
16 with these guys. I would have done it anyway
17 because of the circumstance we found ourselves
18 in with the resources, but the two were
19 consistent, so ...

20 Q This was at a time when you were, you said, new
21 to the organization, and you were working on
22 getting up to speed on any number of issues,
23 including this issue of suspicious cash
24 transactions. Did this understaffing of your
25 policy division make it more difficult for you

1 to get up to speed on that issue and understand
2 the nature of the challenge you were facing with
3 suspicious cash transactions?

4 A Yeah. The one of the features of -- and we had
5 many discussions about this at our executive
6 about how, you know -- when we did -- after the
7 restructuring in particular about how we should
8 manage, you know, the -- you know, the analysis
9 and -- of, you know, potential solutions to a
10 problem and that, it was -- I'm not kidding
11 you -- it was vested in those two people when I
12 joined the organization. There was no capacity
13 in the investigations to do this type of work.
14 Similarly in registration and certification,
15 similarly in charitable gaming grants. This
16 group was -- we were overwhelmed.

17 And it was exacerbated by the fact that
18 gaming gets a lot of attention in the media.
19 There's a lot of media issues. So our
20 government -- it was called GCPE, Government
21 Communications and Public Engagement, that
22 branch of the Ministry of Finance, there were a
23 lot of demands on our organization. And I
24 didn't have any communications people. Those
25 policy people were doing that, so we were

1 serving the needs of the ministry and other
2 organizations, and also trying to respond to
3 BCLC.

4 And I remember thinking to myself at the
5 time, I'm supposed to be advising the Minister
6 on policy; we are reacting right now; we're not
7 proactive; we're not defining what the landscape
8 should look for in e-gaming; we're drowning in
9 all this other stuff. So there was huge
10 pressure on the organization. And one of the
11 changes resulting from -- you know, in December
12 2014 was, I split policy from the other corporate
13 functions, called it strategic policy with the
14 idea that one day we would be actually
15 proactively setting policy and being able to
16 respond to BCLC as well.

17 But these things take time, especially in an
18 environment where you can't hire other people.
19 You've got to wait for someone to leave, make a
20 decision if you need them there. And if you
21 don't, then we can add another body there. So
22 I'm not complaining about it. It was a reality
23 in government. Every ADM had that challenge.
24 But it -- you know, I was acknowledging, you
25 know, we could do better, I think -- not in

1 this, no, but we could do better the more notice
2 you give us because I can't throw people at
3 this. I simply don't -- I know I have 150
4 staff, but these three do something special.

5 Q Thank you. I want to move now to speak more
6 broadly as GPEB as an organization and a review
7 that was conducted in 2014 and some of the --
8 what arose from that. I think I'll just first
9 take you to your affidavit and ask you a couple
10 questions about some of what you've included
11 there.

12 A Sure.

13 Q If you go to paragraph 29 of your affidavit.

14 A Yep.

15 Q You say here:

16 "My initial impression of the GPEB
17 Investigations Division was that there was
18 significant frustration within the
19 Division. This was related to their
20 understanding of what the division did and
21 did not have the authority to do under the
22 *Gaming Control Act*, and a belief that not
23 enough was being done to address growing
24 Suspicious Cash Transactions (STRs)
25 reported by service providers, along with

1 a feeling they were not achieving
2 meaningful results."

3 Have I read that correctly?

4 A Yes.

5 Q Were you able to identify the authority the
6 division lacked that it believed it needed to do
7 its job?

8 A I think this stems to the -- I think it was a
9 result of frustration of they did a lot -- some
10 work, they provided the information to policing
11 agencies, and nothing happened. And I think
12 there was, you know -- I'm not sure I recall a
13 specific conversation, but coming back to me a
14 little bit, you know, in -- I'm going to -- my
15 words, not his -- Mr. Vander Graaf's dream
16 world, he would have -- his folks would have
17 that authority, not unlike the OPP, for example,
18 and have a presence, and we could do it
19 ourselves. And that was certainly an option
20 that -- you know, it may not be the cheapest or
21 the most realistic, but that was -- I think that
22 was the source of -- that was one source of
23 frustration, I think.

24 I think that was certainly a frustration, I
25 think, probably across the division. And I

1 didn't -- you know, when I say the
2 "investigations division," I'm primarily talking
3 about their senior leadership, so Mr. Schalk and
4 Mr. Vander Graaf. Although I've met and talked
5 to some of the investigators, I didn't really
6 get a sense there that -- you know, whether they
7 agreed with their leadership or not. You know,
8 they -- so there was frustration with that.

9 I think there was -- and then, again, this
10 is primarily the leadership, a frustration, I
11 think, with their -- the lack of action they
12 believed on the suspicious cash front and
13 their -- you know, they had a position, they
14 advocated for a solution and they were
15 frustrated, I think, that nothing had been done.

16 And I, you know -- as an ADM you only have
17 so much time. I wish the history that I've
18 learned through watching testimony here had have
19 been available to me when I joined the
20 organization because I didn't have time to go
21 back in time at that time to understand how long
22 this might have been an issue, right, and the
23 frustration with it. I simply didn't have the
24 time. So yeah, I think they were frustrated
25 that nothing had been done.

1 MR. McCLEERY: Madam Registrar, we can take that
2 document down now. Thank you.

3 THE COMMISSIONER: I'm sorry. Do you want those
4 letters marked, Mr. McCleery?

5 MR. McCLEERY: If I did not ask them to be marked,
6 then yes, I would. And I'll endeavour to better
7 remember to do that moving forward.

8 THE COMMISSIONER: I didn't have to interrupt you
9 this time. So --

10 THE REGISTRAR: It's exhibit 545.

11 THE COMMISSIONER: Yes.

12 THE REGISTRAR: Thank you.

13 **EXHIBIT 545: Letter from John Mazure to Michael**
14 **Graydon - December 24, 2013**

15 THE COMMISSIONER: Are they two separate letters or
16 just the one -- oh, the BCLC letter was marked
17 544, yes. So 545.

18 MR. McCLEERY: I got one of them.

19 THE COMMISSIONER: You did. All right. Thank you.

20 MR. McCLEERY:

21 Q Mr. Mazure, can we move down your affidavit now
22 and just look to paragraph 31, please.

23 A Sorry, which paragraph?

24 Q 31.

25 A Okay, yep.

1 Q You say here:

2 "The division would prepare and provide
3 reports of findings regarding suspicious
4 cash for others to review but was not
5 particularly active in the GPEB
6 cross-divisional working group on money
7 laundering. The Investigations Division
8 leadership had a firm position on
9 Suspicious Cash Transactions (SCTs) and
10 held to that position - that the
11 suspicious cash reported accepted at BC
12 casinos were the proceeds of crime."

13 I want to ask you a little bit about what you
14 understood the investigations division to have
15 been doing on this issue. The reports that you
16 referred to here, was that largely the extent of
17 the work they were doing on these suspicious
18 cash transactions or were there other
19 significant activities they were engaged in?

20 A I would've got information from Larry through
21 our calls, but in terms of actual information
22 for me to look at, the report of findings was
23 pretty much it that I recall. Yeah.

24 Q And did you -- I mean, you've given evidence of
25 the frustration you understood existed within

1 the division. Did you have discussions with
2 Mr. Vander Graaf about, you know, not just what
3 perhaps the minister could direct or BCLC could
4 do but what the investigations division with the
5 authority that it had could potentially do to
6 better address that issue?

7 A I think I had general discussions with
8 Mr. Vander Graaf, and definitely with my -- with
9 my executive team generally about, like, what --
10 it was my sense that when I joined the
11 organization that what they were doing was
12 largely the same as what they had been doing
13 five years before. And I was concerned, like,
14 the industry was changing so quickly, have we
15 taken a look at ourselves and kind of -- you
16 know, were we focused on the right things; were
17 we being efficient; were we being effective. So
18 I would have those general discussions with
19 Larry as well.

20 Q And you say in your affidavit that at the time
21 that you arrived Mr. Vander Graaf and
22 Mr. Desmarais of BCLC were not speaking to one
23 another; is that right?

24 A Yeah. That was my understanding. And
25 Mr. Desmarais reached out to me, and I still

1 expected Mr. Vander Graaf to manage his
2 portfolio, but it was a bit of a learning
3 experience for me. And I wanted to get the
4 perspective, and who better than the Executive
5 Vice President of BCLC responsible for that area
6 to hear it first-hand. It was more of an
7 education thing. Over time -- particularly when
8 Mr. Meilleur took over, by that time, you know,
9 like I mentioned earlier, I had formulated some
10 of my own views about this and I knew what
11 Mr. Desmarais's were, so -- and nothing
12 disrespectful to him, but in terms of my utility
13 of that conversation, it had served its purpose
14 and it was now up to Mr. Meilleur to work with
15 Mr. Desmarais.

16 Q Did you have an understanding as to whether the
17 unwillingness to speak to one another was mutual
18 or was it more one party unwilling to speak to
19 the other?

20 A That's a really he said/she said. Honestly,
21 like, you know, Mr. Vander Graaf worked in
22 Burnaby. I did see him every day. I talked to
23 him every week -- pretty much every week, I
24 think, at least in the first couple of months.
25 But there was a lot of history there, and I

1 just -- for me it was -- there were so many
2 other important issues for me than -- you know,
3 than that particular one. I mean, he knew my
4 expectations just like all my executive
5 directors in terms of the -- I call them the
6 marching orders that we had to work with BCLC.
7 So -- yeah, so I don't -- I'm not going to lay
8 into any one of them. Like, who knows; right?

9 Q Okay. Did you believe that that challenging
10 relationship had an impact on the industry's
11 ability to address the problem of suspicious
12 cash transactions?

13 A I do. You know, I don't recall this before, but
14 I think it was part of the testimony by either
15 one or both of those two individuals. In the
16 16 months that they were both acting while I was
17 there, they met once. On a portfolio as
18 important as the one we were talking about,
19 that's unacceptable.

20 Q Thank you. I want to move forward now to this
21 review of the organization that was undertaken
22 in 2014. And you discuss this at some length in
23 your affidavit so I won't ask you to give us the
24 entire history. But can you just briefly
25 explain what the purpose of that review was.

1 A Yeah. So I just alluded to it a little bit
2 before. I wanted to get a sense of what we were
3 actually doing and whether it was serving our
4 ends, whether we were focusing on the right
5 things, whether we were being effective. And
6 I'd gotten, you know, bits and pieces of
7 information, but I just didn't have the time to
8 do any further digging myself, and I needed an
9 objective opinion to help inform where we were
10 at right now.

11 I had a pretty good idea of the types of
12 things I want to do, and those are spelled out
13 in my affidavit in terms of I want to take a
14 different approach; I want to focus on risk; I
15 want to collaborate more with our partners.
16 That was the challenge, but that's something I
17 sought to do, so -- but I needed more
18 information to get a real sense because I
19 couldn't go around and talk to every -- I forget
20 what they were called, but people that analyzed,
21 you know, requests for charitable gaming
22 licences. I don't know what their specific
23 problems were and what they thought was going
24 well and what they thought wasn't.

25 So there was a need, I think, to -- morale

1 was not good in the organization overall either,
2 and I wanted to change that and I wanted them to
3 feel like, you know, we were going to change
4 where we think we needed to and in order to
5 figure out where that was, we needed to do
6 something. And so I talked with
7 Ms. Wenezenki-Yolland and that's what the
8 purpose of this review was.

9 And also from my perspective -- and this is
10 to do with Mr. Sparrow again -- but I honestly
11 believed that at that point in time our audit
12 and investigations divisions were working like
13 silos. I think they acknowledged they talked to
14 each other very little and I thought, how can
15 that be; they should be working hand in hand.
16 And in fact they were in Kelowna and Prince
17 George and I went up to those offices and
18 visited them, and they worked well together.
19 And I just thought, why can't that be the case
20 down south. But I needed the information and I
21 needed to hear it from them, and so that's what
22 this process was about.

23 MR. McCLEERY: Thank you. Madam Registrar, can we
24 please see GPEB4082.

25 Mr. Mazure, are you able to identify this

1 as the report that sets out the results of that
2 review?

3 A Yes, it looks like it.

4 Q And it's quite a lengthy report. I don't
5 propose to take you through all of it. But
6 maybe at a high level tell you what your
7 understanding of the conclusions of the review
8 were and any recommendations arising.

9 A So to really -- at a really high level, I mean,
10 they identified areas where we were doing well,
11 they identified areas where we should stop doing
12 things, they identified areas where we should
13 start doing things and identified areas where we
14 should continue to do things but we weren't
15 doing them very well. So it made
16 recommendations in terms of each of those areas,
17 what could be improved, and they identified
18 where things weren't going well, what some of
19 the reasons for those were that they had found.

20 And they also made a recommendation in terms
21 of how to restructure things to better align and
22 -- allow for alignment and integration of staff.
23 And that was informed by the fact that -- you
24 know, I had a feeling we had sufficient
25 resources; I just wasn't sure they were in the

1 right places and were we using our people as
2 effectively as we could. So generally that's
3 what the outcome was.

4 MR. McCLEERY: Thank you. Madam Registrar, can we go
5 to page 33 of the PDF, which is, I think,
6 numbered as page 32 of the report. Thank you.
7 And if we could -- right there is perfect.

8 Q So, Mr. Mazure, you see a heading about -- or I
9 guess as we see there, it about a third of the
10 way down the page it says "recommendation."

11 A Yes.

12 Q I'm going to go through what follows that for a
13 moment.

14 "Information gathered from GPEB
15 Investigators as well as BCLC revealed a
16 relationship so adversarial it has
17 resulted in dysfunction in several layers
18 within the division and BCLC. There are
19 several work units in GPEB that also have
20 weak alliances and relationships with BCLC
21 (note: more detail is provided on
22 stakeholder relationships section below);
23 however, none present the same level of
24 risk to GPEB as this one. The allegations
25 made by BCLC executives in the areas of

1 misreporting investigations data in the
2 annual report and investigations
3 mishandled to the point where charges
4 could not be laid are very serious. It is
5 recognized that this information is
6 sourced from one stakeholder, however. It
7 is recommended that GPEB undertake a
8 review of this division's priorities,
9 leadership practices, quality of files,
10 and organizational culture to confirm the
11 allegations. The supplementary report, by
12 Tom Steenvoorden, provides a background
13 and rationale that further supports this
14 recommendation. A new investigations
15 program is recommended for GPEB, built on
16 evidence generated from a review of the
17 area's current actions. This division is
18 a critical component of GPEB's mandate,
19 and the organization cannot risk its
20 credibility or the integrity of gambling
21 in the province by continuing
22 investigations operations in this manner.
23 One of the outcomes of an investigations
24 review is the messaging it sends to staff,
25 the GPEB in the ADM. GPEB are interested

1 in developing an accountable and
2 transparent organization."

3 Have I read that one correctly?

4 A You have.

5 Q Would you agree with the suggestion that fairly
6 serious allegations about the investigations
7 division were made in this report?

8 A I would agree.

9 Q And you understood that BCLC was the primary
10 source of those allegations?

11 A I wouldn't agree with that necessarily. I think
12 we talked to a lot of people. I think there
13 were 69 in total or something like that across
14 the organization, so BCLC certainly would have
15 provided their input.

16 Q It recommends a review of the division to
17 confirm the allegations. Was that review done?

18 A It was, but it was not done prior to the
19 restructuring that I did. My view was that I
20 couldn't wait for that to be done; we had to
21 move forward. You know, we had taken the better
22 part of, you know, the summer to do all of this
23 work. You know, the world didn't stop turning
24 because we were doing this internal exercise, so
25 we had to move forward.

1 So those were allegations. My feeling was I
2 knew enough based on the other recommendations
3 in the report that whoever and whatever --
4 wherever the current investigations division at
5 the time ended up in the restructuring, whoever
6 was going to be leading that division, I was
7 going to -- my intention was -- and I did --
8 charge them with looking into all of these
9 things. In this case the decision was to create
10 a compliance division of which investigations --
11 the former investigations division was included.

12 I made a decision that Mr. Meilleur was
13 going to lead that division. So I charged him
14 with looking into all of these things, and he
15 did. And I think over the balance of 2015 he
16 came back to me -- not in a single report or
17 anything like that, but just as he knocked some
18 of these -- looked into some of these things and
19 knocked them off or completed them, he let me
20 know.

21 So in form it was different. In substance
22 we followed through on that.

23 Q And it refers to a supplementary report by Tom
24 Steenvoorden. Are you able to tell us why a
25 supplementary report was produced, and was that

1 part of the original plan for the review?

2 A It was not part of the original plan for the
3 review. The people charged with doing the
4 review were from the strategic human resources
5 branch in the Ministry of Finance. They didn't
6 have expertise in policing and that kind of
7 area, investigations. So I met with them
8 regularly, probably once a month while the
9 review was going on, just to make sure that
10 staff were participating and being engaged. I
11 wasn't involved in the content.

12 But at one point they mentioned, we think we
13 need some help here because we're not
14 understanding some of the issues that are being
15 raised, and so we needed someone -- an objective
16 opinion with someone with expertise in policing.
17 I had met, I think, Mr. Steenvoorden before, and
18 so I talked to his ADM about being able to use
19 him to help out on some of the interviews
20 because he would have an increased
21 understanding, he could ask questions of -- you
22 know, and inform what we were looking at.

23 We also asked him to look at -- which beyond
24 my expertise; I think he might have recommended
25 it himself that, you know, if you're looking to

1 align and perhaps integrate these functions
2 better, then you need to be aware of some legal
3 cases in terms of evidence you gather for one
4 purpose may not be able to be used for another.
5 So it was -- so he did that as well, so ...

6 MR. McCLEERY: Can we mark that as the next exhibit,
7 Mr. Commissioner.

8 THE REGISTRAR: The next number is 546,
9 Mr. Commissioner. Oh, you're muted.

10 THE COMMISSIONER: Thank you, Madam Registrar. Yes,
11 thank you. 546.

12 **EXHIBIT 546: MOF Gaming Policy and Enforcement**
13 **Branch Review - September 18, 2014**

14 THE COMMISSIONER: Is this an appropriate time for a
15 break, Mr. McCleery?

16 MR. McCLEERY: Sure. Yes.

17 THE COMMISSIONER: All right. We'll take 15 minutes.
18 Thank you.

19 THE REGISTRAR: This hearing is adjourned for a
20 15-minute recess until 11:40 a.m.

21 **(WITNESS STOOD DOWN)**

22 **(PROCEEDINGS ADJOURNED AT 11:25 A.M.)**

23 **(PROCEEDINGS RECONVENED AT 11:39 A.M.)**

24 THE REGISTRAR: Thank you for waiting. The hearing
25 is resumed. Mr. Commissioner.

1 THE COMMISSIONER: Thank you, Madam Registrar.

2 JOHN MAZURE, a witness
3 for the commission,
4 recalled.

5 THE COMMISSIONER: Yes, Mr. McCleery.

6 THE WITNESS: I can't hear anything.

7 **EXAMINATION BY MR. McCLEERY (continuing):**

8 Q Thank you. Mr. Mazure, can you hear us? There
9 we are.

10 A Sorry.

11 Q Can you hear me now, Mr. Mazure?

12 A I can now that I have the headphones in.

13 Q They tend to help with that.

14 A Sorry.

15 MR. McCLEERY: Madam Registrar, can we please see
16 GPEB4081.

17 Q Mr. Mazure, before the break we spoke briefly
18 about a supplemental report prepared by Tom
19 Steenvoorden. Is this that report? And you can
20 scroll down if that would be helpful.

