

**PROCEEDINGS AT HEARING
OF
JANUARY 22, 2021**

COMMISSIONER AUSTIN F. CULLEN

INDEX OF PROCEEDINGS

Witness	Description	Page
	Proceedings commenced at 9:30 a.m.	1
Derek Dickson (for the commission)	Examination by Mr. McCleery	1
	Examination by Mr. Smart	39
	Examination by Ms. Harmer	52
	Examination by Mr. Gruber	64
	Examination by Mr. McFee	69
	Examination by Ms. Mainville	75
	Examination by Ms. Friesen	86
	Examination by Mr. McFee (continuing)	98
	Examination by Mr. Smart (continuing)	102
	Proceedings adjourned at 11:37 a.m.	105
	Proceedings adjourned at 11:47 a.m.	105
Jan (Joe) Schalk (for the commission)	Examination by Ms. Latimer	106
	Examination by Ms. Gardner	156
	Examination by Mr. Smart	163
	Proceedings adjourned at 1:43 p.m.	180
	Proceedings reconvened at 1:53 p.m.	180
Jan (Joe) Schalk (for the commission)	Examination by Ms. Harmer	181
	Examination by Mr. Gruber	188
	Examination by Mr. McFee	192
	Examination by Ms. Mainville	202
	Examination by Ms. Chewka	211
	Examination by Mr. Smart (continuing)	221
	Examination by Ms. Gardner (continuing)	223
	Proceedings adjourned at 2:53 p.m. to January 25, 2021	224

INDEX OF EXHIBITS FOR IDENTIFICATION

Letter	Description	Page
---------------	--------------------	-------------

No exhibits for identification marked.

INDEX OF EXHIBITS

No.	Description	Page
------------	--------------------	-------------

486	Email exchange between Kris Gade and Derek Dickson, re Confirmation Requested - March 13, 2015	52
487	Memo Organized Crime Groups (redacted) - Nov 20, 2013	94
488	(Previously marked as Exhibit A for ID) Letter from Joe Schalk re Suspicious Currency Transactions/Money Laundering Review Report - December 27, 2012	179
489	(Previously marked as Exhibit B for ID) Email exchange between Douglas Scott and Michael Graydon, re GPEB letter - Privileged and Confidential - January 18, 2013	179

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

January 22, 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 or Mr. McCleery.

MR. MCGOWAN: Yes, Mr. Commissioner. Mr. McCleery has on conduct of the first witness today.

THE COMMISSIONER: Thank you. Yes, Mr. McCleery.

MR. MCCLEERY: Good morning, Mr. Commissioner. The first of two witnesses for today is Mr. Derek Dickson. I understand that Mr. Dickson will be sworn.

DEREK DICKSON, a witness
called for the
commission, sworn.

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

THE WITNESS: Derek Dickson, D-e-r-e-k D-i-c-k-s-o-n.

THE REGISTRAR: Thank you.

EXAMINATION BY MR. McCLEERY:

Q Good morning, Mr. Dickson. Can you see and hear me clearly?

A Yes, I can, Mr. McCleery. Thank you.

1 Q Excellent. If that changes at any point, please
2 just let me know. I'd like to begin by
3 reviewing some of your professional background
4 and experience. You were hired in 1982 as an
5 officer with the National Harbours Board Police;
6 is that correct?

7 A That is correct.

8 Q And the following year, 1983, you joined the New
9 Westminster Police Department?

10 A That's correct.

11 Q And you remained with the New Westminster Police
12 Department until 2008; is that correct?

13 A That is correct.

14 Q Can you briefly describe some of the assignments
15 and roles you held within the New Westminster
16 Police Department?

17 A To begin with I was a constable assigned to
18 patrol division just answering calls for service
19 in uniform. I went to the major crime section
20 as a corporal investigator. I don't have the
21 year that I went there, but I was there for two
22 and a half years. From there I was promoted to
23 sergeant in charge of -- or a field supervisor
24 on one of the watches, and two years after that
25 I was promoted to staff sergeant, and I was a

1 watch commander on again one of the watches.

2 My final assignment was as the operations
3 supervisor in the criminal investigation
4 division. And I was responsible for oversight,
5 supervision of all of the plain-clothes units
6 that were there such as street crime unit,
7 intelligence unit, forensic identification unit,
8 the domestic violence response team and the
9 major crime section.

10 Q Thank you. And following your retirement from
11 the New Westminster Police Department in 2008
12 you joined the Gaming Policy and Enforcement
13 Branch as an investigator in that same year; is
14 that correct?

15 A That is correct.

16 Q And you were later promoted to GPEB director of
17 casino investigations; is that right?

18 A Yes. Approximately one year later.

19 Q Okay. So 2009, then?

20 A Yeah, I believe that's correct.

21 Q And how long did you remain in that position?

22 A I remained in that position until the beginning
23 of 2015 when there was a restructuring within
24 GPEB itself and the senior director and the
25 executive directors positions were done away

1 with. So I became in charge of all of the
2 operations at the GPEB Burnaby office, which
3 included lotteries, horse racing, charitable
4 investigations, things like that. I remained
5 there until July 2016, at which time I retired
6 for the final time.

7 Q Thank you. And what was your title in that --
8 the position you held after the GPEB
9 restructuring?

10 A It was still director.

11 Q Thank you. I want to start briefly by
12 discussing your experience as an investigator
13 before you became a director. Can you briefly
14 describe what your role was as an investigator
15 before that promotion.

16 A I was assigned to the Starlight Casino as the
17 investigator there and essentially as the
18 investigator you would respond to Section 86
19 Reports that had been filed by the service
20 provider for followup, and anything beyond that
21 as far as forwarding it on to registrations
22 division if there was an issue with the
23 licence -- the registry, rather. And just
24 assist in any way you could in helping the
25 service provider to remain compliant as best you

1 could.

2 Q Thank you. These Section 86 Reports, were they
3 the primary means by which you gained insight
4 into what was taking place at the casino?

5 A Yes. A large majority of it was that way.
6 There was the occasional time when we might get
7 a phone call passed on from our registration
8 division, but the large majority come from the
9 service providers or BCLC.

10 Q And how much time would you have spent at the
11 casino itself in that role?

12 A Oh, not very long. Each day I would have gone
13 there to pick up reports, ask some questions,
14 talk to people. So probably an hour or two each
15 day I would be there and just in these --
16 usually it's in the surveillance room they have
17 the easiest access to the information that would
18 be required.

19 Q Thank you. These Section 86 Reports that you
20 received, am I correct that some of those
21 reports would have dealt with large cash
22 transactions that the casino staff identified as
23 suspicious?

24 A That's correct.

25 Q Can you describe generally the frequency with

1 which you would have received those types of
2 reports?

3 A And is that when I was an investigator?

4 Q Yes, still when you were an investigator.

5 A They were -- there were a few. I'm not going to
6 say there was too many, but there was a few and
7 they were somewhat consistently coming in.
8 There was some that were higher levels that
9 were -- certainly caught my attention, but it
10 was not what it would become in the future as of
11 then.

12 Q And those ones that would've caught your
13 attention, what are the features of those
14 reports that would have stood out to you?

15 A Well, it was the dollar values that were being
16 brought in. There was high amounts, and the
17 manner in which they were delivered you, know,
18 they were coming in in paper bags, sports bags,
19 hockey bags. And the manner in which they were
20 delivered -- were packaged was usually in
21 \$10,000 bundles with used money, which the drug
22 guys used to call "street money," and two
23 elastic bands, one on either end. That is
24 suspicious and, again, in that amount of cash
25 that would certainly draw my attention.

1 Q You referenced the amounts a couple of times.
2 Would you see transactions of -- you know, in
3 six figures at that time?

4 A Oh, yes. Yes, there would've been a number of
5 those.

6 Q How frequently might you see a transaction of
7 \$100,000 or more during your time as an
8 investigator?

9 A Oh, I would estimate maybe every -- every two
10 weeks there would be a large one. Every couple
11 of weeks. Sometimes they may be, you know, more
12 frequent than that. Sometimes maybe a little
13 bit less. But, again, it was not completely
14 unusual, but it was still something that was --
15 that was somewhat alarming when started seeing
16 them.

17 Q And as an investigator what was your role when
18 you received these types of reports about
19 suspicious transactions?

20 A Well, we would get the information from both the
21 service provider and BCLC. And there may have
22 been opportunity to do a little bit of followup
23 with the limited access to information that we
24 did have. We might be able to -- if there was,
25 for instance, a licence plate, we could find out

1 who the registered owner was. We'd find out
2 from the casino who the player was, what's his
3 background. But beyond that there was no
4 followup with that.

5 Q And you would take that information and
6 essentially produce a report?

7 A That's correct.

8 Q And what was your understand of what happened to
9 those reports once you'd completed them?

10 A They went to the director and then the director
11 would review them in basically a quality control
12 situation. Determine -- look and see if they
13 were accurate and did he agree with the
14 decisions that were being made and that would be
15 the end of what the role of the investigator
16 would be.

17 Q So you were essentially communicating -- through
18 these reports communicating what you were
19 observing to your superiors?

20 A That's correct.

21 Q And who were your superiors at that time while
22 you were an investigator?

23 A When I first arrived there it was Ed Rampone.
24 Ed Rampone -- when Ed Rampone left, I got the
25 position.

1 Q And do you -- did you know who Mr. Rampone
2 reported to?

3 A He would have reported to Joe Schalk.

4 Q Thank you. So let's jump ahead, then, to your
5 time as director of casino investigations. Can
6 you describe briefly your role in that position,
7 let's say, after you were investigator but maybe
8 prior to the restructuring in 2015.

9 A Right. Essentially I was the supervisor of the
10 casino unit so that I had between six and seven
11 investigators working for me at any one time,
12 and they were responsible for individual venues
13 but also there was smaller venues that they may
14 have had on the side as well as that.

15 So when they did get the information, as I
16 had described what I did as an investigator,
17 they would document it and then I would review
18 it or I would talk to them about trends and
19 what's going on in the industry. And once I was
20 satisfied that the file was accurate and I
21 agreed with it, I could -- I would then
22 categorize it, what it is, and then sign it off.
23 And then that -- then I would give that file to
24 the support staff and the support staff would
25 conclude that on the GPEB record management

1 system.

2 Q And you reported to Mr. Schalk at that time?

3 A That's correct.

4 Q These reports that you were seeing and
5 eventually signing off on, were they provided to
6 Mr. Schalk as well routinely?

7 A Some -- not the operational reports. I may have
8 crafted some emails and some other internal
9 documents for Mr. Schalk, but his office was
10 next to mine and I would talk to him almost on a
11 daily basis if not more than once a day about
12 what was going on with AML.

13 Q And I understand in some instances GPEB
14 investigators or perhaps yourself would produce
15 reports of findings; is that correct?

16 A I would have done that, yes.

17 Q Okay. And can you describe the purpose of those
18 documents, say, compared to the operational
19 reports that you've just described?

20 A Well, it was a compilation that I would put
21 together that I would be giving to both Joe
22 Schalk and Larry Vander Graaf who was the
23 executive director for their information should
24 they wish to share that information with anybody
25 else. It was just for their own knowledge so

1 quarters, over years, et cetera. And at some
2 point they started doubling year over year.

3 Q As this issue was evolving and as it sounds from
4 your description escalating, was it the case
5 that GPEB was continuing its actions as you've
6 described them, essentially gathering
7 information, producing reports and reporting
8 that up the line at GPEB?

9 A Yes, that's correct. We also, starting in 2010
10 developed, a relationship with the RCMP
11 Integrated Proceeds of Crime Unit and met with
12 them, shared information with them in terms of
13 the reports. We also shared our operational
14 reports with them, so they were getting to read
15 the investigators' reports, and that continued
16 on for several years.

17 We also shared information with CISBC, the
18 Criminal Intelligence Service of BC. We sent
19 them the operational reports as well.

20 Q Did you consider, either on your own or in
21 conjunction with Mr. Schalk and Mr. Vander
22 Graaf, whether there were additional actions
23 that GPEB could take in response to this what
24 sounds like an escalating situation regarding
25 suspicious cash transactions?

1 A We had many discussions about what our next
2 course of action would be, but the options were
3 very limited because I think as -- you know, as
4 I discussed I think last time we spoke is that
5 we are not a police agency. We don't have the
6 capacity to investigate large scale or large
7 crimes, major crimes, so we had to defer that to
8 the police if it was going to happen.

9 Q You've mentioned that you were regularly
10 communicating this information to law
11 enforcement. I appreciate you may not have full
12 insight into what police were doing with that
13 information, but from your observations did you
14 observe the police taking action in response to
15 those reports?

16 A Yes, I believe IPOC actually opened up a file
17 and began an investigation at some point in
18 2011, maybe 2012, but it ended. Nobody told me
19 why, but they did look into it and were starting
20 to get some traction.

21 Q And following 2012, did you observe any
22 significant law enforcement response to the
23 reports that GPEB was forwarding?

24 A No, I did not.

25 Q Okay. Mr. Dickson, you've described reports

1 that the service providers were providing so
2 GPEB. Is it the case that at the same time they
3 were also providing reports about suspicious
4 transactions to BCLC as far as you're aware?

5 A That's correct.

6 Q And what was your understanding of the purpose
7 of the reports that the service providers were
8 providing to BCLC?

9 A Well, BCLC has a reporting requirement with
10 FINTRAC. So they would need that information to
11 put in a proper FINTRAC document and send that
12 off to them for their -- for them to have that
13 information. So yes, they would've had to have
14 interacted with the service provider.

15 Q And did you have an understanding during your
16 tenure with GPEB as to the criteria used to
17 determine whether a transaction should be
18 reported to BCLC?

19 A Well, the criteria that was generally used was
20 the criteria that FINTRAC required and they had
21 guidelines. And, again, we do not -- just to be
22 clear, GPEB did not have a reporting requirement
23 with FINTRAC. That was their rules. We didn't
24 have that. We also had discussions with the
25 service providers to -- you know, tell them that

1 this is what we believe may be suspicious as
2 well. Now, usually the guidelines were good
3 enough to get what we needed so that was what
4 usually the service provider fell back on.

5 Q Is it fair to say that what service providers
6 were reporting to GPEB as suspicious would have
7 been essentially the same as what they were
8 reporting to BCLC as suspicious?

9 A Yes, I believe that.

10 Q Okay. And to your knowledge was there ever a
11 monetary value threshold below which
12 transactions were not supposed to be reported as
13 suspicious, either to GPEB or BCLC?

14 A Absolutely not.

15 Q Perhaps more to the point, to your knowledge was
16 it ever the case that transactions under \$50,000
17 were not to be reported as suspicious?

18 A I was unaware of any direction like that.

19 Q Okay. And to your knowledge was it ever the
20 case that transactions conducted in particular
21 denominations were not to be reported as
22 suspicious?

23 A I'm not aware there were -- anybody directed the
24 service provider not to report.

25 Q And I take it from those answers it's safe to

1 assume that you never -- well, let me put it a
2 different way. Did you ever direct any service
3 provider or casino employee that they should not
4 report transactions under \$50,000 as suspicious?

5 A Absolutely not.

6 Q Did you understand yourself to have the
7 authority to give that kind of direction?

8 A No, I did not have that authority.

9 Q Okay. And did you ever direct any service
10 provider or casino employee that they should not
11 report transactions in certain denominations as
12 suspicious?

13 A Absolutely not.

14 Q Did you understand yourself to have the
15 authority to give that direction?

16 A No, I did not have that authority.

17 Q Okay. Notwithstanding the absence of any such
18 direction or, from your perspective, knowledge
19 that such a threshold should apply, did you ever
20 come to learn that the River Rock Casino was in
21 practice applying such a threshold?

22 A Yes, I did.

23 Q And can you describe how you came about that
24 knowledge?

25 A It would've began during the Meyers Norris Penny

1 audit that GPEB had commissioned to have done,
2 an outside private firm. When we were initially
3 talking about terms of reference, myself, Len
4 Meilleur and Anna Fitzgerald, who was the
5 director of audit, we sat down to talk about
6 what is it that we wanted Meyers Norris Penny to
7 look at. The obvious one was the money, how it
8 was coming in and surrounding all that. I was
9 the one who suggested that I've heard that there
10 was thresholds being used at the River Rock;
11 let's include that for them to ask about, which
12 they did. In -- I believe in December sometime,
13 end of the year, 2015, MNP started their audit
14 and started asking these questions. I was there
15 for the first two days. I sat in on the
16 interviews. It was at some point thereafter or
17 thereabouts that BCLC announced that they had
18 discovered that the River Rock, unbeknownst to
19 them, was using thresholds.

20 Q You mentioned that you suggested this being
21 included in the audit because you had previously
22 heard that thresholds might be in place. Do you
23 recall how you heard that or when you heard
24 that?

25 A I had heard information coming from other

1 service providers wanting to know why they had
2 to report these under \$50,000 suspicious buy-ins
3 and River Rock didn't, and I would tell them no,
4 River Rock does not have permission to do that.
5 And on several occasions I asked BCLC employees,
6 specifically John Karlovcec and Gord Friesen, is
7 this happening. And I was told no, it's not
8 happening. So I took that at face value. And,
9 again, it was not a priority given what else was
10 going on with suspicious cash. It was a smaller
11 issue that I was dealing with. But yes, that's
12 how that unfolded.

13 Q Thank you. During your tenure as director of
14 casino investigations, did you interact with
15 Patrick Ennis of the Great Canadian Gaming
16 Corporation?

17 A Yes, I did.

18 Q And do you recall of having a discussion with
19 Mr. Ennis in which you advised that cash
20 transactions of 50,000 or more should always be
21 reported regardless of other suspicious
22 indicators?

23 A Yes, I do.

24 Q Can you describe that conversation and why you
25 gave Mr. Ennis that advice.

1 A There was -- BCLC reported to us, I believe it
2 was 2010, that there had been a group of four
3 Asian males and one facilitator who had been at
4 the River Rock and over the course of a week had
5 brought in approximately \$1 million in \$20
6 bills, and that had not been reported as
7 suspicious by the River Rock.

8 When I heard that I opened an investigation
9 and I conducted the interviews myself with
10 Patrick Ennis, Rick Duff and there was another
11 lady who I think was the high limit room
12 manager. I don't recall her name. And it was
13 obvious that they had not done this when they
14 should have.

15 And in followup interviews with Patrick
16 Ennis I told him I wanted all \$50,000 buy-ins
17 with \$20 bills sent to GPEB and we will
18 determine if it's suspicious. Because at that
19 point I didn't trust their judgment, so I wanted
20 to see them all. I wanted to look at them and
21 decide. If it was suspicious, it would be
22 categorized as such. If it was not suspicious,
23 it would not considered be suspicious or
24 categorized this way. But I wanted to see them
25 all based on the inactions that they had done

1 before that.

2 Q And what was Mr. Ennis's reaction to that
3 request?

4 A He said he would do that and did. He did do
5 that.

6 Q Thank you. And I take it when you advised that
7 all transactions in 20s over \$50,000 should be
8 reported, you certainly didn't suggest that
9 transactions below that threshold should not be
10 reported?

11 A No. I explained that anything below 50,000
12 should be explored for suspicious circumstances.
13 If there are suspicious circumstances, report it
14 as suspicious. If there are not, then you don't
15 report it.

16 Q Thank you. And do you recall when roughly these
17 conversations took place?

18 A I believe it would be in 2010, but I'm actually
19 not sure. Maybe mid-year.

20 Q Thank you. I'd like to take you to a couple of
21 emails now that you exchanged with Mr. Ennis.

22 MR. McCLEERY: Madam Registrar, I wonder if we might
23 see exhibit 75, page 50. And for those working
24 from documents numbers that's BCLC8. Thank you
25 very much, Madam Registrar.

1 Q Mr. Dickson, it looks like you're looking for
2 that in a hard copy. Just let me know when
3 you have it in front of you.

4 A Thank you.

5 MR. HIRA: Sorry, page 50, you said?

6 MR. McCLEERY: It's page 50 of exhibit 75, Mr. Hira.
7 I'm not sure what you have in front of you, but
8 the document number is BCLC00008. And of that
9 document it's page 5.

10 MR. HIRA: All right. I think we've almost got that
11 document. And I assume this is a January 12 --
12 sorry, I assume this is a February 9, 2010 email
13 from Mr. Ennis to Mr. Dickson.

14 MR. McCLEERY: It is an email from Mr. Ennis to
15 Mr. Dickson but the date that I have is
16 July 9th, 2010.

17 MR. HIRA: Sorry, dyslexic. Left-handed syndrome.

18 MR. McCLEERY.

19 Q We have the document, then?

20 A Yes, I do.

21 Q Mr. Dickson, this is an email from Mr. Ennis to
22 you dated July 9th, 2010; is that correct?

23 A That is correct.

24 Q And Mr. Ennis writes to you:

25 "Due to the recent GPEB investigation into

1 suspicious buy-ins the staff at RRCR have
2 been over reporting on cash buy-ins via
3 form 86 reports. I have discussed this
4 with Doug Morrison at BCLC and he agrees
5 that RRCR is the only site reporting in
6 this manner. I am going to instruct RRCR
7 to return to our previous methods of
8 reporting suspicious activities which are
9 consistent with other casinos in the
10 province. Large buy-ins will be
11 investigated and if deemed suspicious then
12 BCLC will file an STR with FINTRAC and an
13 86 report will be filed by GCC as a result
14 of the investigation."

15 The investigation that Mr. Ennis refers to, is
16 that the one that you just described regarding
17 the four individuals that bought in for roughly
18 \$1 million that was not reported?

19 A Yes, I believe it is.

20 Q And Mr. Ennis indicates that he discussed with
21 Mr. Morrison, who was a BCLC employee; is that
22 correct?

23 A That's correct. He was the manager of security.

24 Q And in reading the email, it looks as though
25 Mr. Morrison and Mr. Ennis discussed what should

1 be reported pursuant to Section 86, which is the
2 reporting requirement to GPEB; is that correct?

3 A That's correct.

4 Q Do you have any insight into why Mr. Morrison
5 would've had input into what should have been
6 reported under Section 86 to GPEB?

7 A I'm actually going to assume because of their
8 relationship in the conduct and manage arm that
9 Patrick Ennis had a discussion with him at some
10 point.

11 MR. McCLEERY: Thank you. I wonder, Madam Registrar,
12 if we can move up now to page 49 of that
13 exhibit. And that should be page 4 of those
14 working from the original document.

15 MR. HIRA: We have it.

16 MR. McCLEERY:

17 Q Thank you. Mr. Dickson, this is your response
18 to Mr. Ennis of July 12th, 2010; is that
19 correct?

20 A That's correct.

21 Q I'll take you out of the first point. You've
22 numbered your paragraphs, which makes things
23 easier for me. And you write at the very
24 beginning there:

25 "I agree that RRCR has been over reporting

1 LCT. You and I had conversations when the
2 GPEB investigation into the reporting
3 issue surrounding LCT's first surfaced."

4 In your evidence a moment ago you described how
5 the River Rock was not reporting transactions
6 you believed they should have been. You refer
7 here to over-reporting. Mr. Ennis referred to
8 over-reporting in his previous email. Do you
9 recall what the issue of over-reporting was that
10 you're referring to?

11 A Yes. Again, we're only concerned with
12 suspicious cash transactions. The large cash
13 transaction or LCTs, those are line items;
14 they're not suspicious; they don't concern GPEB
15 at all. What was happening here was after that
16 I had had my discussion with Mr. Ennis, they
17 started basically reporting just about anything
18 of \$10,000 as being suspicious, when clearly
19 there were no indicators that it was and nobody
20 told them they ever had to do that. But they
21 were doing it probably out of an abundance of
22 caution, and it was causing a great deal of
23 concern and extra work for people. So that is
24 what I'm referring to when they had been
25 over-reporting with LCTs. They didn't meet the

1 criteria to be SCTs.

2 Q Thank you. Moving on in that paragraph. You
3 say:

4 "You asked what the monetary threshold
5 RCRR should adopt when reporting LCT's. I
6 explained that it was not the amount of
7 the buy-in that was the determining
8 factor, but the circumstances surrounding
9 the buy-in. FINTRAC and BCLC supply
10 direction in this regard."

11 Are you -- you say that Mr. Ennis asked what the
12 monetary threshold should be. That was not in
13 Mr. Ennis's previous email, as I read it. Had
14 you had a conversation with Mr. Ennis that was
15 not part of this email chain about this issue?

16 A I don't recall that. I don't know. I don't
17 have memory of that. I do know this was me
18 responding and basically saying that there is no
19 threshold. Whether he got it from somewhere or
20 he believed that there should be one, is this a
21 reaction to being told you are over-reporting by
22 the lottery corporation, I don't know. But this
23 is what I explained to him. This is how it had
24 to be reported to GPEB.

25 Q Do you recall if Mr. Ennis at that time, to your

1 recollection, was under the impression that
2 there should or could be a monetary threshold?

3 A No, I was not of that impression. No.

4 MR. McCLEERY: Thank you. Madam Registrar, I wonder
5 now if we can go to page 57 of this exhibit.
6 And for Mr. Hira and Mr. Dickson that's document
7 BCLC0012597. And that will be the second
8 document -- the second page of that document.

9 MR. HIRA: Yes. Sorry. Your materials came in
10 tranches, so we cross-reference. So this is
11 the --

12 MR. McCLEERY: Looking for an email dated February 3,
13 2012.

14 MR. HIRA: Yes. The witness has that document in
15 front of him. Thank you.

16 MR. McCLEERY: Thank you very much.

17 Q Mr. Dickson, this is an email from you to
18 Mr. Karlovcec dated February 3rd, 2012; is that
19 correct?

20 A That's correct.

21 Q And what was Mr. Karlovcec's role at that time,
22 if you recall?

23 A He was the assistant manager of security.

24 Q With BCLC?

25 A That's correct. Sorry.

1 Q You write at the beginning of this email:

2 "We are starting to see a trend developing
3 where the RRCR is not submitting
4 86 reports regarding suspicious cash
5 buy-ins where \$100 bills are presented. On
6 at least one occasion recently the BCLC
7 investigators discovered that a patron had
8 left the RRCR several times and returned
9 shortly thereafter with large amount of
10 cash in \$100 denomination. The total was
11 approximately --

12 That appears to be 5 million, but I suspect it
13 may be a typo.

14 A No. That's correct. It's 500,000.

15 Q "... and RRCR was directed to forward an
16 86.

17 The feedback our investigators are
18 getting is that the RRCR does not consider
19 any buy-in with \$100 bills as being
20 suspicious, and they are too busy to do
21 this. Have you heard this and is this
22 RRCR's unofficial policy regarding
23 \$100 bills?"

24 Have I read that correctly?

25 A That's correct.

1 Q I gather from this email, then, you were
2 observing that there was at this time
3 non-reporting of transactions conducted in
4 \$100 bills; is that correct?

5 A Yes, that's correct. And information I was
6 getting from the investigators at the site.

7 Q And do you recall if this issue was corrected in
8 the near term, or do you know if it persisted
9 for ...

10 A Well, certainly I would've -- I approached BCLC
11 to get their opinion on this and to see if they
12 could shed some light on that. And then we
13 would have after that monitored a little closer
14 to make sure that they were doing what they were
15 supposed to be doing.