21 A Yeah -- no, it looks like it.

22 MR. McCLEERY: Yes. Madam Registrar, can we please
23 go to page 5 of the PDF, which I think is page 4
24 of the report.

25 Q You see, Mr. Mazure, about two thirds of the way

1 down the page there's a heading that says
2 "Recommendation"?

3 A Yes.

4 Q Just above that the paragraph says:

5 "Based on the interviews conducted it is
6 suspected that the intransigent position
7 taken by the current Investigation
8 Division leadership has led to the current
9 dysfunctional relationship with
10 stakeholders."

11 Have I read that correctly?

12 A Yes.

13 Q And the leadership of the investigation division
14 referred to there, is that Mr. Schalk and
15 Mr. Vander Graaf?

16 A I believe that's what is being referred to,
17 yeah.

18 Q And what do you understand this report to refer
19 to when they say the "intransigent position" of
20 the leadership with the investigation division?

21 A I think in this perspective, I think it's --
22 and, you know, to be honest, I'm not sure if I
23 addressed this in my affidavit, but at this
24 point in time and what I recall, I mean, in
25 terms -- I think it's referring to the

1 relationship with stakeholders, which
2 essentially there wasn't one. I think that's
3 what Mr. Steenvoorden is referring to.

4 Q He says --

5 A The other interpretation could be based on the
6 position they took with respect to suspicious
7 cash, but I think it was broader than that. I
8 think -- at least that's my understanding of
9 what was meant by this. So that might have been
10 part of it, but -- that might have contributed
11 to the dysfunctional relationship, but I think
12 that was a big part of it.

13 Q It's your understanding, then, that this
14 challenging relationship with BCLC was at least
15 in part the result of Mr. Vander Graaf's, say,
16 refusal to compromise on his position on the
17 issue of money laundering?

18 A Yeah, I'm not sure I would use "compromise on
19 his position," but at least entertain and
20 discuss other options.

21 MR. McCLEERY: Thank you. Can we get that marked the
22 next exhibit, please, Mr. Commissioner.

23 THE COMMISSIONER: Yes, very well.

24 THE REGISTRAR: Exhibit 547, Mr. Commissioner.

25 THE COMMISSIONER: Thank you.

1 **EXHIBIT 547: GPEB Review: Investigations and**
2 **Regional Operations and Audit and Compliance**
3 **Divisions Review - September 18, 2014**

4 MR. McCLEERY: And we can take that down, Madam
5 Registrar.

6 Mr. Mazure, in your affidavit you go through
7 what steps were taken to restructure and
8 reorganize GPEB following the review. So I
9 won't ask you to go through that now.

10 But I wonder if, Madam Registrar, we can
11 briefly see GPEB4089.

12 Q And, Mr. Mazure, this appears to be a briefing
13 document addressed to the Minister in which
14 you're identified as the initiator and the
15 ministry contact and it was prepared on
16 November 22nd, 2014. Is that right?

17 A Yes.

18 Q And the title is "Internal Operational Review of
19 the Gaming Policy & Enforcement Branch (GPEB) -
20 Update." Was this document provided to the
21 Minister essentially to update him on what was
22 being done in terms of the review and
23 reorganization of GPEB?

24 A Yes. I think when I began the review, shortly
25 before or after I began the review, I advised

1 them by way of briefing note as well that this
2 is what we were doing and why so he knew about
3 it. And now that the review was complete, this
4 was updating him on the, I think -- I can't
5 recall what follows below the note, but to
6 probably update him more generally what the
7 findings were. I don't know if it identifies
8 next steps or not, but -- but yes.

9 Q Sorry, go ahead.

10 A No, go ahead.

11 Q Did you receive any directions or feedback from
12 the Minister as to how the review should be
13 conducted or the steps that should be taken in
14 response?

15 A Could we scroll down so I can see exactly
16 what ...

17 Q Certainly.

18 A Yeah. No, I wasn't looking for direction from
19 him or a decision. I was updating him on where
20 it was going. I would think if he had any
21 concerns of what he saw there, I would have
22 heard about it either from him -- probably not
23 from him directly, but probably from -- through
24 Cheryl I would have -- or through
25 Ms. Wenezenki-Yolland, sorry, that I would have

1 probably heard about any concerns with what I
2 was doing.

3 MR. McCLEERY: Thank you. If we could have that
4 marked as the next exhibit, please,
5 Mr. Commissioner.

6 And we can take that down now, Madam
7 Registrar.

8 THE COMMISSIONER: Exhibit 548.

9 THE REGISTRAR: Exhibit 548.

10 **EXHIBIT 548: MOF Briefing Document - Internal**
11 **Operational Review of the Gaming Policy &**
12 **Enforcement Branch (GPEB) - Update -**
13 **November 22, 2014**

14 MR. McCLEERY:

15 Q And, Mr. Mazure, in your affidavit you indicate
16 that with the restructuring, several senior
17 level positions within GPEB were eliminated; is
18 that correct?

19 A Yes. They became redundant because of the
20 integration of -- well, for the compliance --
21 the new compliance division it meant we had two
22 executive directors and a director. I think
23 that was it in that area and then there were a
24 couple of positions in other areas of the
25 organization that became redundant as well.

1 Q And a number of people lost their jobs; is that
2 correct?

3 A I wouldn't say "lost their jobs." There was
4 a -- and I'm not going to specify the numbers
5 because I'm going to probably trip myself up.
6 But as I outline in my affidavit, there's a
7 process that's followed once a position has been
8 declared redundant, and I followed that process,
9 and that's set by the BC Public Service Agency.
10 And typically what you do is you look at are
11 there other areas to place them and are there
12 other areas where you're likely to be able to
13 place them because you can issue -- I forget the
14 terminology that's used now, but you can give
15 them working notice.

16 So I know on the fact of two individuals
17 that working notice was a couple of -- like, a
18 year and a half, I think, for a couple of
19 individuals. So once the PSA had -- sorry, I'm
20 saying "PSA"; I mean Public Service Agency --
21 once they'd identified, you know, the likelihood
22 of placing them in a couple of situations where
23 that was the case, I provided them with working
24 notice, and in those two cases we eventually did
25 place them elsewhere in the public service. And

1 then those that we couldn't were terminated
2 without cause.

3 Q And Mr. Schalk and Mr. Vander Graaf were
4 terminated without cause; is that correct?

5 A They were the two individuals that -- after
6 going through the process I just briefly
7 described...

8 Sorry. My lawyer is pointing to section 125
9 of my affidavit, so hopefully I'm not saying
10 anything different right now.

11 But yeah, that was the decision. And if
12 there were immediate opportunities, I, with any
13 of those individuals, explored them. And in one
14 case we did find a position right away. In the
15 other two I described earlier it took a little
16 longer. But the PSA's opinion was that -- there
17 was a couple opportunities that I explored for
18 Mr. Vander Graaf and Schalk right away. Those
19 didn't yield anything.

20 So we were left with -- the only option I
21 was left with was termination without cause.
22 And I'm going to say it here because it doesn't
23 get reflected anywhere else. These are not easy
24 decisions. You know, as someone who was a
25 public servant for a long time myself, most

1 people that get into public service, they have a
2 desire to do so, so you've taken away something
3 that's very important to them, and I understand
4 that. And it's never easy and it wasn't easy in
5 this case.

6 Q Were Mr. Schalk and Mr. Vander Graaf afforded
7 the same opportunities as the other individuals
8 terminated at that time to find other
9 opportunities in the public service?

10 A The answer is no, and that was based on the
11 advice of the Public Service Agency. I
12 mentioned the likelihood of finding something.
13 I followed their advice. In those two cases the
14 answer was no.

15 MR. McCLEERY: Madam Registrar, can we please see
16 GPEB4090.

17 Q Mr. Mazure, this is a briefing note addressed to
18 Ms. Wenezenki-Yolland dated November 26th, 2014;
19 is that right?

20 A Yes.

21 Q And do you recall if you wrote this or how this
22 was produced? And take you time to look at it
23 if you need to.

24 A Okay. If you could just scroll down a little
25 further, please. Yeah. And a little bit

1 further. Sorry, it's --

2 Q Take your time.

3 A And down to the discussion section. Yeah.

4 And -- yeah, just ... And then, sorry, just the
5 last page, I think. Yeah.

6 So I believe your question was did I prepare
7 this note.

8 Q Yes.

9 A The answer is yes. Only I could have prepared
10 this in GPEB. This is not something I could
11 have shared with anybody else or had anybody
12 else do for obvious reasons. Or maybe they're
13 not obvious. We're talking about two
14 individuals and letting them go, so this was
15 highly confidential.

16 Q Sorry, go ahead.

17 A Some of the language in here would probably have
18 been informed. I might have run it by our
19 strategic human resources branch to make sure I
20 wasn't saying something I shouldn't. And what I
21 mean is making sure, you know, I'm compliant
22 with the government's human resource policies.

23 Q Was the purpose of this document to obtain
24 Ms. Wenezenki-Yolland's approval of that
25 decision to terminate Mr. Schalk and Mr. Vander

1 Graaf?

2 A It is. I didn't have the authority; she did.

3 MR. McCLEERY: Madam Registrar, can we please see
4 page 3 of the document.

5 Q If you look, Mr. Mazure, to the very last bullet
6 point before the redacted portion. It says:

7 "For the same reasons, placing these
8 individuals elsewhere in government
9 would -- "

10 Sorry. I should start from the bullet point
11 just above. So the second to last bullet:

12 "Based on the concerns identified in the
13 review regarding the leadership
14 competencies of Larry Vander Graaf and Joe
15 Schalk their clarification levels, there
16 are no equivalent positions elsewhere in
17 GPEB to place the two individuals."

18 Next bullet point:

19 "For the same reasons, placing these
20 individuals elsewhere in government would
21 carry the same risks."

22 Have I read that correctly?

23 A You have.

24 Q And does that reflect the advice you received
25 from the Public Service Agency that it would not

1 be -- there was not a real prospect of placing
2 these individuals elsewhere in government?

3 A Two things, I think. It reflects their advice,
4 I think, in terms of likelihood in the future.
5 I did explore definitely one opportunity for
6 both individuals elsewhere in government. I was
7 asked questions, and the -- about Mr. Vander
8 Graaf and Mr. Schalk. The individual was also
9 familiar with both those individuals, and so
10 that opportunity did not bear fruit, if I can
11 use that.

12 So yeah, it -- you know, their positions
13 were redundant. We tried to follow a process,
14 but, you know, there were no opportunities
15 elsewhere immediately that I explored based on
16 advice, the PSA, and then the advice from the
17 PSA was also -- it's unlikely that they're going
18 to, you know -- if we were to give them working
19 notice that the result would be any different.

20 MR. McCLEERY: Thank you. If that could be the next
21 exhibit, Mr. Commissioner.

22 THE COMMISSIONER: Very well.

23 MR. McCLEERY: We can take that down, Madam
24 Registrar.

25 THE REGISTRAR: Mr. Commissioner, I just want to let

1 you know that this document was previously
2 marked as exhibit C for ID on November 12th.

3 THE COMMISSIONER: Thank you.

4 THE REGISTRAR: And now it's exhibit 549.

5 THE COMMISSIONER: Thank you.

6 **EXHIBIT 549: Briefing note prepared for Cheryl**
7 **Wenzezenki-Yolland dated November 26, 2014**
8 **(formerly exhibit C for identification)**

9 MR. McCLEERY: Thank you.

10 Q Mr. Mazure, were Mr. Schalk or Mr. Vander Graaf
11 terminated because of their persistent raising
12 of concerns about money laundering in British
13 Columbia casinos?

14 A No.

15 Q I want to move ahead. In your affidavit you
16 refer to some events that took place in and
17 around the summer of 2015 that I think had an
18 impact on your perception of the issue of
19 suspicious cash. Is that a fair statement?

20 A Sorry, did you say summer of 2015?

21 Q That's correct, yes.

22 A Yes. Yes.

23 Q Can you briefly -- well, one of those, I
24 understand, was a workshop that was organized at
25 least in part by Len Meilleur. Is that right?

1 A That's right. I think it was Len in conjunction
2 with -- oh, I don't know who was at BCLC. It
3 was either Brad Desmarais or Rob Kroeker, I'm
4 thinking. But the two organizations, I think,
5 were the sort of co-sponsors for that workshop.

6 MR. McCLEERY: Okay. Madam Registrar, can we please
7 see GPEB4008.

8 Q Okay. Mr. Mazure, this is a briefing document
9 addressed to Minister de Jong initiated by you
10 and the ministry contact is Len Meilleur. The
11 date of preparation is May 14th, 2015. And the
12 title is "June 4, 2015 Anti-Money Laundering
13 Workshop; 'Exploring Common Ground, Building
14 Solutions.'" Is -- this briefing document
15 relates to that workshop that you've just
16 described briefly?

17 A Yeah. I think it's just giving the Minister --
18 given the date here is giving him a heads up
19 that this is going to be happening. As you're
20 asking the question, I'm trying to remember
21 whether earlier in the year we had given -- sent
22 the Minister a briefing note to indicate kind of
23 where we were -- where we were at in terms of
24 regulatory intervention and we had some ideas, I
25 believe, that I recall that we'd shared with

1 him, and now we were going to -- we were
2 beginning to talk to the stakeholders about this
3 as well. And that was the purpose of this --
4 one of the purposes of this workshop, I think,
5 that Len and BCLC worked on.

6 MR. McCLEERY: Thank you. If that could be the next
7 exhibit, Mr. Commissioner.

8 THE COMMISSIONER: Yes. Very well. 550.

9 THE REGISTRAR: Exhibit 550.

10 **EXHIBIT 550: MOF Briefing Document - June 4,**
11 **2015 Anti Money Laundering Workshop "Exploring**
12 **Common Ground, Building Solutions" - May 14,**
13 **2015**

14 MR. McCLEERY: And, Madam Registrar, can we please go
15 to GPEB0753.

16 Q And, Mr. Mazure, this is a document -- you're
17 listed in the box at the top of the page on the
18 left-hand side. Does that indicate you were the
19 recipient of this document?

20 A Yeah. I don't -- sorry. The format of this
21 is -- I'm wrestling with it. Maybe if I could
22 see a little further along in the document,
23 like ... Yeah. Sorry, keep going down.

24 Yeah, so I'm guessing this is something
25 that -- yeah, sorry, keep going down. I'm going

1 to maybe let you finish scrolling down so I can
2 see this whole document so I can ... Yeah. So
3 I was going to say -- okay.

4 So Len would have -- I wasn't sure whether
5 this was prepared for me or this is something
6 that was prepared for me that I intended on
7 sending to the Minister, but it looks like it
8 was just prepared for me. Len would have
9 advised me probably -- his style was he didn't
10 usually wait very long, so he would have let me
11 know probably -- when did this thing run from?
12 9:00 to 4 o'clock, I bet you by 4:30 I knew. He
13 would have been telling me how it went. And
14 this is just, I think, putting it in writing and
15 letting me know who was involved.

16 As I recall at that time -- I'm not sure
17 how much time Mr. Meilleur and I had prior to
18 this event to talk about this, so I'm guessing
19 that's why he was giving me the detail on what
20 happened, so yes.

21 MR. McCLEERY: Thank you. If that could be the next
22 exhibit, Mr. Commissioner.

23 THE COMMISSIONER: 551.

24 THE REGISTRAR: Exhibit 551.

25 **EXHIBIT 551: GPEB Meeting Highlights -**

1 **Anti-Money Laundering Workshop: Exploring**
2 **Common Ground - June 25, 2015**

3 MR. McCLEERY:

4 Q And you -- in your affidavit you also refer to
5 learning some information about -- we can take
6 the document down, Madam Registrar -- learning
7 some information about the police investigation
8 into cash transactions and potential money
9 laundering in casinos; is that correct? Around
10 summer of 2015.

11 A Yeah, I think it was in mid- to late July Len
12 advised me.

13 Q And just maybe in general terms, what did you
14 learn of what the police were looking into?

15 A I think -- I mean, there was no detailed
16 provided. I'm not even sure I knew who the
17 individual was at that time, but there were
18 details -- I guess two things that stood out.
19 One is this is the first time I think since I'd
20 been there that we'd got sort of actual
21 confirmation from the police that they were
22 investigating someone with criminal activity
23 directly involved in gaming. So that was the
24 number one.

25 And the number two always -- I -- the term

1 TNOG was used, transnational organized crime.
2 So this was not -- this was huge. This was a
3 global thing. This wasn't -- I hesitate the
4 give the example, but this wasn't -- not that
5 this isn't a crime either, but this wasn't a
6 couple of guys that grew marijuana in their
7 backyard and used the proceeds and came and
8 gambled. It's still a crime, but this was huge.
9 This was a big issue and -- so yeah. So Len
10 advised me of that. And that -- to be honest
11 with you, that's probably all I knew and all he
12 told me.

13 Q And I understand around this time as well,
14 the -- I guess the compliance division by that
15 point had begun to engage in some -- undertake
16 some new analysis of large cash transactions in
17 casinos; is that correct?

18 A That's right. So this is -- the spreadsheet,
19 everyone knows what that means, at least at
20 GPEB. So there was, yeah, a spreadsheet. Yes,
21 that's correct.

22 Q And these -- I think you describe that in your
23 affidavit at some length, so I won't go into it
24 here. Can you speak to how these events that
25 all happened around the same time impacted your

1 understanding and your sense of this issue of
2 large suspicious cash transactions in casinos?

3 A Yeah. I kind of -- I don't think I referred to
4 it at the time, but when I look back now, there
5 was a little bit of a perfect storm happening at
6 that time. We had -- GPEB was far along enough
7 in its thinking in terms of what it wanted to
8 do. It was now engaging stakeholders and that's
9 what the workshop was. And coming out of that
10 workshop some of the outcomes and
11 recommendations were encouraging.

12 Then we had the notification of the police
13 investigation and sort of some broad details
14 about who was involved and that there was an
15 actual investigation into gambling, you know,
16 criminal activity involving gambling. And I
17 think it's been overused now, but BCLC threw
18 them a minnow, and it turned out to be a whale.
19 So there was that.

20 And there was the -- the presentation of
21 the information in a different way gave more
22 information on -- rather than just suggesting
23 there were loan sharks or there were money
24 facilitators or other types of behaviour, we
25 actually had -- we knew who certain individuals

1 were and their associates and that type of
2 thing, so -- and it also helped -- I'm not
3 saying it was a good thing because it wasn't,
4 but we had a spike. I call it the spike in
5 suspicious cash really rose in July.

6 So you had a bunch of things happening at
7 once that grabbed everyone's attention,
8 including mine. It's not like we weren't
9 thinking about this before, but all of a sudden
10 we -- you know, we understood that there -- you
11 know. And there was an appetite, I think, more
12 generally to do something, and you know, I think
13 there was -- generally everyone was thinking
14 yeah, we need to do more.

15 So it was a -- you know, it might -- you
16 know, if that event happened three years
17 earlier, that would have been great, but it
18 happened when it did and we seized the
19 opportunity, I'd like to think.