16 Q And can you speak to the impact of this kind of
17 non-reporting for GPEB. How would it have
18 affected your ability to fulfill your mandate?

19 A Well, again, it was going to hinder us in
20 getting, you know, accurate numbers that we
21 tried to get. We tried to get as many as we
22 could but accurate as we could. And if you are
23 not reporting as required because of the
24 denomination which nobody has ever instructed
25 the service provider to do, then you would be

1 missing out on a lot of reports that you would
2 need for accuracy just, you know, that at the
3 end of the day we have everything we need.

4 Q Thank you. In the second paragraph of this
5 email you indicate that you're getting feedback
6 that the River Rock are too busy to submit these
7 reports. Did you have a sense that the River
8 Rock was -- surveillance department, at least,
9 was understaffed at that time?

10 A Yes. But part of that was probably their own
11 doing because they were sending in the LCTs and
12 creating work and -- you know, in that regard.
13 So yeah, they probably were. And again I've
14 spoken to them before when they had reporting
15 problems and usually that was what they pointed
16 the blame at was they were busy, which really
17 didn't carry any weight. They were told that's
18 not acceptable and they have to correct that.

19 Q Was this, then, a fairly persistent issue that
20 they raised, that they were too busy to report
21 as required?

22 A No, not really, because they realized that they
23 would get no sympathy from -- certainly me and
24 not from GPEB. It's their responsibility and if
25 they're having trouble because of -- they were

1 too busy, then they need to talk to their
2 management about resourcing.

3 MR. McCLEERY: Thank you. Madam Registrar, I wonder
4 if we might now turn to exhibit 110. And that's
5 GPEB0169 for those working from the document
6 numbers.

7 MR. HIRA: Yes. Just a moment. So we have a
8 redacted version and a non-redacted version.

9 MR. McCLEERY: Let's look at the non-detected version
10 for Mr. Dickson's benefit.

11 MR. HIRA: And that is the November 24 -- but the
12 version that you have up on the screen is a
13 redacted version.

14 MR. McCLEERY: Yes. And I think that's fine for
15 what's on the screen. I have an unredacted
16 version and if Mr. Dickson has an unredacted
17 version, I don't anticipate the redactions are
18 going to be particularly significant to our
19 discussion, but -- if it becomes an issue, we
20 can address it, but I suggest we proceed as we
21 are at the moment.

22 MR. HIRA: We have the unredacted version of the
23 November 24, 2010 letter.

24 MR. McCLEERY: Thank you.

25 Q Mr. Dickson, this is a letter that you wrote to

1 security, Gord Friesen.

2 Q Thank you. I'd like to move down to the second
3 page of this letter. The last full
4 paragraph reads:

5 "Senior Director Joe Schalk and the writer
6 met recently with the Officer In Charge,
7 RCMP Integrated Proceeds of Crime Unit
8 (IPOC), and they are well aware of this
9 issue and are seriously concerned that the
10 casinos are being used as a method to
11 launder large sums of money for organized
12 crime groups. They are of the opinion
13 that this is, without doubt, large scale
14 money laundering."

15 Aside from my brief stumble over my own words,
16 did I read that correctly?

17 A That's correct. Yeah, that's it.

18 Q And who was the officer in charge of the
19 Integrated Proceeds of Crime Unit that you met
20 with that you're referring to here?

21 A Mike Arnold and Barry Baxter were the two that
22 were there.

23 Q Okay. And do you recall or did they explain to
24 you the basis for their belief that this was
25 without doubt large scale money laundering?

1 A We had brought them several documents and shown
2 them the numbers, how it was all unfolding, who
3 the players were, you know, where the money was
4 coming from -- coming in, being -- you know,
5 being delivered. And they came to that opinion
6 themselves.

7 Q As far as you're aware, that was, then, based on
8 information that GPEB had provided, not
9 independent investigative steps that they had
10 taken?

11 A That's correct.

12 Q Moving down to the next page, then. The first
13 paragraph or at the second half of that
14 paragraph you write:

15 "BCLC is responsible for the conduct and
16 managing of casino gaming in British
17 Columbia through standard operating
18 procedures and we believe, at a minimum,
19 as a good corporate citizen you should
20 re-assess your corporate responsibility in
21 allowing these large amounts of
22 \$20 denominations to enter the casino
23 gaming environment. A restriction of
24 allowing a maximum of \$10,000 in
25 \$20 denominations could remedy the

1 situation."

2 You suggest here a limit of \$10,000 for
3 transactions conducted in \$20 bills. Can you
4 describe why you felt that that would remedy the
5 situation as it existed at the time?

6 A Well, it would cut down on the vast amounts of
7 suspicious cash coming in. So they were coming
8 in in smaller denominations, which were less
9 concerning than somebody coming in with, you
10 know, 4- and \$500,000 at a time. And of course
11 after we had spoken to the police, we were now
12 comfortable in saying, the police believe this
13 is money laundering.

14 Q To your knowledge did BCLC ever impose the limit
15 that you propose here?

16 A No, to my knowledge they never did.

17 Q Did you understand that Mr. Friesen, to whom you
18 wrote this letter, had the authority to impose
19 such a limit?

20 A Oh, I don't believe that. I don't believe he
21 had the authority, no.

22 Q I see you've copied some people at the bottom of
23 this letter. Do you have an understanding of
24 who would've had that authority at BCLC?

25 A Again, I don't know who would've had that

1 authority at BCLC. We never really had those
2 discussions with them.

3 MR. McCLEERY: Thank you. Madam Registrar, can we
4 move now to exhibit 111. And, Mr. Hira, for you
5 that's GPEB0581.

6 MR. HIRA: Right. That is the December 24, 2010
7 response to this previous letter, the
8 November letter?

9 MR. McCLEERY: That is the date of the letter. I'll
10 let Mr. Dickson tell me if it's the response or
11 not.

12 MR. HIRA: We have the non-redacted version of the
13 letter before the witness. Sorry, we have the
14 non-redacted version of the letter before the
15 witness.

16 MR. McCLEERY: That's perfect. Thank you very much.

17 Q Mr. Dickson, this is a letter dated
18 December 24th, 2010, addressed to you. This is,
19 I understand, a response to the letter that we
20 just looked at. Is that correct?

21 A That is correct.

22 Q And this letter -- though yours was written to
23 Mr. Friesen, this response came from John
24 Karlovcec; is that right?

25 A Correct.

1 Q Before I delve into some of the substance of it,
2 do you recall what your reaction was upon
3 receiving and reading this letter?

4 A Well, I was not surprised. This was generally
5 how the responses that -- when we, you know,
6 brought forward concerns with money laundering,
7 this is generally what we would hear or what we
8 would see. So not surprised but a little
9 disappointed.

10 Q And you say this was sort of typical of BCLC's
11 response to this issue. Did that change over
12 the course of your tenure with GPEB? Did their
13 attitude as you observed it ever differ?

14 A Not until after the police investigation was --
15 we learned about that in 2015, I believe.

16 Q Maybe get into this letter. If we can go to the
17 second page right about in the middle. There's
18 passage where Mr. Karlovcec writes:

19 "Our investigation included a review of
20 [the patron's] large cash transaction
21 reports as well as Starlight Casino's
22 internal procedural variance reports
23 (IPVR). As such we were able to determine
24 the following as it relates to [the
25 patron's] gaming play during the

1 previously mentioned time frame.

2 Total Buy-ins - \$3,681,320.

3 Total Net loss - \$3,338,740."

4 Mr. Karlovcec is I think making the point that
5 this individual lost virtually all of the money
6 he used to buy in at the casino. Did that
7 information at all change your view that this
8 may have been related to money laundering?

9 A No, that has nothing to do with money laundering
10 if they win or lose.

11 Q Can you describe why that's the case. Some
12 people might suggest the purpose of money
13 laundering is to convert dirty money into
14 apparently -- money that appears to be clean.
15 If the money is lost, one might think that goal
16 has not been accomplished. What would your
17 response to that suggestion be?

18 A I'll try to keep it relatively simple. But
19 these gamblers, specifically the ones that were
20 coming from China, could not access cash and
21 bring it with them. So when they got here they
22 didn't have a source of cash. This is where it
23 is believed -- police have advised of this --
24 that they would then arrange to get money from
25 organized crime.

1 Now, the gambler would then take the money,
2 buy in with chips, play and lose; okay? The
3 gambler had to pay back the loan. It's not that
4 they gave him the money to play for fun. He
5 lost the money. He has to pay it back through
6 other sources of which I'm not expert. I won't
7 try to explain that part, but the simple part is
8 what they left out of that equation is he has to
9 repay that loan somehow.

10 Q And that was -- that explanation you've given,
11 that was your understanding at the time of this
12 exchange of letters. Is that fair?

13 A Yes. That was my understanding, yes. It had
14 always been my understandings. Losing the money
15 was never really part of the equation.

16 Q And you indicated that BCLC's attitude towards
17 this issue didn't change until a police
18 investigation sometime later. I wonder if you
19 can identify when that was and how you would
20 describe the change in BCLC's approach at that
21 time.

22 A Well, I believe it was in July of 2015. And
23 they were actually the ones that got the
24 information from the police. And as I recall
25 someone telling me that what the police had

1 said, they told them about this investigation
2 involving money laundering in casinos that they
3 had going on. It was involving, you know,
4 serious organized crime and the outcome is going
5 to embarrass the government. That was when it
6 started to get just a little more frantic around
7 there and you start to see them do a little more
8 in the way of banning people and doing a few
9 more things, but they never did impose any kind
10 of a limitation on the cash.

11 MR. McCLEERY: Mr. Dickson, thank you very much.

12 Mr. Commissioner, those are my questions for
13 Mr. Dickson.

14 THE COMMISSIONER: All right. Thank you,
15 Mr. McCleery.

16 Now Mr. Smart on behalf of the BC Lottery
17 Corporation, allocated 15 minutes.

18 **EXAMINATION BY MR. SMART:**

19 Q Mr. Dickson, that last comment you made, could
20 you just explain that again, please. In 2015 --
21 just repeat that. I didn't quite understand it.

22 A In 2015 we were we were made aware of a
23 police --

24 Q Sorry, Mr. Dickson, can you get a little closer
25 to the mic. I'm old and I have a little trouble

1 hearing you.

2 A No problem, sir. In 2015 we were made aware
3 that there was a police investigation -- a
4 large-scale investigation that is going to
5 involve money laundering at BC casinos. It was
6 the RCMP major crime group. Probably it was
7 the -- I don't know even know if it was IPOC.
8 They were probably gone by then. But BCLC had
9 discovered through contacts that this was going
10 on and this was a full speed ahead investigation
11 with many, many investigators and that one of
12 the things that was going to come out of this
13 was that the results may embarrass government.

14 Q Well, who told you --

15 A After that --

16 Q Sorry. Who told you that, Mr. Dickson?

17 A That became common knowledge. I believe it was
18 Len Meilleur who told me that.

19 Q And who is Len Meilleur?

20 A He was my boss, the executive director.

21 Q You know that BCLC had been trying for years to
22 engage law enforcement to investigate money
23 laundering in the casinos, hadn't they?

24 A I don't have any -- I don't know if they did or
25 not. I know they had interactions with the

1 police, but I don't know what specifically they
2 were doing.

3 Q But you're the regulator. Why wouldn't you know
4 what BCLC's interactions with law enforcement
5 were?

6 A Well, they interact with us. We take the
7 information we get from BCLC; we interact with
8 law enforcement.

9 Q But you're not suggesting that BCLC was
10 concerned about a police investigating --
11 investigation embarrassing government, are you?

12 A It was information that they shared.

13 Q No, no, but you're not suggesting that BCLC
14 investigators were concerned that by sharing
15 information with police it was going to
16 embarrass government?

17 A One more time, sir. Sorry. Was it BCLC sharing
18 information is embarrassing?

19 Q Well, are you saying that BCLC investigators
20 were concerned about embarrassing government?

21 A No. The investigation the RCMP was conducting
22 was going to embarrass government.

23 Q Okay. But that wasn't a concern to BCLC
24 investigators, was it?

25 A I would hope so. That's an integrity of gaming

1 suggested should be done? You understood that?

2 A That's correct.

3 Q So why did you send it to him?

4 A Because I had hoped we could perhaps work
5 together and become combined in the same ideas
6 how we could address this problem starting
7 there. As you can see by who was copied, it was
8 going to other people as well to perhaps see if
9 we couldn't stimulate some kind of way to get
10 together to try to find a way to alleviate this
11 issue.

12 Q Isn't that because you weren't getting that kind
13 of response from the assistant deputy minister?

14 A I don't -- I can't answer that. I didn't deal
15 with that.

16 Q Well -- but surely if you wanted changes and you
17 recognized that government set policy, you would
18 want your assistant deputy minister speaking to
19 government about changing policy about
20 suspicious cash transactions?

21 A The assistant deputy minister's copied on that
22 letter.

23 Q All right. And did you speak with him?

24 A No. That wouldn't be appropriate for me to
25 speak with him.

1 Q Okay. But why -- did you direct communications
2 to go up the management chain in your
3 organization, GPEB, to try to get the assistant
4 deputy minister to make changes?

5 A No. He was given information and he could
6 decide what to do with that.

7 Q Yeah. But this looks like it's a collateral
8 effort to have your assistant deputy minister go
9 to government to make changes. Is that
10 effectively what you were trying to do?

11 A No, not at all. We were giving them
12 information. He could choose what he wants to
13 do with it.

14 Q Well, what's your purpose in copying him on your
15 communication to Mr. Friesen?

16 A Because it was going to the vice president of
17 the Lottery Corporation.

18 Q Yes.

19 A And, again, Larry Vander Graaf advised that we
20 were going to copy people, so it's like okay,
21 we'll do it that way too.