20 Q And this led to a briefing -- these event and
21 this sort of change in perspective led to a
22 briefing of the Minister in September of 2015;
23 is that right?

24 A Yeah. As best I can recall, I think we went in,
25 like, mid-December -- or sorry, mid-September to

1 the Minister. There was a flurry of activity
2 that happened, I think, in the last couple weeks
3 of August and the first couple weeks of July to
4 get all the information together and book some
5 time with the Minister. But --

6 Q And --

7 A To my recollection that happened in
8 mid-September, yeah.

9 Q Did you request a briefing with the minister or
10 how did that come about?

11 A It's a little bit embarrassing, but I was on
12 vacation for much of this time. I was called, I
13 think, a couple of times by Len once we got
14 the -- you know, the -- you know, once
15 Ms. Wenezenki-Yolland was briefed and so there
16 was a bunch of activity, including getting some
17 time with the minister.

18 Q And were you present for the briefing with the
19 Minister?

20 A Yeah. I think I returned from vacation three or
21 four days probably before that meeting, so I was
22 at the meeting, yeah.

23 Q What information was conveyed to the Minister in
24 the meeting?

25 A There's a briefing note that proceeds a bunch of

1 measures -- sorry, bunch -- several measures
2 that we were contemplating taking, and they ran
3 from, you know, different types of directives
4 that could be issued to BCLC to take some action
5 in terms of cash, source of funds, I guess. You
6 know, the opportunity presented itself to, you
7 know, seek maybe a joint interdiction team with
8 the police.

9 Now that they were interested and they were
10 working on a file themselves, we thought there's
11 an opportunity to strike while the iron is hot,
12 so to speak, and see if there's an appetite for
13 a joint team there.

14 We also -- coincidentally there was -- the
15 legislation that FINTRAC operates under was
16 being reviewed by the federal Ministry of
17 Finance, so we took an opportunity -- I think we
18 would have done that one anyway, but it was
19 thrown in the mix to the Minister. It was more
20 about advising him and the necessary asking him
21 to choose that. But there was also the review
22 of, you know, AML practices within the River
23 Rock Casino specifically because that -- that's
24 where the bulk of the cash that was identified
25 in that spreadsheet and the July spike came

1 from, so there was -- the review was part of
2 that.

3 We were -- it was something we always
4 intended on doing, and it was -- kind of flowed
5 from -- I should get some money from Mr. Sparrow
6 every time I mentioned his name. But he talked
7 about intelligence and analysis and that type of
8 thing. So GPEB was working towards establishing
9 an intelligence unit and I think we were looking
10 for endorsement from the ministry to do that.

11 I probably missed something, but there was a
12 lot of -- like, you know, we'd been working for
13 a while. We'd identified -- oh, there were
14 other things that were identified coming out of
15 the workshop. Sorry, that was the other one. I
16 think four areas there. So quite a bit of
17 information to provide the Minister with and we
18 were seeking direction obviously to move forward
19 on probably all of those fronts.

20 MR. McCLEERY: Madam Registrar, could we please see
21 GPEB0770.

22 Q Mr. Mazure, you just mentioned a document that
23 was provided to the Minister in conjunction with
24 that briefing. Do you recognize this document
25 as the document provided to the Minister?

1 A Yeah. I think the date and -- it was -- the
2 contact is Len, so yes, I think that's it.

3 MR. McCLEERY: Okay. If that could be marked the
4 next exhibit, Mr. Commissioner.

5 THE COMMISSIONER: Yes, 551.

6 THE REGISTRAR: Exhibit 552, Mr. Commissioner.

7 THE COMMISSIONER: I'm sorry, 552.

8 **EXHIBIT 552: MOF Strategy Document - Gaming**
9 **Policy and Enforcement Branch's Anti-Money**
10 **Laundering Strategy: Phase 3 - September 3,**
11 **2015**

12 MR. McCLEERY: Now, if I could -- Madam Registrar, if
13 we could go down just to page 10 of the
14 document.

15 Q Mr. Mazure, under the heading in italics
16 "Ministerial Directive to GM/BCLC" it says:

17 "In line with the recommendation of the
18 June 2, 2015 anti-money laundering
19 workshop recommendations, GPEB is in the
20 process of developing a Ministerial
21 Directive that will enhance current
22 initiatives and measures on AML. A
23 two-part approach to the directive is
24 being recommended."

25 It carries on:

1 "The first part requires a broad
2 Ministerial directive establishing
3 obligations that BCLC must carry out.
4 This is followed by a detailed General
5 Manager directive on specific initiatives
6 with a focus on establish source of funds
7 and source of wealth."

8 Have I read that correctly?

9 A Yes.

10 MR. McCLEERY: If I can now -- Madam Registrar, can
11 we see GPEB0767.

12 Q We have here another briefing document again
13 addressed to the Minister. You're listed as the
14 Minister contact. It's initiated by ADM, which
15 I suppose could be you or Ms. Wenezenki-Yolland.
16 Do you recall who that was intended to refer to?

17 A No, I can't remember whether that's me, or ...

18 Q That's fine.

19 A Yeah, sorry.

20 Q That's fine. We can see from the date it's
21 around the same time period, September 2015;
22 correct?

23 A Yeah. And then the date prepared was
24 September 1st, so even though it says that I am
25 the contact -- so I know earlier I said the

1 contact is usually the person that prepared the
2 note, but I was probably camping somewhere when
3 this note was prepared. So I'm guessing Len or
4 someone in our policy area probably prepared
5 this and if there were questions about it from
6 the Minister, he was to talk to me. That's --
7 so it wasn't always the contact that prepared it
8 because I'm pretty sure I didn't do this one.
9 I've got to provide credit where it's due.

10 Q Fair enough. The last document I took you to
11 referred to a ministerial directive. I'm going
12 to suggest to you this is a briefing document
13 that's intended to provide the Minister with
14 proposed directives in accordance with that
15 passage from the last document. Does that
16 accord with your recollection?

17 A Yeah. I think -- it looks like this document
18 was prepared before the other one, and so -- but
19 I -- I don't know for sure, but my recollection
20 would be they were both -- we didn't prepare
21 documents for the Minister unless we were going
22 to take them forward. So my -- I'm fairly
23 confident that both of these went together. The
24 other -- the previous document, I think, was
25 making some specific recommendations, but if I'm

1 correct, this document has a bunch of
2 combinations of directives that could be used to
3 advise -- provide -- to direct BCLC to take
4 further action on source of funds, I believe.
5 So ...

6 MR. McCLEERY: Thank you. Mr. Commissioner, if that
7 could be the next exhibit, please.

8 THE COMMISSIONER: Yes, very well. 553.

9 THE REGISTRAR: 553.

10 **EXHIBIT 553: MOF Briefing Document - Options**
11 **For Issuing Anti-Money Laundering Directives to**
12 **BCLC - September 1, 2015**

13 MR. McCLEERY:

14 Q And, Mr. Mazure, did a ministerial directive or
15 was a ministerial directive issued in the wake
16 of this document and the briefing from September
17 2015?

18 A No, it wasn't.

19 Q And are you able to speak to speak to -- I
20 appreciate it wasn't your decision. Are you
21 able to speak to why a directive was not issued
22 after it was recommended by GPEB?

23 A I honestly cannot remember this meeting. I
24 mean, I remember when it took place, but I don't
25 remember -- and Minister de Jong, it was not

1 uncommon for him to take advice, ask questions
2 and then we'd hear back from his staff or I'd
3 hear back from Cheryl about what the decisions
4 were.

5 Q Thank you.

6 A And I suspect that that might be the case here.

7 Q There's one other briefing note I want to put to
8 you quickly before moving forward. And I'll
9 refer you first, actually, to paragraph 187 of
10 your affidavit.

11 A Okay.

12 Q Do you have it there?

13 A I do.

14 Q So it says:

15 "In May 2016, a decision note was prepared
16 by GPEB for Minister de Jong seeking
17 Ministerial approval of a General
18 Manager's directive to BCLC to set a
19 threshold for accepting unsourced cash
20 from patrons. I do not recall whether the
21 Decision Note was provided to Minister
22 de Jong. In any event, this option was
23 not implemented."

24 I was hoping to identify that document.

25 MR. McCLEERY: Madam Registrar, can we please see

1 GPEB0874.

2 Q Feel free to ask Madam Registrar to move the
3 document.

4 A Yeah, yeah.

5 Q Is this the document you're referring to?

6 A Yeah, I think -- go down to the -- if there's
7 options or recommendations, Madam Registrar, if
8 you could. I think that's the -- yeah, yeah.
9 That's the document I believe I'm referring to
10 here.

11 MR. McCLEERY: Okay. If that could be the next
12 exhibit, Mr. Commissioner.

13 THE COMMISSIONER: Very well. 554.

14 THE REGISTRAR: Exhibit 554.

15 **EXHIBIT 554: MOF Briefing Document - Anti-money**
16 **Laundrying Strategy (Phase 3 Initiatives) - Date**
17 **Requested: May 17, 2016**

18 MR. McCLEERY:

19 Q Mr. Mazure, in your affidavit you say you don't
20 recall if this went to the Minister. Does
21 seeing the document at all refresh your memory
22 on that front?

23 A No. And I -- you know, I also asked for -- one
24 of the documents I asked for was my calendar
25 while I was the General Manager of GPEB, and I

1 don't see anything -- any meetings with the
2 minister, so -- but that doesn't mean the note
3 didn't go to him. You know, we had a lot of
4 notes that went up where we didn't get time to
5 sit down with him and talk about them because of
6 his other commitments. So I just cannot recall
7 in this instance whether this went up to him and
8 what the decision was. Although it's clear that
9 we didn't get approval, I'm just not clear
10 whether it was sought.

11 Q So it will be fair to say, though, that none of
12 these directives were ever implemented by
13 Minister de Jong?

14 A None of the ones we've talked about, no.

15 MR. McCLEERY: Thank you. We can take that down,
16 Madam Registrar.

17 I want to move ahead now to some
18 correspondence that you engaged in, which you
19 refer to in your affidavit, with Mr. Lightbody
20 of BCLC.

21 Madam Registrar, I wonder if we can see in
22 Mr. Lightbody's affidavit, which is exhibit 505
23 to -- in the commission's exhibits, if we could
24 see exhibit 48 to that affidavit.

25 Mr. Mazure, if you can see this, this is a

1 letter from you to Mr. Lightbody dated
2 August 7th, 2015; is that right?

3 A Correct.

4 Q And was this also a response to some of the
5 events that you described earlier from the
6 summer of 2015?

7 A Yes.

8 Q What were you trying to achieve with this
9 letter?

10 A I'm not sure. I think -- before I went on
11 vacation, which I think was just when this
12 letter was sent, him and I might have even had a
13 call about this beforehand. But, you know, this
14 would have been the -- I think in response to, I
15 guess, a couple things. One is the workshop
16 itself and the sort of recommendations coming
17 out of that, and also this followed very shortly
18 on the heels of the notification that the police
19 were undertaking an investigation.

20 So we always had plans, I think, of going
21 to the Minister fairly -- you know, if it wasn't
22 September, it might have been October or
23 November. Anyway. This just precipitated the
24 need to do so. And I thought we -- I needed to
25 act before that. So this is not a directive,

1 assessment. This assessment should be
2 based on suspicious current
3 transactions occurrences."

4 Have I read that correctly?

5 A Yes.

6 Q When you say "identifying source of wealth and
7 funds as integral components to client risk
8 assessment," did you have -- something specific
9 in mind that you wanted BCLC to impose?

10 A I think what we were trying to convey here
11 was -- and it doesn't actually -- when I look at
12 it now, I would have preferred the wording
13 "source of wealth and source of funds." I think
14 it says that anyways, but we were pointing to
15 source of funds. Like, you really need to be
16 looking at that. It's not enough to just look
17 at the wealth and the individual; you need to
18 look at the actual source of funds. Which I
19 think they had begun doing earlier, but the
20 message here was we need to do more work. And
21 I -- this came out of the workshop as sort of a
22 common outcome.

23 So this wouldn't have been -- these four
24 points shouldn't have been unexpected coming
25 from me to Mr. Lightbody. So -- and I think the

1 key thing that -- the key part of this for me is
2 the last sentence that you just read, which is,
3 you know, you need to be kind of monitoring this
4 in terms of what this means for suspicious cash.

5 Now, I know I said earlier that it's a
6 proxy, you know, for money laundering
7 potentially or proceeds of crime. But we also
8 had more information at this point in time that
9 suggested the relationship was probably stronger
10 than we knew before, so ...

11 MR. McCLEERY: Madam Registrar, can we please move to
12 exhibit 53 to Mr. Lightbody's affidavit. And
13 the document reference is GPEB0775.

14 Q Mr. Mazure, this is a letter from Minister
15 de Jong to the chair of the BCLC board, Bud
16 Smith, dated October 1st, 2015; is that right?

17 A Correct.

18 Q And you and Mr. Lightbody were copied on this
19 letter; correct?

20 A Yes.

21 Q I want to take you down to -- you can see at the
22 bottom of the page Minister de Jong identifies
23 three -- lists three items I think he's asking
24 BCLC to take.

25 A Yeah.

1 transactions remain prevalent; the situation
2 must be addressed." So there's a call for
3 further action there.

4 And I didn't want -- you know, we weren't
5 suggesting that BCL -- sorry, BCLC discontinue
6 or stop looking at source of wealth, but we were
7 talking about source of funds and the key part
8 is prior to accepting it, you need to look at
9 the source of funds before you accept it. So
10 it's not -- this goes beyond the FINTRAC
11 obligation, which is to -- you know, to monitor
12 and report. This goes a step further. You
13 know, there's direction now that we don't want
14 to take this money in unless we're sure or we --
15 yeah, let me just leave it at that. So that's
16 essentially what this was intended to convey.

17 Q Did -- when you wrote your letter of August 7th,
18 did you expect at that point the Minister would
19 be writing this letter in October?

20 A No. Because I don't think I'd seen the
21 spreadsheet yet. And so I'd be aware of the
22 June 24th workshop. I would be aware of the
23 notification on the police investigation. Those
24 things in and of themselves told me that we have
25 a problem here that we need to look at. So

1 that's what I was suggesting at this point.

2 So this letter came after -- in fact, this
3 letter, I can remember, we started drafting it
4 the day after we met with the Minister. So we
5 got direction fairly quickly.

6 Q Did you ask the Minister to write this letter or
7 issue the directive because you did not get the
8 response you had hoped for from your August 7th,
9 2015 letter?

10 A I'm trying to think of the timing on this now.
11 I believe so, yes. I mean, I think once the --
12 and if I didn't say it -- I actually recall
13 Ms. Wenezenki-Yolland saying, you know, that it
14 will be useful if you could endorse what
15 Mr. Mazure is -- you know, if you agree,
16 like ... And so this was trying to, I guess,
17 for lack of better terms, drive home the point.

18 Q And I won't take you through all of the letters.
19 You carried on correspondence with Mr. Lightbody
20 for a couple of years repeatedly raising this
21 issue of source of funds; is that correct?

22 A Yeah. I think there were subsequent letters
23 in -- early in 2016 and maybe the summer of
24 2016, and then in May, I think, of 2017. So
25 yes.

1 Q And at any point did BCLC implement the kind of
2 measures that you believed satisfied your
3 request or the actions you suggested they take
4 in your letter of August 7th, 2015?

5 A No. And that's why I kept writing the letters.

6 Q Over this course of time, you know, roughly two
7 years you're writing back and forth with
8 Mr. Lightbody. Following the Minister's letter
9 of October 2015, did you go back to the Minister
10 and tell him that BCLC was not doing what you
11 were asking them to do?

12 A I can't remember specifically whether -- well,
13 we would have talked to him, like I said before,
14 about the upcoming letter of expectations for
15 the year coming. So again, like, to kind of
16 repeat what I said earlier today, definitely at
17 that point in time -- and I think there were --
18 you know, there were briefings with him over the
19 course of this. There were other events going
20 on. So, for example, when we updated him on
21 JIGIT, we would have been talking about this as
22 well.

23 Typically when we develop a note for an
24 update -- to update the minister on an issue,
25 we'd usually -- it made for a long briefing

1 note, but it -- in case he had forgotten, we'd
2 talk about, this is what -- where we -- this is
3 what we were intending to do; this is where we
4 started; this is where we're at; this is what we
5 need going forward, if anything, from you, or
6 these are what our next steps were. So we would
7 have done that in this case too. So, you know,
8 when we briefed him on the MNP report, we would
9 have talked about this.

10 Q And in all of that time in your briefings with
11 the Minister, do you recall him reacting to this
12 notion that BCLC was not complying with what you
13 had asked him to do and not complying with what
14 he had asked him to do in his October 2015
15 letter?

16 A No. I don't recall, like, a specific reaction.

17 Q And would it be -- can you say, though, was it
18 made clear to the Minister that BCLC was not
19 taking the action that you at least believed
20 they should take in response to his letter of
21 October 2015?

22 A Yes. And I think that made its way into mandate
23 letters. I think -- I'm almost certain -- well,
24 I'd have to look back, but the 16 -- for a
25 couple of years in a row I think the language

1 was pretty much the same. It was -- you know,
2 it reflects kind of what's here.

3 Q And these -- this correspondence reflects your
4 efforts to get BCLC to do more on this issue.
5 Were you also considering internally within GPEB
6 what more could be done even without BCLC's
7 cooperation or without direction from the
8 Minister?

9 A Yes. We would have looked at all options
10 available to us. And, you know, we had explored
11 and put a lot of them on the table in
12 previous briefings with the Minister. So this
13 was -- letters from me or letter -- that one
14 letter from the Minister in October, along with
15 the letter of expectations, the annual letter of
16 expectations, were our opportunities to -- you
17 know, to -- with the tools we had at our
18 disposal to try to effect that that were
19 available to us and that -- I mean, we had other
20 tools, but we didn't get the approval to use
21 them.

22 Q Do you recall during this period whether you
23 revisited the issue of whether GPEB
24 investigators could interview patrons making
25 large cash transactions?

1 A I don't specifically. It doesn't mean it didn't
2 happen. That's a good question for Len, and I
3 might have known at one time, but it's gone.

4 Q Did you -- do you recall if you revisited the
5 question of whether the terms and conditions of
6 registration could be used to place limits on
7 large cash transactions?

8 A I don't think so. I think we got an answer
9 earlier. And of course I don't remember the
10 earlier either, but I don't remember at this
11 point in time that -- because if that was a
12 legitimate option, it would have been on the
13 table in front of the Minister in September of
14 2015.

15 MR. McCLEERY: Thank you. Madam Registrar, can we
16 please go to exhibit 73 of the commission's
17 exhibits. I'm looking for appendix J.

18 Q And, Mr. Mazure, we mentioned a couple of times
19 and deal with in your affidavit the MNP report
20 produced in 2016. Is this a copy of that
21 report?

22 A Yes. It looks like the title page, so yeah.

23 Q I just want to take you to one excerpt from it.

24 MR. McCLEERY: Madam Registrar, if we can go to -- I
25 think it's page 1006 of the exhibit. Which is

1 page 9 of the document.

2 Q Mr. Mazure if we look next to the paragraph
3 numbered 4.2, it says:

4 "Currently, casinos are only required to
5 report LCTRs after they have accepted the
6 cash transaction. GPEB should consider
7 implementing a policy requirement that
8 Service Providers refuse unsourced cash
9 deposits exceeding an established dollar
10 threshold or to refuse frequent unsourced
11 cash deposits exceeding an established
12 threshold and time period until the source
13 of the cash can be determined and
14 validated."

15 I read that correctly?

16 A Yes.

17 Q This seems like a policy of the sort you were
18 trying to get BCLC to implement; is that fair?

19 A I think it's fair to say it's a variation on
20 what we were talking about.

21 Q The report here suggests that GPEB ought to
22 implement this kind of a policy. Do you recall
23 having a discussion as to whether -- in the wake
24 of this report whether the BCLC can implement
25 that policy?

1 A I don't recall specifically a distinction
2 between -- I mean, I kind of read this as a
3 policy requirement to service providers, so I'm
4 not sure what they mean by a policy requirement.
5 If we were going to provide direction, it would
6 have been through BCLC, if we wanted service
7 providers to do something. So I think it's --
8 you know, I'm not going to criticize MNP here
9 about, you know, the language they used, but I'm
10 not sure this is language we would use to
11 describe, you know, what I'm thinking of. And I
12 think which would -- you know, that -- I think
13 there's a misunderstanding here a little bit on
14 the roles.

15 MR. McCLEERY: Madam Registrar, can we please see
16 GPEB0915.

17 Q Mr. Mazure, do you see a document on the screen,
18 a briefing document, addressed to Minister
19 de Jong initiated by Ms. Wenezenki-Yolland and
20 you and Mr. Lightbody listed as the ministry
21 contacts?

22 A Yes.

23 Q And this was a briefing document provided to the
24 Minister describing the results of the MNP
25 report. Is that accurate?

1 A Yeah. The timing of the note -- I think it
2 does, yeah.

3 Q Okay. And the title says "2016 MNP Report on
4 Anti-Money Laundering Practices in Gaming
5 Facilities."

6 A Yeah.

7 Q I wonder if we can just go down to page 4 of
8 that document, Madam Registrar. And you see,
9 Mr. Mazure, under the heading "next steps," it
10 says:

11 "GPEB and BCLC have established an
12 executive working group that will
13 carefully consider the recommendations and
14 work on next steps."

15 Is that correct?

16 A Yes.

17 Q Is it fair to say you hoped to come to a
18 consensus with BCLC on what to do with the
19 recommendations from the MNP report?

20 A Yeah -- well, we hoped to and we were directed
21 to.

22 Q At this point you'd been trying to persuade BCLC
23 to take action on source of funds for over a
24 year; is that right?

25 A Yeah, we're in October of 2016, so yes.

1 Q What was your level of confidence that this
2 executive working group was going to be able to
3 get BCLC to take action when they hadn't done so
4 in response to the letters they had been
5 receiving for the past year?

6 A Honestly, little to none. Maybe I can put it
7 this way. Did we agree with everything in the
8 MNP report yourselves, GPEB? No. I thought
9 there was enough there to work with, but BCLC
10 had some significant concerns with the report,
11 and so that didn't leave a lot of common ground
12 between the organizations to come up with a
13 solution that both of us were going to agree on.
14 So it was -- but that was the direction given.

15 Q In light of that limited likelihood that you'd
16 come to some common ground and BCLC's, on your
17 telling at least, intransigence on this issue,
18 why not at that point go to the Minister and
19 say, BCLC's just not doing what we think is
20 necessary and you need to direct them to do it?

21 A Oh, I think in my regular meetings with
22 Ms. Wenezenki-Yolland I probably conveyed --
23 well, I know I did. I didn't agree with the
24 direction to begin with, and when it proved
25 difficult, and like I said, highly unlikely

1 we're going to come to an agreement, I passed
2 that information along to her.

3 Q And do you know if she passed that information
4 on to the minister?

5 A I do not.

6 Q This document is -- appears to be jointly from
7 you and Mr. Lightbody; is that right?

8 A Yeah, I think the cover page shows that. Yes.

9 Q You refer in your affidavit to a practice or an
10 expectation of joint briefing notes from GPEB
11 and BCLC; is that right?

12 A Yeah. That was the -- I think that practice
13 predated my arrival, and it was certainly in
14 play when I was there.

15 Q Was that expectation for all briefing documents,
16 or was it some subset of them?

17 A I would say it would be -- in any briefing note
18 from either of those two organizations that may
19 impact the other, the expectation there -- was
20 there that it be joint. That we -- that the
21 Minister get one note that included, you know,
22 the views of the two parties.

23 Q And was the expectation you'd come to some
24 consensus or was there room in those documents
25 for dissenting views?

1 A Well, I think there was room for dissenting
2 views. Well, actually, I don't. This is one of
3 my frustrations, I think, is that especially in
4 areas where you disagree, there was some
5 expectation that you agree on the content. And
6 notes were sent back. I can recall that notes
7 were sent back where -- and I think maybe it was
8 a mechanism to force further discussion between
9 the two parties to resolve the issues. I'm not
10 sure it was the best approach, but it -- yeah.

11 I do remember at one point saying, can we
12 just -- can we have one of the two parties draft
13 the note and at the very bottom just include
14 verbatim what the other one thinks so that no --
15 whether it's our note or their note and their --
16 they're taking our input and then weaving it
17 into their note and maybe in some ways changing
18 the meeting, we spent a lot of back and forth on
19 this. It was not productive. And as I
20 mentioned to you earlier, we didn't have a lot
21 of resources and timing to do this work. It was
22 a frustration.

23 And the recommendation that I made -- I
24 think we were allowed to move to that -- was
25 based on my experience at Treasury Board staff,

1 where Treasury Board staff would provide a view
2 and at the -- or the ministry would provide a
3 view depending on the request and we would
4 provide our points as well, if not in a separate
5 note. But that was -- I thought that was much
6 more useful in getting the Minister the full
7 picture and avoided the tendency to minimize
8 where there might be disagreement.

9 Q Thank you. Was there an expectation in oral
10 briefings that you'd come to some consensus with
11 BCLC or otherwise limit your comments in that
12 way?

13 A No, I don't think -- I think we were able to
14 speak freely. But on many of these issues both
15 parties weren't there. It might just be us; it
16 might just be them. So if you were not present,
17 I think you want your verbatim comments in
18 there, you know, in front of the Minister,
19 so ...

20 MR. McCLEERY: If that could be the next exhibit,
21 Mr. Commissioner.

22 THE COMMISSIONER: Yes, very well.

23 THE REGISTRAR: Exhibit 555.

24 THE COMMISSIONER: Thank you.

25 **EXHIBIT 555: MOF Briefing Document - 2016 MNP**

1 **Report on Anti-Money Laundering Practices in**
2 **Gaming Facilities - September 30, 2016**

3 MR. McCLEERY: And, Madam Registrar, can we please go
4 to GPEB0998.

5 Q Mr. Mazure, this appears to be a briefing
6 document, again, addressed to the Minister
7 initiated by Ms. Wenezenki-Yolland and you are
8 listed as the ministry contact; is that correct?

9 A Yes.

10 Q And it indicates it was requested on
11 November 30th, 2016. The date prepared seems to
12 be incomplete. Do you recall why this document
13 or -- this briefing document was developed?

14 A Can we just scroll down a bit.

15 Q Of course.

16 A I want to make sure I'm referring to the right
17 one. Yeah. Okay.

18 So my recollection on this document is --
19 I'm a little puzzled by the November 16th date,
20 but that aside -- sorry, this was in February
21 2017, was it?

22 Q If we can go back to the top.

23 A Yeah.

24 Q The date prepared the incomplete, but from
25 what's there --

1 A Right. Yeah. So it obviously was -- there
2 might have been a request. I don't know who
3 requested it. Oh, it was initiated by Cheryl.
4 Okay.

5 I'm drawing a little bit of a blank on the
6 fact that Cheryl requested it and the date. My
7 recollection of this was -- I believe we were
8 going in to talk to the Minister in February or
9 March of 2017 to update him, I think, on MNP in
10 terms of the work between the two -- or between
11 the GPEB and BCLC, and I believe we were going
12 to do an update on JIGIT. The idea was -- I
13 think we had planned to update the Minister a
14 couple times a year on JIGIT, so ... So I
15 think -- if I'm not mistaken, there's an email,
16 and that's why I'm a little puzzled about the
17 timing.

18 But I think Cheryl and I had a discussion,
19 and we thought that it would be a good idea, and
20 she agreed -- or sorry, I took every opportunity
21 I could to put forward the idea of a directive,
22 and that's what I think this was about, was, you
23 know -- and she agreed.

24 So I don't recall whether it went forward,
25 but the timing of this, especially if it was

1 later in February and early March, is I'm
2 guessing we were into a pre-election period, and
3 typically when that happens, the Minister is not
4 doing to make any major changes, and this might
5 have been viewed as a major change.

6 Q Do you recall prior to the 2017 election being
7 advised that government had reached a point
8 where it was not going to consider any further
9 major policy initiatives?

10 A Do I -- I think I just told you I suspect that
11 that's why this didn't go forward. I can't
12 remember myself whether that was -- that was the
13 reason.

14 Q Following the election, responsibility for
15 gaming was transferred to Attorney General David
16 Eby; is that correct?

17 A Yes.

18 Q Do you recall if this document was ever provided
19 to Attorney General Eby?

20 A This document? It might have been included
21 in -- we had a binder of briefing material that
22 we provided to Minister Eby shortly after he
23 became ministry -- or sorry, Minister, and --
24 because I had requested and he agreed for us to
25 come to a briefing specifically on AML. And

1 that happened I think either in late July or
2 early August 2017. In fact, there was a series
3 of briefings. I think we had at least two,
4 maybe three.

5 But we had a raft of material in there. And
6 so we would have -- he was the opposition critic
7 for gaming. He had -- I remember getting
8 peppered with question -- or sorry, the Minister
9 of the day got peppered with questions, but he
10 was looking to me for the answers. It wasn't
11 one of my favourite days in government because
12 Mr. Eby was all over us on that. So I knew he
13 had an interest in money laundering
14 specifically, so I took the opportunity to brief
15 him.

16 So whether this was included or not, we
17 would have talked about requesting directives.
18 And the letters themselves might have been in
19 that briefing material. I don't recall, but --
20 you know, I'm guessing now, but my recollection
21 is we probably had three hours with the Minister
22 over two meetings, maybe more, to talk about
23 anti-money laundering and where we were at, what
24 we had done. So I can't tell you whether this
25 specific document was there, but the general

1 something else? No. This was still important
2 to us and we needed to do more, in my -- I think
3 GPEB's general opinion, we needed to do more.

4 Q And if you had had as General Manager of GPEB
5 the authority to issue directions to BCLC
6 without ministerial approval, would you have
7 issued those directions at all those times that
8 you forwarded something to the Minister?

9 A Yeah, I would have. I guess what your next
10 question is, but ...

11 Q If -- are you able to say when you would have
12 issued a direction to BCLC on the issue of
13 source of funds the first time if you'd had that
14 authority?

15 A I think the timing of everything that we were
16 doing, that August 7th letter would have
17 probably been a directive.

18 MR. McCLEERY: Thank you very much, Mr. Mazure.

19 Mr. Commissioner, those are my questions for
20 Mr. Mazure.

21 THE COMMISSIONER: Thank you, Mr. McCleery.

22 THE REGISTRAR: Sorry, Mr. Commissioner. Does
23 Mr. McCleery want to mark the last document as
24 an exhibit?

25 MR. McCLEERY: Thank you, Madam Registrar.

1 Mr. McCleery does want to mark that last
2 document as an exhibit. I appreciate the
3 reminder.

4 THE REGISTRAR: That would be exhibit 556,
5 Mr. Commissioner.

6 THE COMMISSIONER: Thank you.

7 **EXHIBIT 556: MOF Briefing Document - Minister's**
8 **Direction to Manage Source of Funds in BC**
9 **Gambling Facilities - February 2017**

10 THE COMMISSIONER: All right. I'll now call on
11 Mr. Smart on behalf of the BC Lottery
12 Corporation, who has been allocated 20 minutes.

13 MR. SMART: Thank you. It's a bit difficult,
14 Mr. Commissioner, after my friend has taken
15 three hours to examine the witness. I'll do the
16 best I can, but I think all of the other
17 participants are a little concerned about the
18 time crunch. But we'll work as best we can.

19 **EXAMINATION BY MR. SMART:**

20 Q Mr. Mazure, you understood that it was up to the
21 government, the minister, to provide policy
22 direction to ensure that British Columbia's
23 social and economic priorities were achieved in
24 gaming?

25 A Well, I wouldn't phrase it that way. I would --

1 I forget which section of the act it is. I
2 think it's in section 26, 27, where I must
3 advise the Minister on policy regulations and
4 standards, I think, and then in turn, under his
5 direction, I need to carry out that gaming
6 policy.

7 Q But it's the minister that determines the
8 policy -- the broad policy direction, doesn't
9 it?

10 A Provides the direction, yes.

11 Q Yes. So you've told the commission that dealing
12 with this period of 2016 and '17 in particular
13 that GPEB did everything that it really possibly
14 could do to deal with AML concerns?

15 A Yeah, I think in terms of the actions we took,
16 with the direction that -- where we required it,
17 yeah, we did several things which --

18 Q No, but you said --

19 A Coming out of that September meeting I think we
20 did ...

21 Q No, not just several. I thought your evidence
22 was that you did everything, all applicable
23 avenues that were available to you.

24 A We used all the tools at our disposal, yes.

25 Q Yeah. Well, how about going into a casino and

1 asking questions of the patrons of the source of
2 funds? That's something apparently that is
3 going to happen. Wasn't that available to you?

4 A As I said earlier, I don't recall what, you
5 know, the -- I'm not trying to duck the
6 question. I'm just honestly trying to remember,
7 you know, whether there was safety issues with
8 that and ... Yeah, I just -- I don't know what
9 to tell you. I'm struggling with this one. I
10 can't honestly remember.

11 Q Well, you're critical of BCLC, you're saying,
12 for not doing source of funds requirements
13 themselves or itself?

14 A I'm not being critical. I'm just saying we
15 were -- you know, we asked them to consider and
16 do certain things, and the -- our concern was
17 that the suspicious cash was still existing at a
18 level that was beyond, I think -- sorry, beyond
19 what the -- sorry, beyond what the government's
20 risk tolerance was, and that further action
21 needed to be taken. And I think we were willing
22 to work with them.

23 Q Yeah. Well, if it was beyond the government,
24 the Minister of the day's risk tolerance, he
25 could have issued a directive, couldn't he?

1 A Yeah, he had the authority to issue a
2 directive -- himself do you mean? Yes.

3 Q Yes. Yeah. But back again, were you aware that
4 BCLC had started -- beginning to do source of
5 funds interviews with some patrons as of the
6 fall of 2014? Are you aware of that?

7 A I don't recall fall of 2014. Spring of 2015, I
8 think, was -- is, I think, when I understood it.
9 And I think that came out of -- I can remember,
10 I think, Len talking to me about that as coming
11 out of the -- sorry, the June workshop, the
12 AML workshop.

13 Q Yeah. That -- you were shown -- it's been
14 marked as exhibit 550 -- a briefing document
15 from June of 2015 with the heading "Exploring
16 Common Ground, Building Solutions." Do you
17 recall that?

18 A Yeah, that's the document I think -- I had a
19 conversation with Len about that, but that
20 document, yeah.

21 Q And there was then a joint workshop held with
22 GPEB compliance officers and BCLC?

23 A Yes. Yep, that's my understanding.

24 Q Co-hosted by Mr. Desmarais and Mr. Len Meilleur?

25 A Yeah, it was a BCLC, GPEB initiative and those

1 were the two leaders of those areas, yes.

2 Q It would have been a good thing if that had been
3 held two years earlier, wouldn't it have?

4 A Yes, but -- yeah. And it would have been good
5 if a lot of things would've been done earlier,
6 but there's a process that we followed. There
7 was a strategy in place at the time and, you
8 know, I think we did the best we could. And it
9 took longer than I necessarily would have liked,
10 but there was process, there was consultation, I
11 think, that we needed to do, and that was part
12 of that workshop.

13 Q Well, there was also change in the leadership of
14 the investigation sections at GPEB that
15 occurred.

16 A Yes. If you're referring to December 2014, yes.

17 Q Yeah, because the executive director, Mr. Vander
18 Graaf, was firmly of the view that there should
19 simply be a cash cap on \$20 bills, wasn't he?

20 A Well, he held firm to a belief about 20s. But I
21 don't agree that that -- if you're implying that
22 the restructuring was related to his views on
23 AML, then I think I've already spoken to that
24 earlier. And it's in my affidavit.

25 Q Well, there was a complete breakdown in

1 communication between Mr. Vander Graaf,
2 Mr. Schalk and BCLC's executive, wasn't there?

3 A Yeah. I think it was dysfunctional. There
4 was -- there wasn't a lot happening at the top
5 there in terms of conversations.

6 Q No. And Mr. Vander Graaf had a pretty firm view
7 of what should happen, didn't he, in terms of
8 dealing with these large suspicious cash
9 transactions?

10 A Yeah, he had firm views. Yeah.

11 Q Yeah. He recognized that it couldn't be proven
12 even on a balance of probabilities that any
13 particular cash transaction was the proceeds of
14 crime. He communicated that to you?

15 A That he couldn't prove it was money laundering?
16 Yes.

17 Q Yeah. When you started, you wanted information,
18 didn't you? You've explained that to the
19 Commissioner. You came into this job, you knew
20 virtually nothing about the gaming industry and
21 you wanted information?

22 A True.

23 Q Yeah. And you wanted the benefit of having
24 different perspectives on these large cash
25 transactions and what was occurring in casinos,

1 didn't you?

2 A I did.

3 Q And it was difficult to get that, wasn't it? Or
4 was it?

5 A No, I don't think it was difficult. I think it
6 was challenging reconciling all these different
7 views.

8 Q Yes. And you say it was -- Mr. Vander Graaf and
9 Mr. Desmarais weren't communicating. It takes
10 two to communicate, doesn't it?

11 A Yes, it does.

12 Q You met with Mr. Desmarais?

13 A Yes. I think in the fall of -- late fall of
14 2013 he reached out to talk to me.

15 Q Yes.

16 A And we did.

17 Q Yes. And you came to understand that he had had
18 extensive experience with dealing with the
19 proceeds of crime as a police officer?

20 A Yeah, he would've told me about his background.

21 Q Did you -- I mean, in today's world you can
22 Google people. Did you check out to see the
23 background of the person who was now in charge
24 of compliance with BCLC?

25 A No, I didn't Google. I don't Google every

1 person I talk to.

2 Q Well, of course not. But given the importance
3 of Mr. Desmarais's position, did you try to
4 learn something on your own about, who's this
5 man that's now in charge of AML for BC Lottery
6 Corporation that we're going to be working with
7 or trying to work with?

8 A I took him as an individual that I could have a
9 conversation with, he could tell me his views
10 and I would take him at his word.

11 Q Okay.

12 A And that's the way I approached it with
13 everybody.

14 Q All right.

15 A What I found was --

16 Q Yes.

17 A -- there was that divergence of views. And I
18 looked, you know ... You know, Mr. Desmarais
19 has a background; Mr. Vander Graaf has a
20 background; Mr. Kroeker has a background. All
21 these guys had expertise.