22 Q Yeah. So when you spoke with -- in the letter,
23 as you say, to major crime, the officer in
24 charge of IPOC, and they told you that -- what
25 did they tell you?

1 A That this was large-scale money laundering.

2 Q Yes. So how did -- did you -- did they tell you
3 it was definitely the proceeds of crime?

4 A They said it was large-scale money laundering,
5 so they're the experts. I would take their word
6 for it.

7 Q I mean, Mr. Vander Graaf told us that -- told
8 the commission that for any particular cash --
9 large cash -- suspicious cash transaction, that
10 they couldn't -- GPEB could not prove beyond a
11 reasonable doubt that it was the proceeds of
12 crime. Did you -- does that coincide with your
13 assessment?

14 A I agree with that, yes.

15 Q Yeah. In fact he said, we couldn't even prove
16 on a balance of probabilities that it was the
17 proceeds of crime. You agree with that
18 assessment?

19 A No, no, I don't agree with that.

20 Q All right. Did you try to encourage the
21 director of civil forfeiture to take efforts to
22 seize this cash that was coming in?

23 A Not me personally, no.

24 Q No. Did you go and interview patrons who
25 brought these large cash transactions in to

1 determine -- ask them where they got the money
2 from?

3 A No, we didn't.

4 Q Why not?

5 A Because that's part of the investigation that we
6 do not have the capacity to conduct.

7 Q You couldn't have gone -- you couldn't have
8 asked the service provider to give notice to one
9 of your investigators? When a large amount of
10 cash comes in the door, let us know so we can
11 come and interview the person. That is beyond
12 your capabilities as special constables?

13 A Yes, because they are associated with organized
14 crime and we don't have the capacity to
15 investigate organized crime or any other of the
16 other protections we have.

17 Q No, but you could go in and speak to the patron,
18 couldn't you?

19 A Patrons often had someone with them. And,
20 again, nearby there was usually somebody that
21 was there just to watch over.

22 Q Do you know that patrons are being interviewed
23 now about source of funds?

24 A Yes, I do know that.

25 Q Yeah. So BCLC could -- I'm actually sorry GPEB

1 could have done that in 2012, 2013, couldn't
2 they have?

3 A We could have done it, but we weren't going to.

4 Q No. What did GPEB do to deal with these --
5 besides sending communications off to people
6 like Mr. Friesen that don't have the authority
7 to do what you're suggesting, what did you do to
8 try to deal with these large suspicious cash
9 transactions?

10 A We shared information with the police who have
11 the jurisdiction to investigate in Canada and we
12 also shared the information with government as
13 well.

14 Q All right. And BCLC, you -- we heard from
15 earlier from investigators at GPEB during your
16 time, Mr. Dickson, that the quality of the
17 suspicious transaction reports prepared by BCLC
18 was high, they were well done. You agree with
19 that assessment?

20 A Yes, I do.

21 Q Okay. And they referred them to FINTRAC, didn't
22 they?

23 A That's correct.

24 Q They referred them to law enforcement?

25 A I don't know that, but I assume they did.

1 Q You didn't know. Did you ask them?

2 A I don't need to know where they send it. We're
3 sending it to the law enforcement.

4 Q After -- you recall Mr. Kroeker was asked to do
5 a -- in fact let me put it chronologically.
6 Your letter is November 2010, the response is
7 December 2010 and in January 2011 Mr. Kroeker
8 was asked to do a report dealing with these
9 large suspicious cash transactions?

10 A M'mm-hmm.

11 Q You recall that?

12 A Yes. Yes, I do.

13 Q And he reinforced that the role of BCLC was
14 largely to observe and report to law
15 enforcement? If you want to look at it, that's
16 fine. It's exhibit 141. I just thought you
17 would probably have read it before testifying.

18 A I probably did.

19 MR. HIRA: I don't have exhibit 141. Maybe it's
20 identified in a different way.

21 MR. SMART: Sorry, Mr. Hira, I didn't hear that.

22 MR. HIRA: We don't have a document identified as
23 exhibit --

24 THE COMMISSIONER: Mr. Smart, do you want that up on
25 the screen?

1 MR. SMART: I've only got a limited amount of time,
2 Mr. Commissioner. Let me ask, Mr. Dickson.

3 Q Do you recall the Kroeker report?

4 A I recall that he did the report.

5 Q Okay. Do you recall any of the contents?

6 A No, I don't.

7 Q Okay. Do you recall after the report that there
8 was a joint GPEB/BCLC anti-money laundering
9 committee put together?

10 A No, I don't recall that.

11 Q What do you recall happened after the Kroeker
12 report with respect to concerns about large cash
13 transactions in casinos? Do you remember
14 anything happening?

15 A I don't recall that it spurred anything to
16 happen.

17 Q Okay. I want to ask -- I'm going to -- in the
18 interests of time I'm going ask you about a --
19 ask to have a document displayed to you, please.

20 MR. SMART: It's BCLC15854. If that can be shown on
21 the screen, please. Just if you can scroll
22 down, please, Madam Registrar, to the bottom.

23 Q You'll see that Mr. Gade sent this to you
24 listing four incidents that occurred?

25 A Yeah, I have it, sir.

1 Q I understand -- I wasn't present yesterday but I
2 understand that Maggie Chiu testified, and I
3 just wanted -- and there was a discussion about
4 these incidents. And what I want to highlight
5 in this email to you is that BCLC reported these
6 four suspicious occurrences at casinos over this
7 period of time, three involving a Gateway guest
8 services employee, Maggie Chiu. Just take a
9 look at that as you need to.

10 A Okay. I don't see where BCLC sent the 86. Did
11 I miss that?

12 Q Just go -- sorry. What -- No, what I'm --
13 MR. SMART: Just go down the page, please, Madam
14 Registrar, to the bottom of the email. This
15 starts -- not quite at the bottom. I am sorry.
16 Thank you.

17 Q Mr. Gade you knew as an investigator with BCLC?

18 A Yes, he's a manager.

19 Q Okay. And so there's four incidents.

20 MR. SMART: Madam Registrar if we can just move up
21 the page.

22 Q March 2015, March 2015, February 2015,
23 December 2014. And I think three of them
24 involve Ms. Chiu. What I wanted to highlight is
25 that BCLC referred these incidents to you. If

1 we can move further up the page.

2 MR. HIRA: We have a paper copy of this document,
3 Mr. Smart.

4 MR. SMART: I'm sorry, Mr. Hira?

5 MR. HIRA: We have the paper copy of the document.

6 That's what the witness is referring to, so --

7 MR. SMART: Thank you. Thank you.

8 Q So Mr. Gade writes this to you:

9 "I just want to confirm, that as per our
10 conversation regarding the Starlight, the
11 four (4) below noted incidents, in their
12 totality are not being actively worked by
13 GPEB per se, and that GPEB has no issues
14 with BCLC Corporate Security and
15 Compliance addressing with the appropriate
16 Gateway Executive?"

17 That accurately -- you don't disagree that
18 captures the conversation you had with Mr. Gade?

19 A I don't disagree with that.

20 Q No. And this email exchange here is an example,
21 I suggest, of BCLC and GPEB working
22 cooperatively together?

23 A That's correct.

24 Q And BCLC reporting incidents to you?

25 A Again, they could have. I'm not sure if they

1 did or not.

2 Q Okay. And GPEB making decisions whether to
3 investigate or not?

4 A That's correct.

5 MR. SMART: Okay. Mr. Commissioner, I'm seeking to
6 have this marked as an exhibit. It wasn't
7 marked yesterday although it was referred to.

8 THE COMMISSIONER: Very well. That will be
9 exhibit 486.

10 THE REGISTRAR: Exhibit 486.

11 **EXHIBIT 486: Email exchange between Kris Gade**
12 **and Derek Dickson, re Confirmation Requested -**
13 **March 13, 2015**

14 MR. SMART: Those are my questions. Thank you,
15 Mr. Dickson.

16 THE WITNESS: Thank you, sir.

17 THE COMMISSIONER: Thank you, Mr. Smart.

18 I'll now call on Ms. Harmer on behalf of the
19 Great Canadian Gaming Corporation, who has been
20 allocated ten minutes.

21 MS. HARMER: Thank you, Mr. Commissioner.

22 **EXAMINATION BY MS. HARMER:**

23 Q Mr. Dickson, can you hear me okay?

24 A Yes, I can.

25 Q Thank you. Mr. Dickson, Mr. Smart just asked

1 you a few questions about a meeting that you say
2 you had in 2010 when you met with the officer in
3 charge of IPOC. And I think your evidence was
4 to the effect that at that point you had
5 confirmation that money laundering was happening
6 in casinos. Is that fair?

7 A Yes. The police confirmed that they believed.
8 They were the experts and we were comfortable
9 with saying that as well.

10 Q And are you aware of any steps taken by the
11 police after that?

12 A Not until IPOC became involved, I believe, in --
13 they started an investigation in 2012, maybe
14 2013, but I don't think it went very far. After
15 that the next information we received was when
16 the RCMP had a large-scale investigation going.

17 Q And after receiving this information in 2010,
18 what steps did you direct your investigators to
19 take in addition to what you might have been
20 doing previously?

21 A To be diligent. To make sure that the site
22 was -- the service provider was being compliant
23 and to assemble all of the investigation they
24 could and put it into a quality report.

25 Q And where did those reports go?

1 A They came to me for -- to do quality assurance
2 on them and then I would forward them off to
3 IPOC and to CISBC.

4 Q Were those reports shared with great Canadian?

5 A No.

6 Q And after receiving this information from IPOC
7 in 2010, did you raise the alarm directly with
8 Great Canadian?

9 A I don't recall. I may have had a discussion
10 with Patrick Ennis, but I don't think there was
11 anything formal, no.

12 Q And you don't recall at this time any particular
13 discussion or any time frame when that
14 discussion took place?

15 A No. Sorry.

16 MS. HARMER: Madam Registrar, if you could pull up
17 exhibit 75 for me. Madam Registrar, if you
18 could scan forward to appendix I. I'm looking
19 specifically for the page that is numbered at
20 the bottom right-hand corner BCLC and then a
21 number of zeros 8.07.

22 Q Mr. Dickson, I'll give you a minute to get
23 there. I realize there's a lot of paper in
24 front of you.

25 A Thank you.

1 MR. HIRA: That email exchange is available in a
2 different form. Do you have any difficulty with
3 me putting that in front of the witness?

4 MS. HARMER: No, no, I think that as long as the
5 content is the same, that will be great.

6 MR. HIRA: All right. Hang on just a moment. We can
7 go off the screen.

8 MS. HARMER:

9 Q Thank you, Mr. Dickson. Mr. Dickson, you should
10 see in front of you an email that says
11 November 3rd, 2010. It appears to be an email
12 correspondence between a number of people who I
13 believe work for BCLC, and you'll see that
14 Mr. Ennis of Great Canadian is also copied.

15 A Yes, I see that.

16 Q The first line of that email reads:

17 "I had a conversation with Pat Ennis today
18 wherein he advised that GPEB Derek Dickson
19 had requested River Rock Surveillance
20 notify them via Sec. 86 Report of any buy
21 in of \$50,000 or more where conducted with
22 \$20 bills."

23 Did I read that correctly?

24 A That's correct, yes.

25 Q Now, my first question is do you recall that

1 conversation?

2 A Not specifically, but I recall why it was done.

3 Q And what was that?

4 A This goes back to the investigation I spoke of
5 earlier, the \$1 million that came into the
6 casino and was not reported as suspicious. And
7 then after that I had a conversation with Pat
8 Ennis, basically said I want all \$50,000 or more
9 buy-ins conducted with \$20 bills reported so
10 that we can review it to see if it's suspicious.

11 Q So while you don't remember that particular
12 conversation, you do agree that you likely had
13 that conversation?

14 A Yes, I believe that.

15 Q Mr. Dickson, would you agree that that is a
16 threshold for reporting to GPEB? You were
17 asking Mr. Ennis to report any buy-in of \$50,000
18 or more when conducted with \$20 bills?

19 A No. You have to realize the threshold issue is
20 with FINTRAC, not with GPEB. We directed that
21 that was to come in to ensure that the site was
22 being compliant, but there are no thresholds for
23 GPEB.

24 Q Mr. Dickson, just to clarify, you're saying
25 there's no thresholds with FINTRAC or no

1 thresholds with GPEB?

2 A No thresholds with GPEB. That's a FINTRAC
3 requirement.

4 Q I'm a little bit confused. So you're saying you
5 want a Section 86 report any time there's a
6 buy-in of \$50,000 or more where conducted with
7 \$20 bills. That appears to be a threshold for
8 reporting to GPEB.

9 A It's not a threshold in the sense of what
10 FINTRAC refers to as a threshold. The *Gaming*
11 *Control Act* permits -- allows us to demand this
12 information where there may be real or suspected
13 criminal activity or *Gaming Control Act*
14 violations occurring. As a result of the
15 horrendous refusal to report \$1 million, it was
16 deemed by myself and others to be a good quality
17 control measure to let's see these and let's
18 review them ourselves, so that we want accurate
19 accounting of what the numbers of suspicious
20 cash is coming into these casinos.

21 Q Yes, Mr. Dickson, I agree with that. But
22 looking at this, putting aside what FINTRAC
23 requires, you are imposing a threshold where
24 you're saying all transactions over 50,000
25 should be reported to GPEB if they are conducted

1 in \$20 bills. Do you agree?

2 A I wouldn't call it a threshold. I would -- I
3 told them I wanted that. If the definition of
4 that is a threshold, it's not the same as the
5 FINTRAC thresholds.

6 Q You do agree that you were asking all
7 transactions over \$50,000 or more, when
8 conducted in \$20 bills, be reported to GPEB; is
9 that right?

10 A That's correct.

11 Q And that's regardless of whether there's any
12 other suspicious indicators?

13 A That's correct.

14 MS. HARMER: Madam Registrar, if I could go forward
15 to appendix K to that same exhibit. And if I
16 could scroll down to the second page of the
17 email.

18 MR. HIRA: We have another version of that. Let's
19 see. February 3, 2012 email.

20 MS. HARMER: Yes, that's correct.

21 Q Mr. Dickson, do you have that in front of you?

22 A I will in one second here.

23 Okay. I have it here. Thank you.

24 Q Okay. So this is an email that you wrote in
25 February 2012. You see that it's from you to

1 Mr. Karlovcec, and Mr. Karlovcec, I understand,
2 works for BCLC?

3 A That's correct on both cases.

4 Q And I think you were taken to this email by my
5 friend Mr. McCleery early today -- earlier
6 today. And it refers to you seeing a trend
7 developing where you believe River Rock might
8 not be submitting Section 86 Reports; is that
9 correct?

10 A That's correct.

11 Q What did you do in response to that concern?

12 A I would have discussed this with BCLC, as I was
13 doing here, to find out what they had for input
14 into that. I would have had the
15 investigators -- GPEB investigators looking
16 closely into -- see what was coming in and when
17 it and why it was being reported. And we may
18 have even sent this to our audit section or
19 discussed it with our audit section about next
20 time they're there they might want to have a
21 look at that.

22 Q And what steps did you take to bring this to
23 Great Canadian's attention?

24 A I may have talked to Patrick Ennis about it and
25 assured him that that better not be happening

1 because that's not correct.

2 Q And do you have a recollection of when that
3 conversation occurred?

4 A No, I don't.

5 Q And you spoke of bringing this to the attention
6 of BCLC, but of course the reporting obligation
7 under Section 86 is Great Canadian's, not
8 BCLC's. Is that right?

9 A That's correct.

10 Q Is it would seem to me to make more sense to
11 bring that to the attention of Great Canadian to
12 ensure they're complying with their reporting
13 obligations given you're the regulator?

14 A Yes. But first of all, we'd go through BCLC
15 because they were -- they're the conduct and
16 manage arm. They're there all the time. They
17 have onsite investigators who have ease of
18 access to information that could or could not
19 confirm this. So we almost always went through
20 BCLC first rather than to the service provider.

21 Q And you don't have any specific recollection of
22 bringing this to Great Canadian's attention?

23 A No, I don't.

24 MS. HARMER: Mr. Commissioner, I think my friend
25 Mr. McCleery is about to note the time. I'd ask

1 for another five minutes given there's been some
2 difficulties directing the witness to the
3 documents.

4 THE COMMISSIONER: All right.

5 MS. HARMER: Mr. Dickson, if I could bring you to a
6 further document. Which is at appendix L of
7 this same overview report.

8 And, Madam Registrar, if you could scroll
9 over to the next page.

10 Q Mr. Dickson, this is an internal report from
11 GPEB, I understand. And looking at the
12 distribution list, it appears that you were
13 copied on this report at the time it was issued.
14 Do you recall this document?

15 A Who's it from? Who's the author of this?

16 Q Mr. Dickson, if I could take you forward to
17 page 6 of 7 of the document.

18 A Okay. So it's a commercial gaming audit, audit
19 and compliance division?

20 Q That's what it says. And you'll see that you're
21 on the distribution list down below that.

22 A Okay. Yeah.

23 Q So the specific thing I wanted to direct you to
24 is back on the first page -- Madam Registrar --
25 about four page paragraphs down into that

1 document, it says:

2 "We understand loan sharks are lending
3 funds to gaming patrons who then bring it
4 into gaming facilities. GPEB
5 Investigations believes service providers
6 may not be consistently identifying
7 suspicious transactions for large
8 transactions greater than \$20,000 and less
9 than \$50,000."

10 So it seems that, Mr. Dickson, you may have been
11 aware of this concern in 2013; is that right?

12 A Quite possibly.

13 Q And you were copied on this document?

14 A Yeah. Yeah, I would've got that one.

15 Q Were there any steps taken in 2013 to bring this
16 concern to the attention of Great Canadian?

17 A No. We had discussions with the lottery
18 corporation.

19 Q And there was no attempt to bring that directly
20 to Great Canadian?

21 A No, not that I'm aware of.

22 Q Mr. Dickson, I had one final question about some
23 evidence you gave this morning. You spoke about
24 occasionally receiving feedback from River Rock
25 surveillance staff regarding their levels of

1 busyness; do you recall that?

2 A Yes, I do.

3 Q And you said that it was not a persistent issue?

4 A No, it wasn't a major issue, but from time to
5 time it did occur.

6 Q And is it fair to say that when that occurred
7 and it was raised, that it was quickly resolved?

8 A No. There was one instance where we had -- one
9 of the individuals in the surveillance room
10 failed to report something that they should
11 have. In those cases I instructed my
12 investigators to work with the supervisors
13 inside surveillance rooms to correct that
14 because it's human error. It happened again
15 shortly thereafter with the same individual. I
16 then went with the investigators to the River
17 Rock and I met with Patrick Ennis and Arlene
18 Strongman, and that's where they told me that
19 it's really busy. It was somewhere around
20 Chinese New Year or one of the festival
21 holidays. And I explained to them both that's
22 not acceptable; okay? That is not going to be
23 used as an excuse and this has happened twice
24 now, so it needs to stop at this point.

25 Q And, Mr. Dickson, it was resolved after you met

1 with the management of the River Rock?

2 A Yeah. I believe so, yes.

3 MS. HARMER: Okay. Thank you. I have no further
4 questions.

5 THE COMMISSIONER: Do you want that last document
6 marked, Ms. Harmer?

7 MS. HARMER: Mr. Commissioner, it's already part of
8 exhibit 75.

9 THE COMMISSIONER: I'm sorry, I missed that. Thank
10 you. All right. Thank you, Ms. Harmer.

11 Now, Mr. Gruber on behalf of Gateway Casinos
12 and Entertainment Ltd., who has been allocated
13 five minutes.

14 MR. GRUBER: Thank you, Mr. Commissioner.

15 **EXAMINATION BY MR. GRUBER:**

16 Q Mr. Dickson, you were asked some questions by
17 Mr. McCleery at the beginning of your evidence
18 about what you observed regarding cash buy-ins
19 when you started at Starlight in 2008. And you
20 talked about buy-ins with used \$20 bills in
21 \$10,000 bundles wrapped in rubber bands. Is it
22 fair to say that your sensitivity to that type
23 of cash packaging came from your policing
24 experience?

25 A Yes, that's fair to say.

1 Q And would it also be fair to say that you're
2 unable to say that someone who didn't have that
3 type of policing experience would have the same
4 sensitivity?

5 A No, that's a bit too broad, sir. I think if you
6 applied the common man approach, we used to call
7 it -- we call it now common person -- what would
8 they think if they saw that delivered in that
9 manner. And I think the majority of people
10 would say no, that something's wrong with that,
11 in my opinion.

12 Q Sir, you'll agree with me that the \$20 bill is
13 by far the largest denomination in circulation
14 of cash; right?

15 A I believe that, yes.

16 Q And at that time in 2008 that's about all you
17 could get from an ATM. You'd agree with that?

18 A Yes, I agree with that.

19 Q And so the common man, as you put it, would be
20 expecting that the largest type of cash anyone
21 would have is \$20 bills, wouldn't they?

22 A Quite possibly, yes.

23 Q And at that time the only way to buy into the
24 casino was with cash; right?

25 A That's correct.

1 Q You were asked some questions in your evidence
2 about the communication that you sent to Gord
3 Friesen on November 24, 2010, about a player who
4 bought in with over \$3 million in cash in one
5 month. Do you recall that?

6 A Yes, I do.

7 Q And would I be correct that while you
8 communicated your concerns to BCLC about that
9 series of buy-ins, you did not communicate them
10 to the service provider?

11 A Well, the service provider sent the 86 report,
12 so they would be aware that there was a lot of
13 activity in that area. But I don't recall if I
14 ever touched back with the management at the
15 Starlight.

16 Q And you're aware that the senior management of
17 the service provider changed in late 2010. Do
18 you recall that?

19 A I do believe that's correct, yes.

20 Q You were asked some questions by Mr. Smart about
21 exhibit 486.

22 MR. GRUBER: Madam Registrar, could you put that back
23 up for the witness. Thank you. If you could
24 just scroll down towards the bottom of that
25 page, Madam Registrar.

1 Q And this email contains a series of reports
2 concerning an employee at the Starlight and
3 interactions with another individual or other
4 individuals. Do I have that correct?

5 A Yes, I believe so.

6 Q And the employee at the Starlight would have
7 been registered under the *Gaming Control Act*;
8 correct?

9 A Yes.

10 Q And the general manager, which is GPEB, has the
11 power to cancel registration of any registered
12 gaming worker; correct?

13 A That's correct.

14 Q And that is something that GPEB does whenever a
15 registered gaming worker is found to have
16 contravened the conditions of registration;
17 correct?

18 A That's one of the remedies. That's the most
19 extreme, but yes.

20 Q And so this registered gaming worker's
21 registration was not cancelled. Do you agree
22 with that?

23 A I have no knowledge of this information here. I
24 can't tell you that.

25 MR. GRUBER: And if we scroll up the page, Madam

1 Registrar -- yes, thank you -- to that next
2 email up the chain.

3 Q You'll see it ends:

4 "As we discussed at our last meeting, GPEB
5 investigations has no issue with BCLC
6 approaching the service provider regarding
7 these incidents."

8 Is it fair to infer from that that GPEB had
9 decided not to investigate any potential
10 registration contravention of this employee?

11 A Well, I think if you look at the middle
12 part where it says 2, 3 and 4. It says:

13 "We conducted investigations into these
14 allegations and have since concluded all
15 of these files."

16 So there was investigations conducted.

17 Q All right. And nothing was done after that
18 other than to refer the matter back to BCLC?

19 A I don't know that. At that point it looks like
20 they're concluded and that's the end of it.

21 MR. GRUBER: All right. Thank you. Those are my
22 questions.

23 THE COMMISSIONER: Thank you, Mr. Gruber. Now,
24 Mr. McFee on behalf of Mr. Lightbody has been
25 allocated ten minutes.

1 MR. McFEE: Thank you.

2 **EXAMINATION BY MR. McFEE:**

3 Q Mr. Dickson, during your tenure with GPEB was it
4 your understanding that under the *Gaming Control*
5 *Act* GPEB is responsible for the overall
6 integrity of gaming in the province?

7 A That's part of the mandate, yes.

8 Q And would you agree that laundering the proceeds
9 of crime through BC gaming facilities adversely
10 impacts the integrity of gaming in the province?

11 A Yes.

12 Q And similarly loan-sharking through BC -- or at
13 BC casinos adversely impacts the integrity of
14 gaming in the province?

15 A Yes.

16 Q So as a result of that, was it your
17 understanding during your tenure at GPEB that
18 loan-sharking and money laundering at BC gaming
19 facilities fell within GPEB's mandate?

20 A It was our mandate to take that information and
21 disseminate it as required but not to
22 investigate.

23 Q When you say "not to investigate," was it your
24 understanding that GPEB wasn't to investigate
25 money laundering and loan-sharking because you

1 simply didn't have the capacity and the law
2 enforcement powers to do so?

3 A That's correct.

4 Q And Mr. Smart questioned you about interviewing
5 patrons. Did you feel it was within -- or did
6 you understand it was within GPEB's mandate to
7 interview patrons?

8 A Well, we could interview the patrons, but it was
9 touching on an investigation where we don't have
10 the ability or the capacity to do and follow
11 through.

12 Q Let's just follow up on that a bit. You said in
13 your evidence in answer to commission counsel's
14 questions that from your perspective -- and I'm
15 going to paraphrase here, but tell me if I'm got
16 it right -- BCLC's approach to large cash
17 buy-ins didn't appear to change until the news
18 of the July 2015 police investigation surfaced.
19 Is that fair?

20 A Are you referring to suspicious cash
21 transactions?

22 Q Yes.

23 A Okay. Just because we don't get large cash
24 transactions sent to us. That wasn't reported.

25 Q Fair enough.

1 A Yes, I agree with that.

2 Q Okay. But you were liaising with and dealing
3 with your colleagues at the BCLC investigation
4 unit fairly constantly?

5 A That's correct.

6 Q You were aware that BCLC in 2011/2012
7 implemented a cash alternatives program?

8 A Yes, I remember that.

9 Q And do you recall that after the receipt of the
10 Kroeker report your branch, GPEB, established a
11 cross-divisional AML working group?

12 A Yes, I do remember that.

13 Q And do you recall that your superiors Mr. Schalk
14 and Mr. Vander Graaf were members of that group?

15 A Yes, as was I.

16 Q Okay. And do you recall that one of the
17 recommendations coming out of that group was
18 that cash alternatives in BC gaming facilities
19 be established?

20 A Yes, I do.

21 Q So there seemed to be a consensus between BCLC
22 and GPEB from your perspective at that time that
23 pursuing cash alternatives was a good idea?

24 A That's correct.

25 Q And you saw BCLC in fact implementing that;

1 correct?

2 A That's correct.

3 Q And did you also -- do you also recall that in
4 2013 BCLC created a dedicated AML unit?

5 A Yes.

6 Q And do you recall that in 2014 BCLC established
7 an information sharing agreement with the RCMP?

8 A I believe they did that, yes.

9 Q And do you also recall that BCLC in the spring
10 of 2015 implemented a source of funds program to
11 ascertain the source of funds from patrons?