22 Q Yes.

23 A I didn't. What I was having trouble with was
24 reconciling all these different views.

25 Q And by the fall of 2015 you had both

1 Mr. Desmarais and Mr. Kroeker dealing with AML
2 issues at BC Lottery Corporation?

3 A In the fall of 2015?

4 Q Yeah, by that period of time Mr. Kroeker had
5 joined BCLC and left Great Canadian?

6 A Yeah, I'm just hesitating because I don't think
7 Mr. Desmarais was necessarily involved at that
8 point.

9 Q Okay. He'd moved to a different position. You
10 don't have any doubt that the executives at BCLC
11 were concerned about money laundering and
12 proceeds of crime in their casino? You don't
13 have any doubt about that, do you?

14 A I think everybody was concerned.

15 Q Yes.

16 A I think that -- yeah, I'll leave it at that.

17 Q Okay. Do you know what measures that
18 Mr. Desmarais brought in to deal with AML
19 concerns during his time as Vice President in
20 charge of compliance from early 2013 to the fall
21 of 2015? Do you know the measures he brought
22 into place?

23 A I might have at one time. I do not remember
24 now, sir.

25 Q Okay. You use the description -- and I

1 appreciate it was just meant as a comment saying
2 that they threw the -- BCLC threw the RCMP a
3 minnow and they came up with -- the police came
4 up with a whale.

5 Were you aware of BCLC's efforts to try to
6 engage law enforcement prior to June/July of
7 2015?

8 A Yeah. I had -- I think it's in my affidavit, if
9 I'm not mistaken. You know, due to this
10 dysfunctional relationship, we were just talking
11 about, that there was -- there was frustration,
12 and I remember Mr. Desmarais telling me that you
13 know, the BCLC had arranged an information
14 sharing agreement directly with the police. So
15 yeah, I was aware of that.

16 Q Yes. And they arranged meetings with the police
17 to try to get them engaged in investigating
18 money laundering and proceeds of crime at
19 casinos?

20 A Yeah. They communicated. I'm not sure whether
21 it was by meetings or whatever. But I
22 understood there was a flow of information and
23 discussion, yeah.

24 Q Looking back, Mr. Mazure, does it appear to you
25 that if there had been a better working

1 relationship between GPEB and BCLC that some of
2 these measures to deal with potential money
3 laundering and proceeds of crime could have been
4 arrived at much sooner?

5 A Sorry, can you just say that again.

6 Q Yes. If there had been a better working
7 relationship over the years between BCLC and
8 GPEB, measures to address money laundering and
9 proceeds of crime in casinos could have been
10 arrived at much sooner.

11 A I think so. With a qualifier.

12 Q Yes.

13 A I think there were other structural issues at
14 play.

15 Q Yes. Such as ...

16 A Despite the best intentions of both parties.

17 Q When you say "structural issues at play," what's
18 that? What do you mean?

19 A Well, I think that the roles and
20 responsibilities for compliance and enforcement.
21 And more generally, these things that Jim --
22 sorry, Mr. Lightbody and I met with quarterly
23 with our executive to sort out or attempt to
24 sort out, you know, had they been clear in
25 legislation, we wouldn't have had to spend

1 those -- all that valuable time trying to sort
2 out who could do what and who had approval for
3 what.

4 Q But you understood that BCLC had a
5 responsibility to enhance the financial
6 performance -- amongst other things, a
7 responsibility for enhancing the financial
8 performance and sustainability of the gaming
9 industry in the province within the policy
10 framework established by the Minister? You
11 understood that?

12 A Yes. As I mentioned before, I was -- letters of
13 expectation, typically the first bullet there
14 dealt with financial performance.

15 Q Yes. And I think as you've said earlier in your
16 evidence, Mr. Mazure, in making -- providing
17 information to the government, you were
18 cognizant of the fact that one had to be careful
19 and prudent in what recommendations or changes
20 were being made because there could be potential
21 adverse consequences for revenue, for public
22 safety. You had to balance a number of
23 considerations.

24 A No, I never said I had to balance them as
25 General Manager. I said that as good -- as part

1 of good policy advice to the Minister, I should
2 identify implications of a particular policy,
3 including some of the ones you just suggested.

4 Q Yes. I'm sorry and I stand corrected. You
5 understood that government had to balance those
6 considerations?

7 A Yes.

8 Q Okay. I just want to take you to a few portions
9 of your -- and I'm primarily focusing on the
10 period prior to the briefing note "Exploring
11 Common Ground, Building Solutions," and I want
12 to deal with Mr. Vander Graaf's period of time.

13 You were taken to -- by commission counsel
14 to paragraph 31 of your affidavit. And I'll
15 just put that in -- I think 30, actually. Were
16 you aware that there had been -- before I take
17 you to this. Were you aware that there had been
18 perceived challenges with the investigative
19 division from others prior to you taking on your
20 responsibilities in 2013?

21 A Sorry, who are the others?

22 Q Let's say -- we've heard from Ms. Birge, that
23 she found that at times there were some
24 challenges with GPEB investigators. Were you
25 aware of that?

1 A At that time, I think I kind of indicated
2 earlier that I didn't have a lot of time to look
3 back. There was -- you know, so unless it came
4 up in conversation, something come up in
5 conversation -- I've learned a lot by watching
6 this -- the commission's things that -- things I
7 never knew about.

8 Q Yes.

9 A But yeah, I -- when I got to GPEB, I kind of --
10 you know, I -- if I had the time, I think I
11 wouldn't have changed what I did, but I might
12 have, after I'd formed my own opinions, might
13 have sought the opinions of others maybe before
14 me or people that have worked with -- in a sense
15 I got that anyway, for example, from
16 Mr. Desmarais.

17 Q Yes. Okay.

18 A But at the time, no, I didn't.

19 Q So let me take you to paragraph 30. You say:

20 "I also perceived that the
21 investigation --"

22 This is under "Initial Impressions."

23 A Yes.

24 Q "... perceived that the Investigations
25 Division leadership saw itself as somewhat

1 independent from GPEB. The division was
2 comprised of former police officers and
3 operated like a police department, with
4 loyalty to the chain of command within the
5 division."

6 Did you see that as creating some tension with
7 other divisions in GPEB?

8 A Creating tensions? I think there was --
9 tensions? I'm sorry, I'm searching for the
10 word. I'm not sure it's as strong as
11 "tensions," but there was some friction there.

12 Q Okay. Carrying on:

13 "The division would prepare and provide
14 reports of findings regarding suspicious
15 cash for others to review but was not
16 particularly active in the GPEB
17 cross-divisional working group on money
18 laundering. The Investigations Division
19 leadership had a firm position on
20 Suspicious Cash Transactions (SCTs) and
21 held to that position - that the
22 suspicious cash reported ... at BC casinos
23 were the proceeds of crime.

24 I found it challenging to
25 understand --"

1 I'm just carrying over to the next paragraph:

2 "I found it challenging --"

3 I'll just wait until you get there, Mr. Mazure.

4 A Yeah, I'm there. Yeah, go ahead.

5 Q "I found it challenging to understand what
6 exactly the Investigations Division was
7 doing on a day-to-day basis and wanted to
8 determine whether it was effective and
9 whether GPEB was getting value for its
10 investment in the division. I also had
11 similar concerns with some ... other
12 divisions ..."

13 That was your initial concern. What's the GPEB
14 investigations doing day to day: that was a
15 concern you had.

16 A Yeah, it was.

17 Q And what you were concerned about was -- well,
18 let me take you to paragraph 93.

19 A Yep.

20 Q You write:

21 "While the Strategic Human Resources
22 Branch Review of GPEB, was taking place
23 (from January 2014 to October 2014) but
24 outside that process, I became concerned
25 that it appeared that much of what the

1 Investigations Division was doing with
2 section 86 reports appeared to be
3 administrative in nature, rather than
4 investigative work, and that this was
5 taking up an inordinate amount of their
6 time. I note that in his testimony to the
7 Commission of Inquiry on November 2, 2020,
8 Mr. Ken Ackles, Manager of Investigations
9 for GPEB, said that he and other GPEB
10 investigators conservatively spent
11 70 percent of their time reviewing
12 section 86 reports and preparing reports
13 for their supervisors. Mr. Ackles
14 acknowledged this was not a good use of
15 their time ..."

16 That's something that you became aware of in
17 2014 or really only became more aware of when
18 you heard Mr. Ackles' testimony?

19 A No. I was -- I had a question when I got
20 into -- when I joined GPEB I wanted to
21 understand what the programs did, what they --
22 you know, what they were trying to achieve, what
23 they were focusing on. It mattered to me
24 because I'd heard when I got there from some
25 staff that we didn't have enough resources. So

1 the followup, natural followup question for me
2 is well, what are we doing and what -- you know.
3 And then -- what are we doing and are we
4 focusing on the right things. And so -- because
5 I knew in the environment I was in, I wasn't
6 going to get additional funding; I had to make
7 do with what I had.

8 And I knew we were deficient in some areas,
9 so -- and if it -- you know, if I would have
10 found out, for example, that investigations was
11 doing a fantastic job, I would have been fine
12 with that. But there were some questions that I
13 had -- you know, that I wanted to understand.
14 And, you know, there was -- I think it was later
15 on, but some of the information in our annual
16 reports that talked about incident reporting and
17 there was some concerns I had there because I
18 was worried that the information was misleading.
19 That -- what were we actually doing. We were
20 getting reports, but then what were we actually
21 doing, so --

22 Q Yeah. What did you find out? What was GPEB
23 investigators actually doing in this period of
24 time?

25 A Well, I think it was -- I think it was taking,

1 and to build support for the solutions. I
2 believed it was not sufficient to provide
3 transactional information (e.g., the
4 number of suspicious transactions and the
5 amount of ... cash) - it was necessary to
6 go behind the numbers to analyze trends
7 and patterns over time, including
8 incorporating available intelligence, how
9 many patrons were involved in the
10 transactions and their backgrounds, etc.

11 In short, I believed more information
12 was required to determine what specific
13 actions could be taken by GPEB to address
14 the growth in suspicious cash and to
15 understand the implications of taking
16 those actions, in the event I needed
17 support or approval from Ms. Wenezenki-
18 Yolland and/or the Minister"

19 That's what you were looking for, wasn't it?
20 More information to help better inform yourself?

21 A Yeah. Like I said, previously in my career I
22 had a fairly good idea of the type of
23 information decision makers at a senior level
24 require. And this wasn't -- in its present form
25 was not going to -- it wasn't going to draw

1 attention.

2 Q No. And you knew BCLC didn't have access to
3 certain information that GPEB investigators had,
4 such as CPIC information, information from the
5 police that could be shared? You knew BCLC
6 didn't have that information, didn't you?

7 A Well, I knew we did. I'm not sure that BCLC
8 didn't, to be honest with you.

9 Q All right. But engaging in law enforcement was
10 important, wasn't it?

11 A Yeah, it was an important part of puzzle for me
12 because my approach, you know, with my new --
13 the renewed organization, if I can call it
14 that --

15 Q Yes.

16 A -- was that this is not something we were going
17 to solve on our own. We didn't have the
18 resources nor the authorities to do it. We had
19 to work with others.

20 Now, we had a challenge with respect to BCLC
21 because there was a lot of history and some of
22 the same faces around and stuff, and we had to
23 get over that. And it was never easy, and --
24 but I was determined that that was the only way
25 we were going to have any success.

1 Q Well, you're talking about old faces. Are you
2 talking about Mr. Vander Graaf, or who are you
3 talking about?

4 A Well, just -- I'm talking about in the
5 organizations at several levels. There could
6 be, you know -- there were people. And that's
7 the case with many relationships. You can't --
8 you don't have the luxury or -- even if you
9 wanted to, I'm not sure it always makes sense to
10 change all the faces. And that's not what this
11 was about. It was trying to move the
12 organization forward. And as I said, I think --
13 you know, Jim and I -- Mr. Lightbody and I, we
14 knew if we didn't set an example, this wasn't
15 going anywhere.

16 Q Yes.

17 A Okay. And not like Jim and I -- or sorry,
18 Mr. Lightbody and I agreed on everything, nor
19 should we. We had different mandates. But you
20 know, I think we made efforts to demonstrate to
21 staff that you had to make the effort.

22 Q And did you -- it would have been better if GPEB
23 and BCLC investigators could work together to
24 try to engage law enforcement. They could have
25 done that collectively. That would have been

1 better, wouldn't it?

2 A Yeah. I think it would have -- I'm not sure it
3 would've made any difference, but it wouldn't
4 have hurt.

5 Q Yes. And you say at paragraph 97:

6 "GPEB is required to produce an annual
7 report under section 29 of the *Gaming*
8 *Control Act*. The report must be tabled in
9 the Legislature.

10 The annual report contains a table
11 that provides statistics on incident
12 reporting and actions which GPEB
13 investigators took in response to these
14 incidents.

15 I was concerned that the number of
16 incidents reported was high, yet the
17 number of files where action taken by GPEB
18 investigators was very low. It was
19 concerning to me that GPEB was reporting
20 large numbers of incidents in which it
21 appeared its investigators took no action.

22 I believed the information being
23 included in the table in the annual report
24 was misleading. It was my intention that,
25 over time, GPEB would move away from

1 reporting on inputs and outputs and
2 instead report on actual outcomes."

3 That must have been concerning for you,
4 Mr. Mazure.

5 A Yes. Yeah, I was -- I mean, this came down
6 to -- you know, it was part of the question I
7 had asked earlier: what is it that we're doing?
8 And I guess this is the corollary: how are we
9 measuring ourselves?

10 Q And it's got to be concerning if you're looking
11 for information from your investigators to make
12 decisions that you've got investigators that are
13 filing misleading reports.

14 A Well, I didn't say they were filing misleading
15 reports.

16 Q I'm sorry.

17 A Information in this document --

18 Q Yes.

19 A -- could be misleading. And I didn't -- it
20 could be misleading but I just didn't think it
21 was indicative of what we were doing. And
22 that's not to suggest that we were doing
23 nothing. It's just this wasn't conveying what
24 we were doing; right?

25 Q And let me just finish off by taking you to

1 paragraph 105. Finish off with your affidavit.

2 Do you have that in front of you?

3 A 105, did you say?

4 Q Yes, please.

5 A Yep.

6 Q This is under the heading -- you're dealing with
7 the topic:

8 "Based on the interviews conducted it is
9 suspected --"

10 And this is your review that was being done.

11 "Based on the interviews conducted it is
12 suspected that the intransigent position
13 taken by the current Investigation
14 Division leadership has led to the current
15 dysfunctional relationship with
16 stakeholders."

17 First of all, that was a conclusion that you
18 reached?

19 A Sorry, 105?

20 Q Yes. Above 105, that heading, that comes from
21 the review, doesn't it?

22 A It does. The bold, yes. Yes. Sorry.

23 Q Yeah. That's all right. I want to just ask you
24 about that. What -- the conclusion in the
25 review was, based on the interviews you had done

1 in this review:

2 "It is suspected that the intransigent
3 position taken by the current
4 Investigation Division leadership has led
5 to the current dysfunctional relationship
6 with stakeholders."

7 That was what you suspected?

8 A Sorry. The bold is what the report said.

9 Q Yes.

10 A And then what I understood in intransigent to
11 mean? I think I -- earlier in my testimony I
12 think I said something different than I've got
13 written here.

14 Q Yes.

15 A They're related, though, in my mind.

16 Q Yes.

17 A I think one reenforces the other. But I
18 think -- and I'm restating it, but, you know,
19 the positions of BCLC and GPEB, you know, I
20 think can acknowledge people that had
21 backgrounds in policing and maybe even money
22 laundering and they did not agree. And I'm
23 saying I think the position that Mr. Vander
24 Graaf held, I think, and he was firm on that,
25 and he was firm within GPEB and he was firm

1 outside of it, I think contributed to the --
2 what I see to be -- what I understand to mean
3 intransigent is a dysfunctional relationship and
4 lacking communication. And that was evident to
5 me.

6 Q I mean, what you --

7 A The lack of communication.

8 Q Yeah. And what you're describing is "a
9 dysfunctional relationship with stakeholders,"
10 plural.

11 A Yes.

12 THE COMMISSIONER: Well, I'm sorry. Just so I'm
13 clear on this, Mr. Smart. The bolded portion,
14 as I understand it, is not a quotation from
15 anything Mr. Mazure has said.

16 MR. SMART: No, I'm sorry. It's from the review.

17 Q And you're commenting on a conclusion in the
18 review?

19 A In 105.

20 Q Above 105.

21 A Yeah. No, that's not me commenting -- that's a
22 comment from -- that is a comment in the review
23 itself.

24 Q And who did the review?

25 A We had strategic human resources branch from the

1 Ministry of Finance and we also had Mr. Tom
2 Steenvoorden from police services division in
3 the Ministry of Public Safety and Solicitor
4 General on -- we brought him in to look at audit
5 and investigations in particular. I'm not sure
6 whose comment that is. I believe it's
7 Mr. Steenvoorden's, but it's one of those two
8 reviewers.

9 MR. SMART: All right. I'm sorry, Mr. Commissioner.
10 I misunderstood.

11 Q Did you agree that there was a dysfunctional
12 relationship at that point with other
13 stakeholders?

14 A Did I?

15 Q Yes.

16 A I didn't know about -- I can't recall right now
17 whether I knew it -- you know, whether he -- I
18 knew he wasn't talking to Mr. Desmarais. I
19 don't know whether -- I can't recall off the top
20 of my head if I knew anything about his
21 relationship with service providers. I mean --
22 yeah, I don't know. Sorry.

23 MR. SMART: Let me just, then, take you to one last
24 document, then I'll be quiet.

25 It's exhibit 549, please, Madam Registrar.

1 Q And this is a document that you prepared for the
2 Associate Deputy Minister?

3 A Yeah, I believe this is the same document we
4 were looking at earlier.

5 Q Yes.

6 A Yeah.

7 Q To under the background what you've -- in bullet
8 form:

9 "- there is significant concern regarding
10 the two senior employees and their
11 ability to effectively lead an
12 important function (i.e.,
13 Investigations and Regional Operations
14 Division) within GPEB.

15 - There are several concerns regarding
16 leadership, current priorities and
17 actions, quality of work, and staff
18 competence in the ..."

19 I'll just say division.

20 "- There is an adversarial and
21 dysfunctional relationship with the
22 BC Lottery Corporation, other GPEB
23 Executive Directors and other
24 stakeholders --"

25 That was a conclusion you reached, Mr. Mazure?

1 A No. I think I'm paraphrasing here what the
2 review found.

3 Q Okay. There's:

4 "- outdated investigations practices;
5 allegations of mishandling
6 investigations; allegations of
7 misreporting investigations data and
8 actual [division] outcomes; and a lack
9 of confident and understanding of
10 exactly 'what' [the investigative
11 division] is doing."

12 I'll just drop down. Let me carry on:

13 "- [The division] leadership operates as
14 if they are independent of GPEB's
15 statutory and management reporting
16 relationships because of their status
17 as Special Provincial Constables ...
18 - The credibility of [the division],
19 both internally and externally is
20 seriously compromised and a full
21 review of [the division] is required.
22 A new investigations program for GPEB,
23 built on evidence generated from a
24 review of [the division's] current
25 actions, is required."