12 A No, I don't know that. What date was that
13 again, sir?

14 Q It's in the spring of 2015 it started.

15 A No, that wouldn't -- no, I don't recall that.

16 Q Do you recall BCLC implementing a source of
17 funds program while you were at GPEB?

18 A No, I don't.

19 Q Well, do you recall BCLC investigators as part
20 of the source of funds programs proactively
21 interviewing patrons to determine what their
22 source of funds was?

23 A I don't know if they were interviewing for
24 source of funds. They were very resistant to
25 that.

1 Q Well, really, that's not the case, is it?
2 Wasn't it GPEB was resistant to having its
3 investigators interview patrons and BCLC, who
4 weren't clothed with the powers of special
5 constables, in the spring and summer of 2015
6 started interviewing patrons?

7 A What was the question, sir?

8 Q Well, do you recall that in the spring and
9 summer of 2015 BCLC's investigators started
10 interviewing patrons to determine the source of
11 their funds?

12 A No, I do not know they were inquiring as to the
13 source of the funds.

14 Q But you do recall that after news of this police
15 investigation surfaced in July of 2015 that BCLC
16 started to ban a number of patrons?

17 A Yes, I recall that.

18 Q And did you understand that that increase in
19 banning of patrons arose from these patrons
20 being unable to establish the source of their
21 funds from accredited financial institutions?

22 A I don't know that, but I wouldn't argue that it
23 wasn't the case.

24 Q Now, in terms of police activity or law
25 enforcement activity, you told us -- or told the

1 commission about the IPOC investigation in 2011,
2 2012?

3 A That's correct.

4 Q Were any of the GPEB investigators actively
5 involved in that investigation?

6 A They acted as facilitators to help them move
7 about the casinos and the venues, but they were
8 not actively involved in the investigation.

9 Q As I understood your evidence, that
10 investigation ended without explanation in 2012?

11 A If there was one given, sir, I don't remember
12 it.

13 Q Do you recall that in that same time frame,
14 2012, the dedicated IPOC units were effectively
15 dismantled?

16 A Yes, I remember that.

17 Q Was any explanation given to you that this
18 investigation wasn't pursued because IPOC was
19 gone?

20 A That could be the case. I don't recall.

21 Q So after this police investigation seemed to
22 cease without explanation in 2012, I take it
23 from your evidence that the next time you saw
24 any evidence of an active police investigation
25 was in July of 2015; is that fair?

1 A That's correct, sir.

2 Q And during this period of time, 2012 through to
3 the summer of 2015, you and your colleagues at
4 GPEB were seeing an increasing volume and number
5 of large cash buy-ins in BC facilities?

6 A That is correct.

7 Q Did it appear to you that there was a gap in law
8 enforcement in that period of time?

9 A Well, there was no enforcement, so there was
10 nothing happening.

11 Q So you'd agree with me there was a gap in law
12 enforcement in that crucial period of time?

13 A Well, I agree the police weren't investigating.

14 MR. McFEE: Those are my questions for you. Thank
15 you.

16 THE COMMISSIONER: Thank you, Mr. McFee.

17 Now, Ms. Mainville on behalf of Mr. Kroeker,
18 who's been allocated ten minutes.

19 MS. MAINVILLE: Thank you, Mr. Commissioner.

20 **EXAMINATION BY MS. MAINVILLE:**

21 Q Mr. Dickson, you've referenced a number of
22 conversations and other communications that you
23 had with Mr. Pat Ennis at the time.

24 Mr. Kroeker, as of about December 2012, was the
25 vice president of compliance for GCGC. I take

1 it that you didn't really have the occasion to
2 interact directly with him at that level?

3 A No.

4 Q Okay. And so it was never the case that GPEB,
5 to your knowledge, reported its concerns to the
6 head of compliance at GCGC?

7 A I didn't. I can't speak on behalf of anyone
8 else, though.

9 Q And once you hear -- in respect of the \$50,000
10 threshold, once you hear from more than one
11 service provider that River Rock appears to be
12 using or relying on this \$50,000 threshold, why
13 not have GPEB direct under Section 86 that River
14 Rock report these transactions?

15 A I'm sorry, I'm not following you. What did you
16 want them to -- me to direct them to do?

17 Q GPEB, as I understand it, has the direct
18 authority to require any service provider to
19 report, or BCLC to report pretty much anything
20 as it relates to anti-money laundering to -- or
21 other potential offences to GPEB. And so if
22 there is any apparent lack of clarity or
23 concern, why not simply direct, pursuant to
24 GPEB's power, that GCGC report any transactions
25 regardless of any thresholds that GPEB wants to

1 hear about immediately?

2 A So all cash buy-ins should be reported to GPEB?

3 Is that what you're saying?

4 Q Anything that you wanted to hear about. If you
5 had concerns about a \$50,000 threshold being
6 applied, why not ensure that they have a clear
7 direction to report?

8 A Well, they know that, and they have that same
9 direction from FINTRAC to do the same thing.

10 Q Okay. But Section 86 reporting to GPEB is apart
11 from FINTRAC; correct?

12 A That's correct.

13 Q And so -- and it is an authority that GPEB has;
14 correct?

15 A That's correct.

16 Q And so irrespective of any FINTRAC reporting, if
17 you want to know something about cash
18 transactions happening at the River Rock that
19 you are -- and you're not sure you are obtaining
20 that information, why not make that clear by way
21 of a Section 86 request?

22 A Well, you're basically asking me to conduct an
23 audit.

24 Q No.

25 A We don't want every single transaction. We want

1 them to be diligent, and they're trained by BCLC
2 to determine suspicious trends or whatever it
3 is. So no, we don't want every single one.

4 Q Right. And you don't have -- okay -- a
5 direct -- you don't immediately even seek to
6 clarify, upon receiving rumours or information
7 from various service providers, that River Rock
8 is using or is applying a threshold in reporting
9 to GPEB, you don't ensure directly that GCGC is
10 under no misapprehension on that point?

11 A Well, I have to do the due diligence first
12 before talking to anybody to determine is this
13 actual -- is there facts to it or is it not, and
14 are we going to -- who are we going to contact?
15 And the first point of contact was usually BCLC
16 because they are embedded there and they have
17 access to information that we could get
18 discreetly.

19 Q So you think you have to do some due diligence
20 through BCLC rather than simply send an email
21 directly to River Rock saying hey, if you are
22 doing this, don't?

23 A No. I would want to find out if they're doing
24 it. I'm not going to guess and ask them please
25 do something they are not doing.

1 A When it came to suspicious cash transactions,
2 yes.

3 Q And what about your investigations or
4 intelligence informing policy directions to BCLC
5 or service providers?

6 A I'm sorry, I'm forming policy directions?

7 Q No. What about your information being used
8 within GPEB to inform directions that could be
9 issued from GPEB to service provider or BCLC?

10 A That would be the government supplying further
11 direction.

12 Q Right.

13 A I suppose if they took that information and
14 decided to do that with it, they could.

15 Q You never suggested or recommended that a
16 direction should be issued and that that go up
17 the chain?

18 A I've made recommendations in several of the
19 reports that I got from the commission that says
20 that we should be sourcing the money and not
21 taking more than \$10,000 at a time.

22 Q Right. So you recall the one recommendation
23 that BCLC should not accept buy-ins over
24 \$10,000; correct?

25 A Correct. It's not BCLC. Sorry, it's the

1 service provider not accept.

2 Q That service providers not accept buy-ins over
3 10,000. And I believe your evidence is that the
4 ADM, associate deputy minister, refused that
5 recommendation; correct?

6 A I have no knowledge of that directly. He may
7 have done that and I'd heard that through
8 someone, but he didn't tell me that directly.

9 Q Have you had the opportunity -- sorry, you heard
10 that, you said?

11 A I may have heard it. I don't recall it, but he
12 wouldn't have told me directly.

13 Q Did you review your will say or the summary of
14 your interview with commission counsel?

15 A Yes, I did.

16 Q Did you not inform them that the ADM refused
17 that recommendation?

18 A Which is that?

19 Q This is at paragraph 28 of your will say.

20 A Yeah, okay. Yes. That says on there. I
21 remember that.

22 Q Okay. 27. You remember that; yeah?

23 A Yeah, I remember that report. Yeah.

24 Q And which ADM was that at the time?

25 A What year was that, again? I'm sorry.

1 Q That's unclear to me. I don't know. What year
2 would that recommendation have been made?

3 A I would suspect it's either Doug Scott or John
4 Mazure, but I'm not certain which one.

5 Q Okay. But you think it was, sorry, around --
6 what's your best estimate of what year that
7 would've been?

8 A If that was the 2010 email that I sent, I am not
9 sure. That could have been. I think -- I'm
10 going to assume or at least -- you know, what?
11 It could've even been Derek Sturko. He might
12 have still been there in 2010. Again, I
13 apologize, I don't have a clear recollection of
14 that.

15 Q And you talked about -- in the context of
16 commission counsel's questions about
17 over-reporting, about GCGC or River Rock
18 over-reporting large cash transactions. And the
19 exchange we saw, I believe, was that everything
20 over \$10,000 was being reported irrespective of
21 whether it was deemed suspicious or not; right?

22 A Correct.

23 Q And just to be clear, you meant anything over
24 \$10,000 in cash; correct?

25 A Correct.

1 Q And so you agree, then, that it's not every
2 volume of cash that is inherently -- that was
3 inherently suspicious to you; correct?

4 A The cash itself is not considered suspicious.
5 It's the circumstances surrounding the cash.
6 That you have to build a belief that it's
7 suspicious.

8 Q Right. And so what were those suspicious
9 indicators to you that made the difference?

10 A Well, you have, first of all, repeat individuals
11 coming back continually with cash. You might
12 have the delivery method, which is, you know, a
13 plastic bag, a paper bag, a sports bag, a hockey
14 bag. Okay. Well, that's not traditionally the
15 way people transport money around. And it's
16 also how the money is delivered. Is the money
17 always in \$10,000 bricks and used \$20 bills
18 rubber bands on it. And in the past we have
19 found things like pungent odour of marijuana on
20 the money. A white powder that was coming off
21 the money. Burnt money. Bait money from
22 robberies. A package of crystal methamphetamine
23 in one of the bundles at one time. Any of those
24 could be suspicious.

25 Q Right. So we're in agreement, then, though,

1 that not every large volume of cash that was
2 coming into the casino at that point in time was
3 suspicious or could be deemed to be proceeds of
4 crime; correct?

5 A Yes, that's probably true. Yes.

6 Q And indeed it wasn't even the simple fact of \$20
7 being used -- \$20 bills being used because you
8 later sent an email saying that large volumes of
9 \$100 bills should be seen as -- could be seen as
10 suspicious; correct?

11 A Correct.

12 Q And so you need additional circumstances to be
13 present to be able to deem the cash suspicious,
14 to even meet the threshold of a suspicious
15 transaction; correct?

16 A You need more than just the money. That's
17 correct.

18 MS. MAINVILLE: I know my time is up. I just have a
19 couple of other questions, Mr. Commissioner, if
20 I could.

21 THE COMMISSIONER: Okay.

22 MS. MAINVILLE:

23 Q You indicated that BCLC informed GPEB of the
24 police investigation ultimately taken up in
25 2015, which I believe was called E-Pirate;

1 correct?

2 A Correct.

3 Q And you indicated that BCLC learned this through
4 its contacts?

5 A Correct.

6 Q And am I right that you indicated to commission
7 counsel or that your evidence is that the RCMP
8 told Mr. Desmarais and Mr. Alderson, who
9 reported it to GPEB; right?

10 A That's correct.

11 Q And is it not your understanding that the reason
12 the RCMP informed Mr. Desmarais and Mr. Alderson
13 was because BCLC was the initiator of that
14 police investigation?

15 A No, I'm not aware of that. I mean, they did
16 initiate investigation, but it was -- I'm not
17 sure that's why they told them that.

18 Q You don't know whether it was BCLC who
19 ultimately managed to get the police to
20 investigate?

21 A Yes. Yes.

22 MS. MAINVILLE: Okay. Those are my questions.

23 Thanks.

24 THE COMMISSIONER: Thank you, Ms. Mainville.

25 Ms. Friesen on behalf of the province, who's

1 been allocated 15 minutes.

2 MS. FRIESEN: Thank you, Mr. Commissioner.

3 **EXAMINATION BY MS. FRIESEN:**

4 Q Hello, Mr. Dickson. Can you hear me all right?

5 A I can. Good morning.

6 Q Mr. Dickson, I have a few questions for you.

7 Firstly in response to some questions that
8 you -- that Ms. Harmer asked of you earlier with
9 respect to the issue of the \$50,000 threshold, I
10 wanted to take you to that again very briefly.
11 I know that Mr. McCleery and Ms. Harmer already
12 canvassed this fairly extensively with you. But
13 you'll recall that Ms. Harmer brought you to a
14 copy of an email that is appended to exhibit 75.
15 I don't think we need to go to it, but please
16 let me know, Mr. Dickson, if you would like to
17 have it in front of you. And that is -- the
18 email that I --

19 MR. HIRA: I can put it in front of the witness.

20 MS. FRIESEN: Thank you, Mr. Hira.

21 Q This is the copy of the email from Gordon
22 Friesen to Rick Pannu and Mike Hiller and Steve
23 Beeksma and others. And the email starts by
24 saying:

25 "I had a conversation with Pat Ennis today

1 wherein he advised that GPEB Derek Dickson
2 had requested River Rock Surveillance
3 notify them via Sec. 86 Report of any buy
4 in of \$50,000 or more where conducted with
5 \$20 bills."

6 And you'll recall that Ms. Harmer asked you --
7 put it to you that that was in fact a threshold,
8 and you answered her questions my understanding
9 of your evidence is that there was still a
10 FINTRAC requirement and that was distinct from
11 the reporting to GPEB; is that correct?