1 I'll just stop there. You're summarizing, then,
2 what the review concluded, at least in part?

3 A Yes, in part. There's -- I think, you know, if
4 I go up to the bottom -- the last line in the
5 second bullet is -- where it says "and a lack of
6 confidence and understanding of exactly what
7 IROD is doing."

8 Q Yes.

9 A That might have been -- that might have been in
10 the review report, but it was clearly something
11 I was questioning as well.

12 Q And I think you've agreed with this. I just
13 want to close with this that if there hadn't
14 been this dysfunctional relationship, if the
15 GPEB investigators had been able to work in a
16 more collegial cooperative way with other
17 stakeholders, then we might have moved more
18 quickly to address concerns about the large cash
19 transactions and potential money laundering
20 happening in casinos. Do you agree with that?

21 A Well, I think I'll go back to -- I think, you
22 know, it takes two, but there were concerns I
23 had with GPEB. Yes. That doesn't mean I didn't
24 think there weren't problems elsewhere, but were
25 we part of the problem in terms of working with

1 BCLC on this area? Yes.

2 MR. SMART: All right. Thank you, Mr. Mazure. I
3 believe some others are going to ask you
4 questions about events later in 2015. Thank
5 you, sir.

6 THE WITNESS: Thank you.

7 THE COMMISSIONER: Thank you, Mr. Smart.

8 I'll now -- just before we move on to
9 Ms. Harmer. Mr. Mazure, would you like a break
10 at this point? We can take 10 minutes now or
11 carry on for a bit. I leave it up to you.

12 THE WITNESS: Yeah. Thank you, Mr. Commissioner, I
13 would. Yeah.

14 THE COMMISSIONER: We'll take 10 minutes. Thank you.

15 THE REGISTRAR: This hearing is adjourned for a
16 10-minute break until 1:42 a.m.

17 **(WITNESS STOOD DOWN)**

18 **(PROCEEDINGS ADJOURNED AT 1:32 P.M.)**

19 **(PROCEEDINGS RECONVENED AT 1:41 P.M.)**

20 **JOHN MAZURE, a witness**
21 **for the commission,**
22 **recalled.**

23 THE REGISTRAR: Thank you for waiting. The hearing
24 is resumed, Mr. Commissioner.

25 THE COMMISSIONER: Thank you, Madam Registrar.

1 MR. MCGOWAN: Mr. Commissioner, I thought just before
2 we recommenced I would just address an issue
3 with timing. Mr. Mazure has been facing
4 questions through the day now, and we still have
5 a number of participants to go. And we've had
6 some communication with his counsel over the
7 break and [indiscernible] preference is to carry
8 on --

9 THE WITNESS: They're talking -- we're --

10 MR. MCCLEERY: Mr. McGowan, if I can interject. I
11 think Mr. Mazure is having difficulty hearing.

12 MR. MCGOWAN: Do you have your headset on, sir?

13 THE WITNESS: Oh, sorry.

14 MR. MCGOWAN: Strange times.

15 THE WITNESS: You think I'd learned. My apologies.
16 Sorry.

17 MR. MCGOWAN: No, that's fine, Mr. Mazure. I was
18 just addressing with the Commissioner an issue
19 of timing and letting him know that despite the
20 fact you've been going for some time, your
21 preference is to try to finish today if possible
22 because you're not available to return Monday or
23 Tuesday.

24 If that's not possible, Mr. Commissioner,
25 we'll have to look for a window later in the

1 week next week, but I think Mr. Mazure's, and
2 correct me if I'm wrong, hope is to carry on and
3 cover as much ground as we can today.

4 THE WITNESS: Yes.

5 MR. MCGOWAN: Subject to your availability, it's
6 certainly fine by -- from our perspective.

7 THE COMMISSIONER: Yeah. No, I think that's probably
8 a good course to follow, Mr. McGowan. We've got
9 about an hour and 15 minutes left, or perhaps a
10 little more than that, so that's certainly fine
11 with me. Let's carry on and see where we get
12 to.

13 MR. MCGOWAN: Yes. And I will just flag for you that
14 I think at least one participant, the province,
15 may be seeking some time in addition to what's
16 been allocated. And I think we just carry on as
17 efficiently as we can.

18 THE COMMISSIONER: Let's do that. All right. I will
19 then call on Ms. Harmer for Great Canadian
20 Gaming Corporation who has been allocated
21 10 minutes.

22 MS. HARMER: Thank you, Mr. Commissioner. I think
23 everybody will be happy to hear that I don't
24 have any additional questions for Mr. Mazure.

25 MR. MCGOWAN: That certainly is helpful, thank you.

1 THE COMMISSIONER: That is. Not that we don't like
2 to hear from you, Ms. Harmer, but in the
3 circumstances that's probably good news.

4 I'll turn to Mr. McFee on behalf of
5 Mr. Lightbody, who has been allocated 25
6 minutes.

7 MR. McFEE: Mr. Commissioner, before I start and
8 following up on what Mr. McGowan had to say,
9 I've been allocated 25 minutes, but I had
10 requested 40 minutes and we the got Mr. Mazure's
11 affidavit yesterday, which expands on matters
12 that were in his witness statement. And I will
13 require more than 40 minutes is my sense of it,
14 so I wanted to forewarn you of that. I'll do my
15 best to keep it as short as I can, but there
16 are -- as you'll appreciate, this gentleman who
17 interacted with my client is a significant
18 witness from my client's perspective.

19 THE COMMISSIONER: All right. Well, that's fine,
20 Mr. McFee. You can have Ms. Harmer's 10 minutes
21 and such other time as you may require.

22 MR. McFEE: I thank you and Ms. Harmer for that. I
23 appreciate it.

24 **EXAMINATION BY MR. McFEE:**

25 Q Mr. Mazure, as I understood your evidence, when

1 you commenced your role at GPEB in September of
2 2013, the cross-divisional AML group was already
3 in process and had formulated this three-phase
4 plan; correct?

5 A They were already in process? I can't speak to
6 whether they were the ones that came up with the
7 plan. That predated me. I don't know the
8 answer to that.

9 Q But you did learn that there was -- GPEB had an
10 AML plan that I think you described in your
11 testimony in response to commission counsel's
12 questions had three phases to it.

13 A Yeah. So they were working with the plan.
14 Whether they were the ones that developed it, I
15 don't know. I can't recall.

16 Q Right. And phase 3 of the plan, as you said,
17 contemplated regulator intervention?

18 A Regulatory intervention, regulator, yes.

19 Q So as you understood it, it was GPEB's
20 intervention and taking an active role in the
21 AML processes?

22 A I don't think the term was defined. Like, it --
23 at least to my knowledge when I got there, it
24 wasn't clear to me what that term meant and what
25 it would encompass. I think it was left for us

1 to figure out. That's my recollection.

2 Q I see. But you -- when you arrived, were you at
3 the stage -- when I say "you" I'm referring not
4 just to you but GPEB -- were you at the stage of
5 embarking upon or implementing phase 3 of this
6 plan?

7 A We were doing the work to begin to identify what
8 regulatory intervention might entail. So we
9 were doing the background work. We weren't --
10 like, for example, we weren't ready to issue a
11 directive at that point. But we were doing the
12 work that might inform one or other options
13 available to us. So that work was beginning
14 about the time I got there.

15 Q And in answer to Mr. McCleery's questions, you
16 were referring to this Malysh Associates report
17 of September 2014. Do you recall that?

18 A Yes.

19 Q And it wasn't clear to me, but did that Malysh
20 report arise out of the cross-divisional working
21 group's efforts?

22 A Yes.

23 Q And if I could ask you just to look at -- well,
24 let's take it a step at a time. When you --
25 when this report was received, and it's

1 September 15th, 2014, I take it you received a
2 copy?

3 A Yes.

4 Q And you would have reviewed it with some care, I
5 would expect.

6 A Yes, at that time.

7 MR. McFEE: And if I could ask Madam Registrar to
8 bring that up, please. It was Mr. Vander
9 Graaf's affidavit, which was exhibit 181. And I
10 think Mr. McCleery said it was exhibit CC, but
11 if I'm incorrect about that, I'm sure
12 Mr. McCleery will correct me.

13 And, Madam Registrar, if I could ask you to
14 go to what on my copy is page 3 of the report in
15 the bottom right-hand corner. Thank you.

16 Q You'll see it's entitled "Introduction:
17 Retainer of Malysh Associates." And you see
18 "1.2 Terms of Engagement"?

19 A Yes.

20 Q And it seems the primary task was to develop
21 information relating to management practices
22 used by deposit-taking institutions, money
23 service businesses, et cetera. Do you see that?

24 A Yes.

25 Q And then if you go down two paragraphs, you'll

1 see:

2 "Additionally we were to report on other
3 AML compliance issues that we may
4 encounter during our research to assist
5 GPEB with conducting a gap analysis of
6 their AML policies."

7 Do you see that?

8 A Yeah.

9 Q And just to ensure I understand it, this gap
10 analysis, is this identifying potential
11 deficiencies and shortfalls in GPEB's AML
12 regime?

13 A I don't know what that meant. My recollection
14 of this document -- and I haven't seen it in
15 quite a while -- was -- the primary purpose was
16 the first paragraph you've talked about. The
17 second part, I'm not sure what -- let me just
18 read it again.

19 Yeah, so I guess -- sorry, what was your
20 question? And I'll try to --

21 Q What did you understand gap analysis of -- when
22 you say "their," it would be GPEB's AML
23 policies, what did you understand that to mean?

24 A Well, I would understand, I think just -- I
25 would -- where there's the, you know -- I guess

1 deficiencies or room for improvement or where
2 there's gaps. Yeah.

3 Q Fair enough.

4 MR. McFEE: Madam Registrar, if I could ask you to go
5 to page 22 of that exhibit in the bottom
6 right-hand corner, please. Yes, thank you.

7 Q You see the title is "Gaming Businesses"?

8 A Yes, I do.

9 Q And you'll see that Malysh Associates said they
10 surveyed compliance officers of casinos in
11 Canada, Nevada, Washington State? Do you see
12 that?

13 A Yes. Yep.

14 Q And let me just focus for a moment on the second
15 paragraph. It says:

16 "There's a general acknowledgement that
17 AML risk assessment of VIP clients have
18 increased significantly over the last five
19 years. The current USML issue is to
20 conduct CDD --"

21 So that's customer due diligence?

22 A Yep, I think that's what that means here.

23 Q "-- for determining source of wealth and
24 source of funds."

25 Now, when you read that, did you understand that

1 this conducting CDD for determining source of
2 wealth and source of funds was at the time a
3 relatively new and evolving measure within the
4 industry?

5 A I think that's what I would've taken from this,
6 yeah.

7 MR. McFEE: Then if I could -- Madam Registrar, if I
8 could ask you to go over to page 27 in the
9 bottom right-hand corner, please.

10 Q And this is GPEB and at the top it says:

11 "We were asked to comment on any gaps that
12 we may encounter that may assist GPEB in
13 its role as regulator of the gaming
14 industry."

15 Do you see that?

16 A Yes.

17 Q Mr. McCleery took you to this, but 7.1, it says:

18 "We believe that GPEB Could greatly
19 enhance its leadership in AML compliance
20 by creating an AML compliance regime
21 regulation under the *Gaming Control*
22 *Act/Regulations.*"

23 And then suggests additionally a companion
24 guideline for deterring and detecting money
25 laundering. Do you recall reviewing that

1 recommendation?

2 A Reviewing it here? Yes.

3 Q You recall reviewing it at the time, though,
4 back in September of 2014?

5 A Yes. I read this document in 2014. Yeah.

6 Q And you see at the bottom paragraph, it says:

7 "As an example, if GPEB wants a specific
8 policy for determination of source of
9 funds, the policy expectation can be
10 specified in the guideline."

11 So at this point in time, September 2014, was
12 GPEB contemplating requiring that service
13 providers obtain source of funds declarations
14 from patrons?

15 A At this point in time, it would have been a
16 consideration. Based on this recommendation.
17 This was going to feed into our -- our sort
18 of -- what can I call it -- potential actions
19 that we could take as a regulator. So it would
20 have been a consideration for sure.

21 Q Okay. To your knowledge, and you'd done a
22 survey by this stage of the game -- and that's
23 my word, "survey" -- of GPEB to try and come up
24 to speed on the situation. To this point in
25 time, to your knowledge, had GPEB considered

1 requiring service providers to obtain a source
2 of funds declaration from patrons at any time
3 before September of 2014?

4 A Had we -- sorry, had we considered it? We
5 certainly would've had discussions about it, but
6 I think the view was that we needed to see what
7 this particular review and report would provide
8 to help inform that. But there were people,
9 there were members of that group that thought
10 that that was certainly an option that we could
11 pursue.

12 Q And that option that might be pursued was then,
13 I take it, brought more to the forefront when
14 this report was received?

15 A Well, we would have taken, you know, the
16 recommendations out of this, and so it would
17 have been something we would have definitely
18 considered for sure. It would have been -- I
19 guess what I'm saying is this isn't necessarily
20 a surprise, but it provided some endorsement or
21 at least, you know, from an independent reviewer
22 that that is an option one could take.

23 Q And at this point in time, September of 2014,
24 did GPEB take any steps to implement this
25 recommendation?

1 A No, we didn't.

2 Q And can you assist us in why no steps were taken
3 at this time to implement this recommendation?

4 A Because we were reviewing this. And this
5 particular one is interested in the way it's
6 worded. And I don't think it -- I think we need
7 to do a little bit of work going back to the
8 reviewer because some of the language here
9 that's used I'm not sure was -- we needed to
10 better understand exactly what they were talking
11 about, like a companion guideline for deferring
12 money -- detecting the money laundering.

13 I'm not sure even to this day what that
14 means. I might have known at the time, but I
15 think we had to further explore that. And
16 then -- within our legislative framework, I
17 guess is what I'm saying. I'm not sure this --
18 the language used here necessarily translates to
19 that. So we would have looked at okay, what is
20 he really getting at here and how -- what are
21 the mechanisms around under our legislation that
22 would allow us to do that. So there was --
23 there was some more work that was required
24 there.

25 Q And did you come to some conclusion as to what

1 aspects of your legislation would you -- would
2 allow you to implement this recommendation?

3 A Yeah. Like, I think we would have understood,
4 like, we could make a regulatory change, but
5 what specifically -- what language would we use
6 here. And I think there was a lot -- you know,
7 a lot of work to be done. And there was a
8 document that Mr. McCleery put in front of me, I
9 think, in early 2000 -- a briefing note that was
10 early 2015 that had a whole host of options
11 there. And that was part of our work to try and
12 suss out, okay, like, so what's doable here and
13 what makes sense. And it's the one -- sorry,
14 the document I'm talking about is the one that
15 talked about a multi-pronged approach, so --

16 Q Right?

17 A Yeah.

18 Q And one of the options was for you as the
19 General Manager to utilize your ability to amend
20 the terms and conditions of registration, to put
21 this recommendation into action; correct?

22 A That was one of the ones, I think, that we were
23 looking at before. You know, Mr. Vander Graaf
24 was part of that committee, and he'd put forward
25 that -- or that that was an option we could look

1 at. So that was part of the mix, yep.

2 Q And you didn't need the minister's approval to
3 do that; correct?

4 A No. Now, I don't know whether, you know -- we
5 didn't enact something like that, and I can't
6 recall specifically why. I think, you know, we
7 would have certainly -- depending on what we
8 were contemplating, we would have got a legal
9 opinion on whether that's something consistent
10 with the particular section of the act that
11 deals with registration and that. So -- but I
12 just can't recall -- because it doesn't show up
13 anywhere else after this, and that's the only
14 reason I can think of.

15 We didn't explore it later on in my tenure,
16 so to me that suggests there was sort of some
17 reason why we couldn't do it. And I just cannot
18 for the life of me remember what that was.

19 Q Let's move forward a number of months to June of
20 2015. You described this co-sponsored AML
21 workshop. Do you recall that?

22 A Yes. Yes.

23 Q And it was entitled "Exploring Common Ground,
24 Building Solutions." Do you recall that?

25 A Yes. Yep.

1 Q And I take it you were not one of the
2 participants of that.

3 A No, I wasn't.

4 Q But did you understand that one of the goals of
5 the workshop was to facilitate a cooperative
6 approach between the participants of the gaming
7 industry?

8 A I did. And this was consistent with the new
9 direction I wanted to take the organization in,
10 which was we needed to be working -- we couldn't
11 solve this by ourself even if we had the
12 resources to do so. We didn't have the
13 authorities, for example, to investigate, you
14 know -- or the tools to investigate money
15 laundering per se. So we needed the police. We
16 needed BCLC. They had responsibility for
17 conduct and manage. So we needed everybody at
18 the table.

19 Len would -- Len, we would have talked --
20 him and I would have talked about this,
21 Mr. Meilleur and I, about this. And this was
22 his idea, which I supported, for getting the
23 parties together to start the conversation. We
24 were at a point now that we had I think some
25 options that we were looking at, and this was, I

1 think -- this was a first step in getting
2 everyone around the table to see where we're at,
3 do we have common agreement on certain things
4 and what are some next steps. And so that
5 was -- that was my understanding of the purpose
6 of the meeting.

7 Q And in terms of building new relationships, at
8 this point in time how would you describe the
9 working relationship that you'd developed with
10 my client, Jim Lightbody?

11 A I think it was -- sorry, we're in the summer of
12 2015. So we're about a year and a half into our
13 relationship. I thought that, you know -- we
14 communicated regularly. We called each other.
15 We were working on -- you know, every quarter
16 our joint executive meetings on those agendas
17 and trying to -- you know, trying to tap into
18 where the points of friction were and trying to
19 deal with that. And we had a direction from the
20 Minister in one of BCLC's letters of
21 expectation -- I forget which year -- where we
22 had to develop some key principles that we'd
23 used to base our relationship on, and then come
24 up with a document that actually, you know,
25 sussed out those roles and relationships.

1 And, again, that was predicated, I think,
2 in -- or important for me from two respects.
3 One is it forced everybody into a room, and so
4 we had to try to, you know, work on that
5 relationship. And the other thing was, you
6 know, the act wasn't clear. And I think there
7 was a previous document to that effect, but it
8 had been abandoned, so it needed to be
9 refreshed. And so that's what -- so, you know,
10 I thought, you know, we set a good example for
11 the two organizations at that point.

12 It wasn't perfect. There was obviously --
13 you know, there were issues where we didn't
14 agree. There was -- our mandates were a little
15 bit different, but overall I thought that it
16 was -- you know, it was a good workable
17 relationship.

18 MR. McFEE: Actually, Madam Registrar, that exhibit
19 could be taken down now. Thank you.

20 Q Mr. Mazure, would you agree with me that the
21 relationship between senior executives of GPEB
22 and BCLC should be hallmarked by candour and
23 forthrightness?

24 A Yes.

25 Q And in your communication with Mr. Lightbody,

1 did you find him to be candid and forthright?

2 A I believe so, yeah.

3 Q And I take it you tried to be candid and
4 forthright also?

5 A Yes. Yeah. I think that was -- we made
6 attempts to do that, yes.

7 Q Okay. And so let's refer, if we could, to your
8 August 7th, 2015 letter to Mr. Lightbody, which
9 you were referred to by Mr. McCleery.

10 And it's exhibit 48 to Mr. Lightbody's
11 affidavit, please. If that could be brought up.
12 Thank you.

13 And just to establish the context, you sent
14 this letter after you had learned about the
15 police investigation that for the first time, I
16 take it, seemed to have established some link --
17 evidentiary link between organized crime and
18 money coming into BC casinos; correct?

19 A Correct.

20 Q But this was before you received the spreadsheet
21 from the GPEB investigators?

22 A The date certainly suggests that, to my
23 recollection, yes.

24 Q Right. And in the second line of the letter you
25 say:

1 "I am requesting that BCLC increase its
2 efforts to develop and promote the use of
3 cash alternatives and implement
4 enhancements to its due diligence
5 compliance program as part of its
6 anti-money laundering regime in gaming
7 facilities."

8 And to be clear, that was a request; it wasn't a
9 directive?

10 A That's true.

11 Q And this letter was motivated by the concern
12 that arose as a result of learning about this
13 evidentiary link of organized crime and proceeds
14 coming into casinos; fair?

15 A Fair. Yeah. I think it was something I think
16 we were -- you know, I would've probably sent at
17 some point, but the policing, that link that you
18 just talked about was sort of a catalyst and
19 precipitated doing it a little earlier. Yeah.

20 Q And then if we could go over the page, please.
21 And you'll see you say:

22 "To enhance the AML regime BCLC is asked
23 to pursue the following activities."

24 And number 1, which Mr. McCleery took you to,
25 was:

1 "Develop and implement additional Customer
2 Due Diligence (CDD) policies --"

3 Et cetera. And goes on:

4 "... with a focus on identifying source of
5 wealth and funds as integral components to
6 client risk assessment."

7 At this point in time, August of 2015, what was
8 your understanding as to what BCLC was doing at
9 that time to ascertain a patron's source of
10 funds?

11 A I think they were -- in terms of source of
12 wealth and knowing who their customer was, their
13 background and that type of information, my
14 recollection is that I thought they were doing a
15 pretty good job there, and we wanted that to
16 continue.

17 Where I thought that more work needed to be
18 done and more in particular since the
19 information that we got from the police, that
20 there's this link, that we need to look at
21 source of funds as well. Particularly where
22 it's -- you know, it's -- if you've got a -- if
23 it was someone in the parking lot facilitating,
24 you know, access to cash, then just -- and I'm
25 not suggesting BCLC was just looking at wealth

1 and just the patron, but we needed to focus more
2 on the actual cash and the source of funds that
3 was being brought in. Because the numbers were
4 suggesting that, you know, the problem was
5 persisting.

6 Q Well, did you know when you wrote this letter
7 that BCLC had implemented a cash conditions
8 program in April of 2015 that included
9 interviewing high-risk patrons?

10 A Yeah, I think I was aware generally they were
11 taking some action there. Yes.

12 Q And did you know that BCLC after receiving the
13 same information you'd received about the police
14 investigation was then focusing efforts on
15 ascertaining what patrons may have received
16 funds from these individuals that were under
17 investigation and interviewing those patrons?

18 A Sorry, I didn't follow you on the second part.

19 Q Well, did you know that after receiving the same
20 information you had about the police
21 investigation that BCLC's investigators were
22 focusing on ascertaining which of the patrons
23 may have received funds from the subject matters
24 of the investigation and then moving to
25 interview those patrons?

1 A I had no knowledge of who was involved here. I
2 wasn't -- I was told that there were links, but
3 I don't recall being told about specific
4 individuals or anything like that. It doesn't
5 mean that others in my organization didn't know
6 about it. I don't recall specifically.

7 Q Well, did you know that BCLC investigators were
8 trying to focus inquiries in part on the target
9 matters of that -- target persons of that
10 investigation?

11 A I can't recall at the time I wrote this. I'm
12 trying to remember -- sorry, the reason I'm
13 hesitating a little bit is I'm pretty sure Jim
14 and I had a call and I just cannot remember --
15 I'd like to think, and I -- it's more normally
16 the way I would operate is I would have called
17 to let him know that this is coming or that I'm
18 thinking about this, but I honestly can't
19 remember whether I did that afterwards or not.
20 I just cannot recall.

21 Q Well, you recall -- I mean, let's take a step
22 back. You were in pretty frequent communication
23 with Mr. Lightbody, I think, every 10 to 14
24 days; correct?

25 A That's kind of my recollection. I can't -- we

1 had fixed times in our calendar and I don't
2 think they were weekly, but -- like I said in my
3 affidavit, if they were biweekly, we didn't wait
4 if there was something that came up.

5 Q And when the news of this investigation and the
6 concerning conclusions that the police were
7 coming to surface, do you recall speaking with
8 Mr. Lightbody about it?

9 A That's what I'm trying to remember when that
10 call happened. I think we talked about it.

11 Q Well, surely you would have talked about
12 something as shocking as that, wouldn't you?

13 A I would think so too, yes. I'm just telling you
14 I can't recall.

15 Q Okay. Well, let me see if I can trigger your
16 recollection. Do you recall Mr. Lightbody
17 saying words to the effect, we, BCLC, are as
18 concerned about this as you and we're enhancing
19 our investigation efforts?

20 A He might have said that. I'm just telling you I
21 don't recall.

22 Q And back to your letter, where you had:
23 "... focus on identifying source of wealth
24 and funds as integral components to client
25 risk assessment."

1 So to be absolutely clear, both GPEB and BCLC
2 were following risk-based assessment AML
3 policies and protocols; correct?

4 A Well, we weren't. GPEB wasn't.

5 Q Well, did you understand BCLC was?

6 A I think -- I understood that -- I think, like
7 you mentioned, in 20 -- sorry, not in -- was it
8 April? You mentioned April 2015 --

9 Q Right.

10 A -- that they were doing a risk assessment. I
11 didn't know about the specific process, but I
12 knew that through their information sharing
13 agreement with -- that BCLC had with the police,
14 that they were using that information as part of
15 their risk assessment. That I kind of recall.
16 I don't remember the specifics about what that
17 looked like.

18 Q But were you --

19 A And I'm not sure I was necessarily told. I
20 mean, I relied on Mr. Meilleur for, you know --
21 I mean, he would have been involved in meeting
22 with me and choosing the language for this,
23 so -- I'm not trying to push this off on him.
24 I'm just saying I wasn't as -- I didn't know the
25 details as much as he did.

1 Q So you didn't know the details at this time of
2 what BCLC was doing in terms of pursuing its
3 risk-based AML strategy; correct?

4 A Well, I would have relied on Mr. Meilleur. We
5 put together this note that based on what he
6 knew, that we -- and his awareness of what BCLC
7 was doing that we believed that further action
8 needed to be done. I'm not denying it might
9 have happened or was going on as we did this.
10 And, again that relates to the -- I can't
11 remember when I talked to Jim about this or when
12 he -- when we talked about it together, so --

13 Q My question was more specific than that. When
14 you wrote this letter, at least you signed it --

15 A Yes.

16 Q -- did you know what BCLC was doing, what steps
17 they were taking in enhancing their AML program
18 by way of identifying high-risk patrons and then
19 moving to identify -- to interview them and
20 identify their source of funds? Did you know
21 that at the time?

22 A I relied on Mr. Meilleur for this.

23 Q That's not my question. What was your personal
24 knowledge of what BCLC was doing at the time?

25 A I did not know exactly what they were doing to

1 the detail that I believe you're asking me, but
2 Mr. Meilleur did, and we believed that further
3 action was required. And so that -- on that --
4 on his -- on reliance on what he was telling me,
5 we believed this reflected what was going on,
6 what BCLC was doing at the time.

7 Q Now, in your affidavit you say that:

8 "The language used in these letters from
9 GPEB was deliberate."

10 Which is a bit different from what was in your
11 witness statement, where you said:

12 "The language used in this letter --"
13 Specifically referring to the August 7, 2015
14 letter.

15 "-- was selected very carefully."

16 Do you recall saying that in your witness
17 statement?

18 A I may have. Can you point to me where you're --

19 Q Your witness statement, paragraph 149.

20 A Oh, okay. Sorry. 149 in the affidavit you want
21 me to look at?

22 Q No, 149 in your witness statement.

23 A I don't have my witness statement in front of
24 me. Sorry.

25 Q Okay. Well, I'll read it to you. It's

1 referring to your August 7th, 2015 letter. And
2 it says:

3 "The language used in this letter was
4 selected very carefully."

5 A Yeah, so can I elaborate what I meant by that?

6 Q Well, that's exactly what I was going to ask
7 you. What were -- what did you mean by that?

8 A So I'm not talking about -- what I'm
9 specifically talking about -- and this is true
10 of other letters to follow, just to be clear.
11 I'm not directing BCLC to do anything. If I
12 was -- if I was directing them, then this in
13 substance, if not form, would have been a
14 directive, and I would have been offside because
15 I require the Minister's approval of that. So
16 that's -- I'm trying to limit what I mean --
17 when I chose words, I was saying you may wish to
18 consider; I ask you consider, that's what I'm
19 talking about. That language there was
20 deliberate because I did not want to be seen and
21 nor did I have the authority to direct BCLC to
22 do that.

23 MR. McFEE: Then if I could ask Madam Registrar, if
24 you could go over to the next exhibit in
25 Mr. Lightbody's affidavit, exhibit 49, please.

1 Q You should have an August 24th, 2015 letter to
2 the Minister from Mr. Lightbody. And it was
3 copied to the Associate Deputy Minister,
4 Ms. Wenezenki-Yolland. Did you see a copy of
5 this letter soon after it was sent?

6 A This does not look familiar in the way it's
7 formatted. I don't ...

8 Q Well, you see in the first paragraph
9 Mr. Lightbody references your letter dated
10 August 7th, 2015?

11 A Yes. Yep. I see that. Yep.

12 Q So do you expect this letter was brought to your
13 attention?

14 A I don't know. I don't recognize it.

15 Q If you go to the third paragraph, please. Do
16 you have that? You see Mr. Lightbody says:

17 "While it's generally easier identify an
18 individual's source of wealth, identifying
19 the actual source of funds per transaction
20 is far more problematic, especially when
21 the funds are presented as cash. The
22 financial industry standard is to ask a
23 client to declare the source of funds for
24 all transactions, including cash, over
25 Canadian \$10,000; however, little followup

1 investigation is then conducted."

2 Do you agree with Mr. Lightbody's statement?

3 A I'm just going to read it again. I agree with
4 the -- yeah, I agree with that statement.

5 Q Then if I could ask you to go down a bit in the
6 letter just above the bolded heading
7 "Recommendation." Do you see that paragraph
8 that says "BCLC believe"?

9 A Yeah.

10 Q Do you have that?

11 "BCLC believe that currently no one agency
12 in British Columbia is equipped to
13 identify the actual source of funds. To
14 do so would require in most cases law
15 enforcement intervention. Currently BCLC
16 and GPEB lack the legislative authority
17 and the law enforcement lack the budget,
18 resources and visibility into gaming."

19 So I appreciate you may not have seen this
20 letter at the time, but do you agree with that
21 analysis?

22 A I do. And I'll just say that that last -- that
23 last paragraph, that does look familiar. It's
24 just the rest of the document -- it may be just
25 the formatting.

1 Yeah, so I think there's -- I agree with it
2 in the sense of actually identifying the --
3 sorry, identifying, sorry, the actual source of
4 funds.

5 Q All right. And you'll see Mr. Lightbody's
6 recommendation is:

7 "BCLC propose that a dedicated law
8 enforcement gaming unit be established by
9 the provincial government and the gaming
10 unit would require appropriate legislative
11 authority and fully designated police
12 powers with a clear mandate to investigate
13 and prosecute all serious gaming-related
14 criminal offences."

15 I take it you agreed with that recommendation?

16 A Yeah. I think at the time this note was sent I
17 was on vacation, and I think both organizations
18 were making similar recommendations to the
19 Minister about this.

20 Q Yeah, it certainly appears so. Do you recall --
21 or were you told that there was a meeting in
22 early September 2015 with the Minister that
23 Mr. Lightbody and the chair, Bud Smith,
24 attended, and your Associate Deputy Minister it
25 seems was there, and there was a presentation to

1 the minister urging him to establish such a
2 unit?

3 A Sorry, did you say early --

4 Q Yeah, September 2015.

5 A I think -- yeah, my understanding was that
6 meeting was later in the month, but I think --
7 to your point, I think, you know, the discussion
8 about an enforcement agency, yeah, that -- that
9 sounds roughly about the -- right in terms of
10 the timing. Yeah.

11 Q So maybe we should clarify this. Were you at
12 that meeting?

13 A Well, that's why I'm kind of -- like, if it was
14 early in the month I wasn't -- I wouldn't have
15 been there because I was on vacation, I think.
16 Or I was on vacation. I just can't remember
17 when I came back. We -- sorry, GPEB had a
18 meeting with the Minister, I think it was the
19 middle of the month, the 15th or 14th or
20 something. And then I do recall a meeting with
21 BCLC later in the month, and if that's the one
22 you're talking about, I believe I was there.

23 Q Let's just establish this. Do you recall being
24 at a meeting with BCLC representatives and the
25 Minister, and the Associate Deputy Minister was

1 there and there was this presentation made for
2 the need for greater law enforcement and in
3 particular an integrated unit?

4 A Yes.

5 Q And it was BCLC that initiated that request;
6 correct?

7 A This is where -- I'm not going to -- to me this
8 is not about who did it first because we -- like
9 I said, I think we were probably working without
10 the other knowing necessarily what was going on.
11 Because as part of the meeting with the Minister
12 on September 15th and the briefing material that
13 we provided with him there, we were talking
14 about a joint interdiction team. Different
15 terminology than what you're talking about, but
16 I think we both agree that's what ended up being
17 JIGIT.

18 But -- and then we -- I drafted -- I
19 remember reviewing a draft of a letter that the
20 Minister -- two letters. One was going to the
21 RCMP on the -- and I was looking at these on
22 September 16th. So one of them was going to
23 the -- like I said, the RCMP Commissioner to
24 seek his interest in doing -- in exploring this.
25 And then one was a letter to BCLC. I don't know

1 Do you see that?

2 A Yes.

3 Q And then Mr. Lightbody sets out the first
4 activity you suggest. Do you see that?

5 A Yes. Yep.

6 Q And he says:

7 "In this context, BCLC has looked at its
8 existing policies and procedures in
9 context of various guidelines from
10 FINTRAC --"

11 Et cetera. And you saw that?

12 A Yeah.

13 Q And then he -- the last paragraph of that page,
14 Mr. Lightbody says:

15 "It's our understanding and belief that
16 BCLC's client identification risk
17 assessment and ongoing monitoring policies
18 meet or exceed those not only of the
19 statutory requirements found in the
20 *Proceeds of Crime (Money Laundering) and*
21 *Terrorist Financing Act* and the FINTRAC
22 guidelines --"

23 If you go over the page, he says:

24 "-- but also meet those found in
25 Guideline 6(g) in requirements financial

1 entities."

2 And you understood financial entities to include
3 banks and credit unions?

4 A Did I understand that?

5 Q Yes.

6 A If I didn't, I would have asked what it meant.
7 Of my staff, probably. The people that were
8 more familiar with the intricacies of FINTRAC's
9 guidelines.

10 Q Well, did you determine that Mr. Lightbody was
11 correct in those assertions?

12 A I don't recall.

13 Q And you say -- he then goes on:

14 "With respect to your specific suggestions
15 in regard to source of wealth, source of
16 funds and Suspicious Transaction Reports
17 made to FINTRAC, I confirm all three of
18 these elements, amongst many other
19 factors, are integrated into BCLC's risk
20 assessment and ongoing monitoring of
21 individual customers. Despite this,
22 BCLC's AML regime is not static, as we
23 remain keenly committed to a process of
24 continuous improvement. Our current
25 processes are largely manual. To further

1 enhance our client identification, risk
2 assessment and monitoring program, we made
3 a substantial investment in automated
4 processes that will be operationalized in
5 the coming months."

6 And he describes a software solution that's used
7 by most of the Canadian major banks. You saw
8 that?

9 A Yes.

10 Q And did you understand Mr. Lightbody to be
11 advising you that BCLC was actively taking steps
12 to enhance its AML regime, including with
13 respect to client due diligence?

14 A Yes.

15 Q And then you'll see in the next paragraph, last
16 sentence, he says:

17 "If you or any of the ministry staff would
18 like further particulars or details, I
19 would be pleased to arrange for a
20 technical briefing on these aspects of our
21 AML regime at our earliest mutually
22 agreeable time."

23 So did you ask for further particulars?

24 A I don't recall. Mr. Meilleur might have. I
25 don't recall -- yeah, I don't recall.

1 Q Well, I took it from your evidence that in this
2 time frame it was your view that BCLC wasn't
3 doing enough with respect to source of funds.
4 Correct? Did it understand your evidence
5 correctly?

6 A Yeah, I think my -- I wasn't questioning, for
7 example, whether they were meeting FINTRAC
8 guidelines. What I was -- what I was indicating
9 is that we were concerned about the suspicious
10 cash in acknowledgement of efforts that were
11 already being undertaken. It's -- and this is
12 true of any risk-based approach, is there's a
13 risk tolerance you're willing to take, and I
14 think this was communicating that further action
15 is required because we're not comfortable with
16 the level of risk that we're still left with.

17 Q Well, when you received Mr. Lightbody's letter
18 and he set out in some detail the efforts that
19 BCLC is making in response, in part, to your
20 August 7th letter, did you come to the
21 conclusions the efforts BCLC was making at that
22 time were insufficient?

23 A At the point I sent the letter, I was concerned
24 about that.

25 Q No, I'm talking about -- I'm talking about after

1 you received Mr. Lightbody's September 16th
2 letter. Did you come to the conclusion having
3 received this quite detailed explanation of what
4 BCLC was doing that BCLC's efforts were
5 insufficient from an AML perspective?

6 A I can't tell by looking at this.

7 Q Okay. Well, did you ask for further particulars
8 or take up the invitation to have a technical
9 briefing on these aspects?

10 A Like I said, I don't recall myself.
11 Mr. Meilleur may have. I honestly don't
12 remember this -- specifically talking to him
13 about this. We had regular calls. I don't --

14 Q Well, did you --

15 A Yeah, I just don't recall. I'm sorry. I
16 just -- I don't.

17 Q Well, you saw the reference to enhancing -- in
18 the letter you saw the reference to enhancing
19 the software. Did you know that BCLC was
20 spending hundreds of thousands and in fact
21 millions of dollars to enhance its software
22 programs to give a greater analytical capacity?

23 A I knew that they had a software system in place.
24 I wasn't -- I'm trying to think of a different
25 way of conveying what we were looking for. And

1 it wasn't that I doubted what BCLC was doing. I
2 was just saying that -- and maybe just by way of
3 example -- I can't think of a better way of
4 communicated what I was looking for -- was if
5 BCLC was -- understood they had -- I understand
6 better now, but at the time maybe less so, but
7 had a risk -- they were assessing their clients
8 on -- using risk criteria and then implementing
9 sourced-cash conditions. So at somewhere -- and
10 this is me simplifying it -- oversimplifying
11 it -- somewhere you're drawing the line in terms
12 of okay, anyone that meets this risk criteria,
13 we're going to deal with source cash conditions.