12 A That's correct.

13 Q And with respect to -- and you agreed that what
14 you -- my understanding of your evidence is that
15 what you were asking for was for reporting of
16 suspicious transactions above \$50,000 and that
17 was due to the improper reporting in the past;
18 correct? Did I summarize that accurately?

19 A That's correct.

20 Q Thank you. And you'll agree with me that what
21 that didn't mean was that service providers were
22 no longer required to comply with FINTRAC?
23 That's not what you were saying when you asked
24 for that.

25 A No, absolutely not. I don't know how you can --

1 Q And you did not --

2 A -- get that. That would mean under 50,000.

3 Q Correct. And so -- and it was your
4 understanding that they were still required to
5 comply with the FINTRAC requirements?

6 A Yes, the FINTRAC requirement but also the
7 requirement to report to GPEB.

8 Q Exactly. And you -- and with respect to the
9 FINTRAC requirement, you did not have authority
10 to release them from their FINTRAC reporting
11 obligations; is that right?

12 A No, absolutely not. In fact I would be
13 counselling someone to not obey a federal law.

14 Q Thank you. And was it your expectation and
15 understanding that they would still exercise
16 discretion and report suspicious transactions
17 even if they were under \$50,000?

18 A That's correct.

19 Q And that exercise of discretion, that's a
20 subjective assessment. And it may vary from
21 circumstance to circumstance; is that right?

22 A Yes, that's correct. Yeah, that's correct.

23 Q And with respect to the service providers, in
24 this instance River Rock's lack of reporting
25 transactions under \$50,000, I wanted to clarify

1 your evidence. Was it the MNP report that was
2 your first confirmation that this was occurring?

3 A Yes. Thereabouts was when BCLC announced they
4 had accidentally discovered this or during an
5 audit or something, they'd found out this was
6 going on at this point, but it was coincidental
7 to that.

8 Q Thank you. And in response to questions from
9 Ms. Mainville you talked about the
10 recommendation to government with respect to
11 limiting cash buy-ins over \$10,000. You recall
12 giving -- answering her questions with respect
13 to that?

14 A Yes.

15 Q And as I understand your evidence, you're not
16 certain who the -- in terms of the internal
17 recommendation, internal within GPEB or
18 government, my understanding of your evidence is
19 that you were not certain who the ADM was at the
20 time. Do you recall giving that evidence?

21 A Yes. Yes. The timing, there was three ADMs in
22 the next few years.

23 Q Okay. Thank you. And you weren't directly
24 involved in any deliberations with the ADM on
25 this particular issue?

1 A No, I was not.

2 Q And you didn't have any direct conversations
3 with the ADM on this issue?

4 A No, I did not.

5 Q So I have a few questions for you regarding the
6 role of GPEB investigators and your time as an
7 investigator as well as a director at GPEB. And
8 as I understand your evidence in answering
9 questions from Mr. McCleery is that you were in
10 law enforcement for a number of years. In fact
11 you were a police officer for approximately
12 26 years with the New Westminster Police
13 Department; is that right?

14 A That's correct.

15 Q And in your position as staff sergeant you were
16 responsible for specialty investigative units
17 which included drug crime; correct?

18 A Yes, that's correct.

19 Q And as a GPEB investigator and later in your
20 role as director, you understood your -- that
21 GPEB investigator authority to conduct
22 investigations was more limited than when you
23 were a police officer; correct?

24 A That's correct.

25 Q GPEB investigators couldn't conduct mobile

1 surveillance, for example?

2 A Yes. There was, I believe, a legal opinion on
3 that that said we can't do it.

4 Q And you did not possess or use any firearms as a
5 GPEB investigator?

6 A We had no use of force options.

7 Q And it was your understanding, then, that GPEB
8 investigators did not have the authority to
9 investigate high level organized crime or money
10 laundering?

11 A Yes. I made it very clear to them that was not
12 their role.

13 MS. FRIESEN: Madam Registrar, could I have -- please
14 have you call up GPEB0186.

15 Q Mr. Dickson, can you see this document?

16 A I can see it on the screen, yes.

17 Q And so this is a letter from you to Joe Schalk,
18 and he's the senior director of investigations
19 with GPEB. Correct?

20 A That's correct. That's correct.

21 Q And this letter is dated November 20th, 2013.
22 And the subject line in the letter says
23 "organized crime groups operating at or near
24 Lower Mainland casinos."

25 A Yes, I have that.

1 Q Or it says "LMD," and your understanding of that
2 is that it means Lower Mainland?

3 A Yes, that's what we would refer to our
4 jurisdiction was always the Lower Mainland.

5 Q Okay. Thank you. And the first paragraph of
6 this letter states:

7 "As a result of ongoing and now further
8 recent intelligence received from
9 different police agencies, it is confirmed
10 that the influence and existence of
11 several organized crime (OC) groups in
12 Lower Mainland casinos is expanding. All
13 casinos in the Lower Mainland have had
14 known associates of organize crime group
15 within their venues. However, this
16 situation has been an increasing and even
17 more significant issue at the River Rock
18 Casino in Richmond."

19 You then go on to state:

20 "GPEB investigators have identified a
21 number of loan sharks and associates of
22 loan sharks that have been confirmed as
23 affiliated to different organized crime
24 groups who are primarily supplying large
25 sums of cash to significant number of

1 people could present a safety hazard to
2 them and others. As an organization, GPEB
3 investigations is not a equipped to
4 investigate or interact with known members
5 and associates of organized crime groups.
6 The criminal backgrounds and level of
7 violence employed by these individuals, in
8 my opinion, completely rules out any
9 interdiction strategies directed at
10 curtailing the flow of suspicious
11 currency, loan-sharking, money laundering
12 activities in Lower Mainland casinos."

13 Did I read that accurately?

14 A I believe so, yes.

15 Q And that accurately reflects your observations
16 and opinion at the time?

17 A Yes, it did.

18 MS. FRIESEN: Thank you, Mr. Dickson.

19 Mr. Commissioner, may I have this document
20 marked as the next exhibit.

21 THE COMMISSIONER: Yes, very well.

22 THE REGISTRAR: Exhibit 487, Mr. Commissioner.

23 **EXHIBIT 487: Memo Organized Crime Groups**

24 **(redacted) - Nov 20, 2013**

25 THE COMMISSIONER: Thank you.

1 MS. FRIESEN:

2 Q Mr. Dickson, you also answered questions with
3 respect to a particular -- a letter to you from
4 John Karlovcec dated December 24th, 2010, and
5 that was exhibit 111. And my notes indicate
6 that -- well, we can bring up the exhibit.

7 MS. FRIESEN: Madam Registrar, if we could -- thank
8 you. You're ahead of me.

9 THE WITNESS: We have it here. I have it here in
10 front of me.

11 MS. FRIESEN: Thank you.

12 MR. HIRA: That it's -- the unredacted copy is in
13 front of the witness.

14 MS. FRIESEN: Thank you for clarifying that.

15 Q And in this -- this is in response to, as you
16 confirmed, your November 24th letter, which
17 outlined your concerns or GPEB investigators'
18 concerns with respect to the large cash buy-ins
19 in casinos particularly from one patron. And in
20 answering questions from Mr. McCleery, my notes
21 indicate that -- Mr. Dickson, that you found
22 this response which was expressed in
23 Mr. Karlovcec's December 24th letter typical of
24 BCLC's response.

25 Was it your understanding based on -- sorry,

1 just to back up. Is that accurate? Did I
2 summarize your viewpoint accurately?

3 A Yes, I believe that's accurate.

4 Q Thank you. And you'll recall that one of the
5 responses outlined in this letter that's on
6 page 2 of the letter --

7 MS. FRIESEN: Madam Registrar, if you could please
8 scroll down to page 2.

9 Q Part of that response in this letter is
10 Mr. Karlovcec sets out the total buy-ins of this
11 patron and the total net loss of this patron
12 indicating that -- and your understanding is
13 that he is indicating that the patron was losing
14 their money in the casino. Is that correct?

15 A I believe that to be correct, yes.

16 Q And is it your understanding based on this
17 response from BCLC that BCLC did not view this
18 patron's play to be indicative of money
19 laundering in part because the patron lost the
20 bulk of their money in the casino?

21 A That's correct.

22 Q And had anyone at BCLC advised you on other
23 occasions that they did not consider large cash
24 transactions to be money laundering if the
25 patron lost their money in the casino?

1 A Yes, there was discussions about that, both
2 verbally and written. That was usually one of
3 the first things that came up.

4 Q So this is not the first occasion that they
5 expressed this particular viewpoint to you?

6 A That's correct.

7 Q Thank you. Now, just -- I actually just have a
8 couple of more questions just on -- just getting
9 back to the \$50,000 threshold issue for a
10 moment, if I could. And I really just have a
11 couple of questions for you. In answer to
12 questions from Mr. McCleery, you gave evidence
13 stating that you did not have authority to
14 direct Mr. Ennis or the service providers to
15 stop reporting transactions under \$50,000. Do
16 you recall giving that evidence?

17 A To FINTRAC.

18 Q Correct.

19 A If they're not going to report to us and not to
20 report -- but also they do have a reporting
21 requirement to GPEB as well, so they would -- it
22 would be in violation of the *Gaming Control Act*.

23 Q And is your -- your evidence is that you did not
24 direct them to stop reporting transactions under
25 \$50,000?

1 A Absolutely not.

2 Q And to the best of your knowledge did anyone at
3 GPEB make that direction?

4 A No, absolutely not.

5 Q And you also in response to questions from
6 Mr. McCleery indicated that you did not give
7 direction to service providers not to report
8 suspicious transactions -- or sorry, not to
9 report transactions as suspicious if they were
10 transactions using \$100 bills?

11 A That's correct. There was no direction given
12 that they could do that.

13 Q And likewise to the best of your knowledge did
14 anyone at GPEB make that direction?

15 A No, they would not have.

16 MS. FRIESEN: Thank you, Mr. Commissioner. Those are
17 my questions.

18 THE COMMISSIONER: Thank you, Ms. Friesen.

19 Anything arising, Ms. Mainville.

20 MS. MAINVILLE: No. Thank you.

21 THE COMMISSIONER: Mr. McFee?

22 MR. McFEE: Yes, Mr. Commissioner. If I could just
23 follow up on one thing.

24 **EXAMINATION BY MR. McFEE (continuing):**

25 Q Mr. Dickson, Ms. Friesen took you to this

1 November 20th, 2013 memo that you sent to your
2 superior, Mr. Schalk. It's now marked at
3 exhibit 487.

4 A Yeah, I have that here.

5 Q And there was this concern about organized crime
6 figures supplying large sums of cash to
7 predominantly Asian patrons. And as Ms. Friesen
8 pointed out to you at the second page, you said
9 that that completely ruled out any interdiction
10 strategies directed at curtailing the flow of
11 suspicious currency loan-sharking and money
12 laundering activities in Lower Mainland casinos.

13 I just want to canvass the scope of any
14 interdiction strategies. Does that include
15 deciding not to interview casino patrons to
16 ascertain the source of their funds?

17 A Yes, that. But also seizing of any funds.

18 Q But let's focus on interviewing patrons. As a
19 result of your memo did GPEB decide not to
20 interview casino patrons?

21 A No. That had been decided before that.

22 Q So this was another layer on top of the reasons
23 for not interviewing casino patrons?

24 A To an extent, yes.

25 Q So when, then, had GPEB made the decision or the

1 GPEB investigation decision -- made the decision
2 to the best of your recollection to not
3 interview casino patrons?

4 A I would believe it would be when we were able to
5 confirm that we are dealing with organized crime
6 most likely. And again that information comes
7 from the police. And that who are these
8 individuals that are delivering the money that
9 are hanging around the casinos. And as you can
10 see from that list there, there's some pretty
11 bad individuals. And we are not a police
12 agency. And I've said that before, but our
13 investigators use their own vehicles to and
14 from, so it's pretty easy to figure out who they
15 are. We have no use of force options. We do
16 not have a jail. We do not have a place to
17 properly seize and place exhibits. So we just
18 were not equipped to do things like that.

19 Q No, I understand that evidence, but I'm trying
20 to pin down the time frame. Could you give
21 us -- the commission your best recollection of
22 when the decision was made which GPEB
23 investigation division, of which you were a
24 member, not to interview casino patrons?

25 A I believe it would be early on. I'm thinking

1 it's sometime around probably 2010, 2011. I
2 don't recall of anybody doing that, but maybe
3 somebody did it on their own at one time, but I
4 don't recall it.

5 Q Okay. Was a direction given by you or any of
6 your superiors to your knowledge to the
7 investigators not to interview casino patrons?

8 A Well, I think the discussions were certainly
9 because we were in the same office is that yeah,
10 don't do that; okay? There's no points to doing
11 that. Just get the information, document it and
12 then go on to the next one.

13 Q Okay. But then taking the next step, did you
14 ask the law enforcement agencies to interview
15 patrons to determine the source of their funds
16 given these suspicions about where organized
17 crime may be supplying large amounts of cash to
18 casino patrons?

19 A It's not appropriate for me to ask law
20 enforcement to do anything. What I would do is
21 give them the information and they can decide on
22 their own.

23 Q I take it, then, the answer to my question is
24 you did not ask law enforcement to interview
25 patrons.

1 A No, I did not.

2 MR. McFEE: Those are my question. Thank you.

3 THE COMMISSIONER: Thank you, Mr. McFee.

4 Mr. Gruber.

5 MR. GRUBER: Nothing arising, Mr. Commissioner.

6 THE COMMISSIONER: Thank you. Ms. Harmer?

7 MS. HARMER: I have no further questions. Thank you.

8 THE COMMISSIONER: Thank you. Mr. Smart?

9 MR. SMART: I do, Mr. Commissioner.

10 **EXAMINATION BY MR. SMART (continuing):**

11 Q Just to follow up on what you were just asked,
12 Mr. Dickson, by Mr. McFee. Was it your
13 assessment that it was too dangerous for GPEB to
14 even take a patron aside and ask -- in a private
15 room and ask them the source of funds that you
16 could then include in your reports to law
17 enforcement? Did you think it was too dangerous
18 for GPEB to even do that?