14 I wasn't being specific here about the risk
15 approach you take, but what I was trying to
16 convey is you need to draw the line a little
17 lower. We're still seeing suspicious cash, so
18 you need to take another slice out of, you know,
19 the next tier of patrons that come closest to
20 that criteria, if I can use that terminology.
21 And that's what we were looking for.

22 Q Okay. Did you pick up the phone and tell
23 Mr. Lightbody that?

24 A I thought we understood this. We had
25 conversations about this, so --

1 Q That wasn't my question. My question was did
2 you pick up the phone and specifically tell
3 Mr. Lightbody you felt that they needed to lower
4 the risk level, effectively interview more
5 patrons?

6 A In response to this particular document? I
7 don't recall. I've answered that already.

8 Q Well, did you know that in this very time frame,
9 September of 2015, BCLC was enhancing and
10 rolling out its cash conditions source of funds
11 program under Mr. Kroeker's direction so that
12 they were interviewing more patrons?

13 A At this time I think Mr. Kroeker had just
14 arrived, so I wouldn't have been aware of it.

15 Q Okay. Well, later in the fall, did you become
16 aware that BCLC was expanding this program and
17 were interviewing progressively more patrons
18 about the source of funds?

19 A I think that would have probably come up in
20 conversations with him. And like I said before,
21 I would have relied on Mr. Meilleur for
22 information about what it was that BCLC was
23 doing. And I'm not putting this on
24 Mr. Meilleur. He was just closer to this than I
25 was. And so -- if that's the case, then I would

1 argue that the letter had the intended effect.

2 Q Well, the reality of the situation is -- it
3 seems what you're telling us is you were signing
4 these letters but you didn't really know what
5 BCLC was doing in terms of enhancing its
6 protocols to determine source of funds from
7 patrons, did you?

8 A I disagree with that.

9 Q Okay. Well, tell me what you --

10 A I relied on other folks. That's what someone
11 that leads an organization does is they rely on
12 the people that report to them for the
13 information. And if I was in a meeting right
14 now and I was asked that question and
15 Mr. Meilleur was beside me, I'd let him answer
16 because he knows. I wasn't expected to know all
17 the ins and outs of this. I had many programs,
18 many responsibilities. I didn't know the finer
19 details of everything. I relied on -- the
20 language would have come from those that --
21 probably my policy folks, who were nor familiar
22 with this, from Mr. Meilleur, maybe some of his
23 own staff. I don't know.

24 Q Mr. Mazure, you didn't need to rely on others
25 for second-hand and third-hand information. You

1 were in communication with Mr. Lightbody every
2 10 to 14 days; correct?

3 A Yes.

4 Q And all you had to do was ask him, what are you
5 doing specifically, what's BCLC doing to enhance
6 its protocols to determine the source of funds
7 that patrons are bringing into casinos. That's
8 all you had to do; correct?

9 A I think that was a two-way street, yeah. He
10 could have volunteered that information; he
11 could have told me. I think we did that to a
12 certain extent. Like, there's a lot of details
13 here. Jim and I wouldn't have talked about this
14 level of detail. We just wouldn't have. I
15 don't think either one of us knows the finer
16 details of this.

17 Q Well, Mr. Lightbody put a fair bit of detail in
18 terms of the enhancements to their AML program
19 in his letter to you of September 16th, didn't
20 he?

21 A He did. I don't know whether he drafted this
22 himself or he had help from Mr. Kroeker or
23 whoever assisted him. I don't doubt it. And
24 there's nothing wrong with that.

25 Q In your conversations in the fall of 2015 with

1 Mr. Lightbody, did you ever say to him, you're
2 not doing enough with respect to source of
3 funds; you need to be interviewing more patrons?
4 Did you ever say that to him?

5 A I never said the latter part. I would have
6 said, we need to do more; we're still -- and
7 this is -- I wasn't telling him to -- I used
8 that as an example earlier, which is what he
9 could have done. He could have took another
10 slice, so to speak. I didn't care how it got
11 done, it's just that we -- there was still
12 excess cash in the system, excess -- well, not
13 excess -- suspicious cash in the system that we
14 were uncomfortable about.

15 Q Right.

16 A And that subsequently the minister was
17 uncomfortable about. And so that's what we were
18 communicating. And, you know, I wasn't -- you
19 know, I couldn't tell, you know, Mr. Lightbody,
20 what to do. I didn't have the authority from
21 the minister nor could I wander into the details
22 of conduct and manage. Which the level of
23 detail here I see is very detailed.

24 Q Yes. Mr. Lightbody was providing you with very
25 detailed information with respect to what BCLC

1 was doing. And did you question him about that?

2 Did you ask him? Did you say, you need to do

3 more?

4 A I believe I did through our conversations.

5 Q You believe you did. Could you tell me about

6 one single conversation where you said to

7 Mr. Lightbody, you need to be doing more with

8 respect to source of funds and particularly you

9 need to interview more patrons?

10 A Do I recall the specific conversation? No. I

11 thought this was part of our general

12 conversation.

13 Q You thought?

14 A I believed, yes.

15 Q Well, you were getting data, I'm sure, on a

16 regular basis with respect to the number and

17 value of suspicious cash transactions and large

18 cash transactions in BC casinos?

19 A Yeah, we had information from that, yeah.

20 Q And weren't you seeing a very significant

21 decline in the number and value of large cash

22 transactions and suspicious cash transactions

23 commencing in the fall of 2015?

24 A In the fall of -- I can't remember the specific

25 numbers then, but this letter is in response to

1 something that happened in late July that
2 prompted me, i.e., the -- and also the
3 spreadsheet that we had. It showed a spike in
4 them. That was the basis for sending this. I'm
5 not denying that after that letter was sent and
6 this reply comes that later in the fall or --
7 I'm not sure what time period you're talking
8 about; it's obviously after August -- that
9 things may have improved. I don't know.

10 Q Well, sir, things did improve, and you knew it.
11 The suspicious cash transaction the numbers and
12 values and large cash transactions dropped off
13 significantly commencing in the fall of 2015.
14 You knew that, didn't you?

15 A If it showed it in the numbers then yeah, I
16 would have known it.

17 Q Let's go to exhibit 57, if we can, to
18 Mr. Lightbody's affidavit, please.

19 You should have a letter of May 8th, 2017,
20 from you to Mr. Lightbody. Do you have that?

21 A Yes. Yeah, I'm looking at it. Sorry.

22 Q The and this is one of the -- I'm going to
23 describe it as a series of letters that you'd
24 sent that you described to Mr. McCleery over
25 this period of time to Mr. Lightbody; correct?

1 A Yes.

2 Q And so now we're in May 8th, 2017. Look at the
3 last paragraph at page 1 of your letter.

4 "The Gaming Policy Enforcement Branch ...
5 has noted a downward trend in the total
6 value of cash entering B.C. gambling
7 facilities through suspicious
8 transactions. According to GPEB's data,
9 suspicious cash transactions, which are
10 based on reports provided to GPEB by
11 service providers and accords with
12 section 86 of the *Gaming Control Act*, have
13 declined from approximately \$177 million
14 in 2014 to \$132 million in 2015 to
15 \$72 million in 2016."

16 Do you see that?

17 A Yes. Yeah.

18 Q Now, that's a decline over the two years of
19 \$105 million in cash, to do the math; correct?

20 A Yeah.

21 Q That's a 60 percent decline.

22 A Yeah.

23 Q "This is a significant reduction and
24 reflects the actions taken to date by BCLC
25 to reduce suspicious cash. However,

1 \$72 million is still a significant amount
2 of suspicious cash."

3 And then you go on in your letter to raise new
4 concerns with respect to bank drafts, et cetera.

5 The bottom line is that BCLC's efforts in
6 its cash condition source of -- source of funds
7 program were reaping results, and you knew it;
8 correct?

9 A Yes. And I acknowledge that here. This is our
10 letter to them. I'm not denying what's written
11 here.

12 Q And 72 million, you say, is still a significant
13 amount of suspicious cash. You knew that BCLC
14 hadn't stopped its efforts; it was continuing to
15 identify patrons that were bringing in cash and
16 interviews those that they deemed to be at a
17 high or medium risk level; correct?

18 A Sorry, what was the last part again?

19 Q You knew that BCLC was interviewing patrons that
20 they considered to be as a high or medium risk
21 level; correct?

22 A I didn't know specifically where they were
23 drawing the line, so the speak, in terms of who
24 they were interviewing. As indicated in the
25 letter here, I'm acknowledging that, you know,

1 there was a significant reduction, which was a
2 good thing. And that is as a result of BCLC's
3 efforts.

4 All I'm saying here is we're still
5 uncomfortable with the level there is, so, you
6 know, further action is required. And we had
7 information suggesting that there were still
8 issues, and I think the next paragraph speaks to
9 that a bit. And we would've had information
10 from -- you know, through our arrangement with
11 JIGIT in terms of, you know, there was still an
12 issue there.

13 So like I said before, this was -- you
14 know, there was a level -- there was a risk
15 tolerance, and I think this is just indicating
16 to BCLC, we need to bring it down. I'm
17 acknowledging that they have brought it down.
18 I'm just saying further work is required.

19 Q Well, BCLC was doing further work, including
20 cooperating with GPEB and the banking industry
21 to deal with the bank draft issues; correct?

22 A I don't know that for a fact at this point in
23 time.

24 Q Does Project Athena ring any bells to you?

25 A No.

1 Q Well, aren't we left in a situation, Mr. Mazure,
2 where you were sending these letters
3 periodically to BCLC saying, you BCLC, you BCLC,
4 need to do more, but you didn't really know what
5 BCLC was doing, did you?

6 A I've answered this before. I relied on the
7 staff that reported to me. I don't recall
8 Project Athena. It might have been put in front
9 of me. It might have been fully described. I
10 don't recall it right now. So like I said, we
11 were acknowledging the efforts that were done;
12 we're simply indicating we need to go further.

13 Q Well, what was GPEB's risk tolerance? Was it a
14 zero risk tolerance?

15 A Zero risk tolerance? No, I wouldn't say that.
16 But I think that, you know ... We --

17 Q Well, what would you suggest -- I'm sorry. Go
18 ahead.

19 A I think what we're suggesting here is you can
20 look at patrons, but at some point, you know,
21 you do need to -- you need -- you do need to ask
22 the question of everybody. And I think in terms
23 of risk you could go -- and this is kind of what
24 happened under Mr. German's recommendation is
25 that you draw the line a little further along,

1 and you adjust as necessary.

2 And I think, you know, the -- as I mentioned
3 before, not with -- during our conversation but
4 with Mr. McCleery, you know, we wanted to make
5 sure that we rid ourselves as much of this --
6 the cash where we were suspicious enough to make
7 a determination, we shouldn't accept it, and --
8 sorry, I've lost my train of throughout here.
9 Not accept it. Sorry, I'm just --

10 Q Well --

11 A The sun just left my face here all of a sudden.

12 Q No, fair enough. I mean, let's just pick up on
13 that, though. Were you suggesting that every
14 patron that brought cash into a BC casino should
15 be --

16 A No.

17 Q -- interviewed for a source of funds?

18 A No, I wasn't. And I think that, you know, by
19 risk -- in terms of risk here I would have said,
20 you know, I wasn't suggesting that every patron
21 who comes in with cash, but we -- there probably
22 should be a threshold. And I think I mention
23 that in the May 17th letter or one prior to it,
24 perhaps, that you better pick a threshold and
25 that should be informed by the information you

1 have at your disposal.

2 This is just a different -- the approach
3 that was being taken was identifying high-risk
4 patrons and then putting them on sourced-cash
5 conditions. What we're suggesting here is BCLC
6 should consider looking at the actual source of
7 funds, in this case cash, and making a
8 determination on, you know, using the
9 information they have at their disposal about
10 where you should draw the line. And we'd have
11 to monitor that. And I don't know what the
12 magic number would be. And there maybe is no
13 magic number, but -- you know.

14 And this is where the cash alternatives were
15 critical because we didn't want legitimate
16 people, you know -- or not legitimate people.
17 People with legal -- legitimate cash, if I can
18 call it that, you know, if they didn't like the
19 fact that they were being asked, then we could
20 offer them other alternatives where they
21 wouldn't have to worry about that anymore.

22 But if it weeded out more of the suspicious
23 cash, then that's what we were looking for. And
24 I think -- and I think what was happening --
25 sorry, what was happening as well is, you know,

1 I think we're getting close to closing the door,
2 but, you know, then it pops -- you know, as
3 others have said, these folks are very
4 innovative and they find the next deficiency,
5 and so this was going to be an ongoing
6 challenge.

7 Q Well, to be clear, you didn't understand BCLC to
8 have stopped its efforts to enhance its AML
9 programs. You understood that BCLC was
10 continuing to move forward and try and implement
11 solutions?

12 A Yes, and I acknowledge that. I never suggested
13 they stop. I knew they were -- you know, that
14 obviously the numbers speak for themselves, the
15 ones you just raised for me, that things were
16 coming down. We just -- we wanted them to come
17 down further, and I'm not suggesting that they
18 didn't need to come down, that they weren't
19 being brought down, but I think we were
20 suggesting here an approach where you need to
21 ask the question.

22 Even if you don't have enough information
23 based on what you know about the patron, you
24 still need to ask the question. And if you
25 don't get, you know, the response that suggests

1 that -- or if you get a response that
2 suggests -- or you don't get a response in terms
3 of being able to demonstrate where the funds
4 came from, then you shouldn't be accepting them.
5 And that had nothing to do with the risk rating
6 of the patron.

7 Q Well, were you advocating that BCLC abandon its
8 risk-based approach to anti-money laundering?

9 A No, it's just that -- no. And I think what I'm
10 talking about is a risk-based approach as well.
11 It's just -- it's not focused solely on the
12 patron. It's focused on -- you know, it's
13 focused on the actual currency itself, which in
14 this case is cash, and if they can't provide and
15 demonstrate that, you know, the funding is from
16 legitimate concerns, then you shouldn't be
17 accepting it.

18 Q And you had sought from the Minister that the
19 Minister issue a directive to BCLC on -- what?
20 Three occasions?

21 A Potentially three. But two specifically.

22 Q And did you ask the Minister to give a directive
23 that BCLC and service providers should require a
24 source of funds at a stipulated threshold level
25 of cash being utilized?

1 A No, we didn't specifically specify what the
2 level was.

3 Q And you never stipulated to BCLC what the level
4 should be either, did you?

5 A No. We wanted them to take a risk-based
6 approach.

7 Q Okay. Aren't we left in a situation where you
8 on behalf of GPEB were suggesting to BCLC that
9 they should reduce their risk level, change the
10 criteria they were using in their risk-based
11 approach? Is that where we're left?

12 A I'm saying in addition to what they were doing,
13 which was identifying high-risk patrons and then
14 putting them on sourced-cash conditions, that
15 you -- in addition or instead of, it didn't
16 matter to me, but we needed to focus on cash.
17 So whether you had enough information about the
18 patron, you still should be asking the
19 question --

20 Q Didn't --

21 A -- above a certain threshold. And frankly,
22 that -- you know, that could have been a
23 conversation about what makes sense there based
24 on the information that we had.

25 You know, Mr. German made a recommendation

1 later on. I don't know where he got his number,
2 but, you know, that would have been -- and
3 frankly, if you get the number wrong, well, then
4 you have to adjust. But that's part of a
5 risk-based approach.

6 Q So you're making these suggestions that BCLC do
7 these further things in addition to what they
8 were doing. What was GPEB doing? Were GPEB's
9 investigators interviewing anybody?

10 A I think we were moving towards that in 2017,
11 2018, yeah.

12 Q Well --

13 A We were trying to work with them. I think in --
14 definitely I think in later 2017, definitely in
15 2018 we talked about a transaction assessment
16 team being on the floor of the casino, a GPEB
17 presence, a potentially JIGIT presence along
18 with the BCLC, I believe. Those conversations I
19 thought were going well.

20 Q Well, there's a difference between talking about
21 and doing something. What were GPEB
22 investigators doing in this time frame up until
23 the summer of 2017 about ascertaining patron
24 source of funds?

25 A What were -- I don't recall specifically. I

1 mean, we were working on intelligence. Again,
2 I'm not trying to dodge the question. I just
3 don't know the answer, but Mr. Meilleur would be
4 able to speak to that. And if not him,
5 Mr. Dickson and other folks at --

6 Q Well --

7 A Some time has passed, and I cannot recall, you
8 know, certain things, and I apologize for that.

9 MR. McFEE: No need to apologize. We'll get to speak
10 to Mr. Meilleur next week. So those are my
11 questions for my you. Thank you.

12 THE COMMISSIONER: All right. Thank you, Ms. McFee.
13 I think we've hit that stage where there may be
14 sort of -- we're encountering the law of
15 diminishing returns. So, Mr. McGowan, what I'm
16 thinking of doing is maybe finding some date in
17 the afternoon perhaps next week when Mr. Mazure
18 is able to rejoin us rather than forging on this
19 afternoon because we've got still at least
20 another hour to go and probably more than that.
21 And I just -- I think at some point it becomes
22 counterproductive to carry on.

23 MR. MCGOWAN: Yes. I think that makes sense,
24 Mr. Commissioner. We are in the background
25 canvassing availability of other witnesses to

1 see where we might find some time. We've been
2 given a couple of days when Mr. Mazure might be
3 able to return. And we're looking to see if we
4 can adjust to find some time to put him in next
5 week. And I'm cautiously optimistic that we'll
6 be able to accomplish that.

7 THE COMMISSIONER: All right. Let's do that, then.

8 So, Mr. Mazure, I'm going to adjourn your
9 evidence now to an unspecified date, but
10 commission counsel will be in touch with you or
11 your counsel to organize that. Thank you for
12 your attendance today. It's been a fairly long
13 session for you, and I think at some point, as I
14 say, it becomes a bit counterproductive to carry
15 on.

16 So we're going to adjourn at this stage, and
17 we'll resume your examination at some
18 unspecified date.

19 MR. SMART: Mr. Commissioner, it's Mr. Smart.

20 THE COMMISSIONER: Yes, Mr. Smart.

21 MR. SMART: Given that he's under cross -- Mr. Mazure
22 is under cross-examination, I just raise whether
23 or not he should be cautioned.

24 THE COMMISSIONER: Yes. I think he should be. And I
25 was about to do that before you interrupted me,

1 Mr. Smart. I'm sorry, I was being a bit ...

2 MR. SMART: It's 3 o'clock on Friday afternoon.

3 THE COMMISSIONER: So, Mr. Mazure, just so you
4 understand while you're under cross-examination
5 you're not permitted to discuss your evidence
6 with anyone. All right?

7 THE WITNESS: Understood. Thank you.

8 THE COMMISSIONER: All right. Thank you. All right,
9 I think we will now adjourn until Monday morning
10 at 9:30.

11 MR. MCGOWAN: Thank you, Mr. Commissioner.

12 THE REGISTRAR: The hearing is adjourned until
13 February 8th, 2021, at 9:30 a.m.

14 **(WITNESS STOOD DOWN)**

15 **(PROCEEDINGS ADJOURNED AT 2:58 P.M. TO FEBRUARY 8, 2021)**

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