19 A That's a factor in it, sir, because, like I
20 said, we were not proceeding any further with
21 any investigations. So it would be pointless to
22 get involved in this investigation if perhaps
23 one day the police would pick up on it. But
24 yes, you're right, we did not have the
25 infrastructure in place to put our investigators

1 in that position.

2 Q But you were gathering information to provide to
3 law enforcement, as I understand GPEB's role.

4 A Correct.

5 Q Yeah. Wouldn't it have been helpful to at least
6 interview a patron and say, you just brought in
7 \$600,000 in \$20 bills; can you tell us where you
8 got the money from?

9 A Well, first of all, we'd have had to have been
10 there, and we are not embedded in the casinos,
11 so that would've been difficult. We would've
12 had have to have followed up and try to track
13 them down. That wasn't practical. And again,
14 it was happening so frequently that it was
15 probably not of any value anyway.

16 Q Well -- sorry, two things. It was happening so
17 frequently. Couldn't you have the service
18 provider and ask them to contact the GPEB
19 investigators so they could come and speak to
20 the patron? You could've done that, couldn't
21 you have?

22 A We don't have round the clock investigators.
23 And most of these people were coming in at
24 night.

25 Q You don't work nightshifts with GPEB?

1 A We didn't when I was there, no.

2 Q Okay. You didn't think the large suspicious
3 cash transactions warranted having GPEB
4 investigators available at night to speak to
5 patrons bringing in these cash transactions?

6 A Well, you'd have to talk to somebody above my
7 rank to make that argument.

8 Q Did you make a recommendation that that be
9 implemented?

10 A Not that I recall, no.

11 Q And sorry, you said about -- you'd have to learn
12 the identity of the patron and then try to
13 follow up to speak with them. That's something
14 that could've been done?

15 A Theoretically it could have been done, yes.

16 Q What do you mean "theoretically"?

17 A Well, they have to be -- they have to give their
18 names and addresses and I believe their
19 vocations as to -- when they buy in. So that
20 information is there.

21 MR. SMART: All right. Thank you, sir.

22 THE COMMISSIONER: Thank you, Mr. Smart.

23 Mr. McCleery, anything arising.

24 MR. McCLEERY: Nothing arising, Mr. Commissioner.

25 THE COMMISSIONER: All right. Thank you for your

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

3 THE WITNESS: My name is Jan Schalk. The spelling is
4 J-a-n S-c-h-a-l-k. I do go by the name Joe as a
5 nickname.

6 THE COMMISSIONER: Yes, Ms. Latimer.

7 MS. LATIMER: Thank you.

8 **EXAMINATION BY MS. LATIMER:**

9 Q Mr. Schalk, you joined the RCMP in 1967 and
10 retired from the RCMP in 1993; correct?

11 A That's correct.

12 Q Did you have any involvement in money laundering
13 investigations during your tenure with the RCMP?

14 A Not specifically with money laundering
15 investigations, no.

16 Q Did you have any awareness of proceeds of crime
17 investigations from your time in serious crime
18 and drug investigations?

19 A I did.

20 Q Could you tell the Commissioner a bit about
21 that.

22 A Sure. In 1977/78/79 in Prince George I was
23 involved in several gaming investigations
24 relative mostly to gaming in the Asian community
25 and illegal gaming houses and subsequently was

1 also involved in helping with and/or personally
2 overseeing a number of searches that were done.
3 And in the course of these searches moneys and a
4 lot of records were seized that were used as
5 evidence in the proceedings that took place
6 following that.

7 Q Following your career with the -- oh, sorry,
8 were you finished?

9 A Also in my time in -- both as a member of the
10 Prince George drug section and subsequently
11 being the person in charge of the Fernie serious
12 crime drug section, I was involved in a number
13 of larger drug investigations at the time and
14 we're talking about mid 70s and then early 80s.
15 And again in investigations and searches that
16 were done, relative to those investigations
17 oftentimes moneys was at least seized as
18 evidence and/or -- and there was often also
19 records kept.

20 Q And following your career with the RCMP you
21 joined the Insurance Crime and Prevention
22 Bureau; correct?

23 A Yes, that's correct.

24 Q And then in or around June or July 2002 you were
25 hired as the regional manager at GPEB

1 investigation division Burnaby and later became
2 a director and then senior director of
3 investigations under Larry Vander Graaf;
4 correct?

5 A All of that's correct, yes.

6 Q And between when you began at GPEB and maybe
7 around 2005, could you tell the Commissioner
8 were loan sharks an issue that you observed in
9 casinos at that time?

10 A Yes, they were. Loan sharks were an issue
11 shortly after we actually became involved with
12 casinos. Going back to late 2002, 2003 loan
13 sharks were prevalent in the casino environment
14 in those years and certainly became more
15 prevalent as time went on. And certainly became
16 subject of a number of our investigations and
17 also our attempt to have them removed or at
18 least have them get out of the environment.

19 Q And what was the approach to getting them out of
20 the environment at that time?

21 A A lot of the approach had to do with -- and had
22 the involvement of and cooperation of both the
23 service providers and BC Lottery Corporation,
24 especially BC Lottery Corporation security.

25 Q And moving forward in time. In or around 2006,

1 2007, did you make any observations about cash
2 or volumes of suspicious cash in casinos?

3 A We did. Probably more so from 2007 on. Not
4 that we weren't seeing what was believed to be
5 suspicious cash or what we felt was suspicious
6 cash and even sometimes what we believed to be
7 proceeds of crime, but certainly from 2007 on we
8 became much more aware and we started spending
9 more time focusing on that and certainly by the
10 time we reached late 2008, 2009 it was very much
11 on our radar as an investigative group. And we
12 actually changed the classifications for
13 reporting so that service providers were now
14 actually reporting under the classification of
15 suspicious currency transactions or we referred
16 to them as SCT classification Section 86 Reports
17 that they were required to submit.

18 Q When was that change to the reporting
19 classification made?

20 A I believe that reporting change, where that
21 category was actually -- up until that time we
22 had a very loose classification of money
23 laundering or ML, and I believe the
24 classification changed to suspicious currency
25 transactions and large cash transactions,

1 although that was not reportable. As a matter
2 of fact we tried to quell any reports of large
3 cash transaction. But suspicious cash
4 transactions, or SCT, came into play and came
5 into our statistic keeping -- I believe it was
6 late 2008, mid to late 2008.

7 Q And what were the volumes of cash that you were
8 seeing at that time? The volumes of buy-ins?

9 A Well, the volumes of buy-ins were in the 30-,
10 50-, \$100,000 was often significant -- really
11 significant at that time, and there was very few
12 of those. But the volume, the dollar volume or
13 dollar value was more in the tens of thousands
14 of dollars, up to, say, 50-or-so thousand
15 initially. We did have a couple of odd times
16 where there was more, 100,000 or more, that had
17 come in and certainly we became very, very
18 conscious of looking at those.

19 Q And were those suspicious cash buy-ins reported
20 to the police?

21 A Sometimes they were. Most often not. Certainly
22 a couple of the very larger ones that we were
23 seeing at that time were, or at least there was
24 communication with at least the proceeds of
25 crime sections and also the police of

1 jurisdictions. Police of jurisdictions being
2 those areas that the casino was encompassed in.

3 Q And was your focus in the Lower Mainland?

4 A Predominantly in the Lower Mainland, although we
5 had investigational staff in three other areas
6 of the province. We had offices out of Prince
7 George, Kelowna and Victoria. But certainly in
8 those earlier years we saw and heard of very
9 little suspicious cash and/or proceeds of crime
10 indications at that time in those areas.

11 Q At some point the suspicious cash transactions
12 increased in volume; is that correct?

13 A Very much so. And by 2009 and 2010 it certainly
14 was not uncommon to see volumes of a hundred
15 thousand, and even up to 200- and 300,000 by,
16 say, late 2010, where we were seeing those
17 numbers come in from time to time with certain
18 individuals.

19 Q What did the cash look like that was coming in?

20 A Almost invariably, especially this cash I'm
21 referring to now, say, 50,000, 100,000, 200-,
22 invariably that came in in the form of -- into
23 the cash cage in the casino environment. And in
24 2009, 2010 most of the casinos had high limit
25 poker rooms and this cash was coming in almost

1 predominantly into those high limit poker room
2 cash holding areas.

3 And so we were seeing this coming in in
4 \$10,000 lots and predominantly in \$20 bills.
5 What you would see is \$10,000 of \$20 bills
6 stacked in a stack about this big, and it had
7 usually three sets of elastic around it, two on
8 the ends and one in the middle. And so it would
9 come in \$10,000 packs, as I referred to them as,
10 at least. Often they came in in the form of
11 large cases that people had, whether it be
12 shopping bags, sometimes even suitcases, boxes,
13 large bags, almost grocery shopping bags with --
14 whether it be 100-, 200-, 300,000.

15 Oftentimes they were also using kit bags or
16 sporting bags. And we were seeing evidence of
17 this via video where people would take a kit bag
18 that ended up being full of \$20 bills in \$10,000
19 lots out of the trunk of their car in the
20 parking lot of the casino, into the casino, up
21 to the cash cage at the -- usually the high
22 limit room and deposit these cash bundles at the
23 cash cage, asking that it be counted and then
24 converted to chips that could be used for
25 gaming.

1 Q In your view was the look of the cash
2 suspicious?

3 A Well, yes, it was certainly, based on my
4 experience. But more so what I had been told
5 over and over again by police authorities and
6 other people dealing with suspicious cash,
7 proceeds of crime and also based on my drug
8 experience, the form of cash normally used for
9 drug dealing on the street level is the \$20
10 bill. And it was also my understanding and
11 certainly intelligence and information was
12 prevalent that this bundling of \$10,000 lots of
13 \$20 bills was in fact drug money that was
14 bundled up by organized crime and it was
15 organized crime's way of now disbursing of these
16 funds.

17 Q You believed it was proceeds of crime?

18 A I certainly did. Most --

19 Q And --

20 A Predominantly, yes.

21 Q And you believed it was associated to organized
22 crime?

23 A Yes, we had that belief for sure.

24 Q And where did that belief stem from?

25 A Well, again, from partly our backgrounds and

1 ongoing contact with police personnel that were
2 dealing with this all the time. And certainly
3 after becoming involved -- coming to GPEB
4 investigations and then later becoming involved
5 with the police on a very, very regular basis
6 being -- having that information continually
7 confirmed to us.

8 Q Who were the police that you were dealing with
9 on a regular basis in your role at GPEB?

10 A Almost always people associated with the IPOC
11 section so that's the integrated unit that deals
12 with suspicious currency with the RCMP and
13 proceeds of crime unit. As we used to call
14 them. And certainly one of the individuals that
15 we dealt with a lot was an inspector Barry
16 Baxter. We dealt with also an inspector Mike
17 Arnold, I believe his name was, inspector Cal
18 Chrustie and then a variety of -- later on in
19 late 2010 and into 2011, actually, a group of
20 investigators that we became more heavily
21 involved with.

22 Q I'm going to come back to discuss your
23 interactions with law enforcement a bit more in
24 a minute, but first could you just explain to
25 the Commissioner whether you understood the

1 prevention of suspicious cash transactions to be
2 within GPEB's mandate?

3 A Well, we certainly felt it was within our
4 mandate because our mandate was not only a
5 regulatory body, but the oversight as far as
6 preserving the integrity of gaming in the
7 province of British Columbia was very much part
8 of our mandate in the overall broad scope of the
9 mandate, and often the integrity of gaming was
10 referred to. And we believed and certainly I
11 believed that trying to suppress suspicious
12 currency that we believed to be probably the
13 proceeds of crime suppressed it from coming into
14 the casino environment was something that was
15 incumbent on us to try and help quell.

16 Q Did you believe that the investigation of money
17 laundering was within GPEB's mandate?

18 A To say that we could investigate money
19 laundering, no, we could not do that. Could we
20 provide information and intelligence based on
21 what we were seeing and hearing. Yes, we could.
22 But to actually investigate the offence of money
23 laundering, no, we were not capable. First of
24 all, we didn't have the police authorities to be
25 able to do that. We had special constable

1 status, which did give us some police powers,
2 but certainly nothing that would help us and
3 enable us to do investigations in regards to
4 money laundering. We didn't have search
5 capabilities for that type of investigation. We
6 didn't have -- we didn't have weapons. We
7 didn't have the capabilities and/or the
8 provisions to be able to do wiretap,
9 surveillance, any of those things. And most of
10 those, if not all of those things would be
11 required in conducting full money laundering
12 investigations.

13 Q Did you communicate to Gordon Friesen or anyone
14 else at BCLC that GPEB's role was to investigate
15 criminal activity?

16 A Well, certainly I communicated with Mr. Friesen
17 and a number of other people within British
18 Columbia Lottery Corporation, specifically with
19 security investigators, on a regular basis,
20 both -- communicated verbally, on the telephone,
21 personally meeting them, and/or in written
22 communication. Did I ever spell out that we
23 were involved in criminal investigations? They
24 certainly, I believed, were well aware of our
25 mandate. They were also well aware of what the

1 *Gaming Control Act* was.

2 They were well aware of the reporting
3 procedures that was not only incumbent on the
4 service provider but also on BCLC as the conduct
5 and manage oversight on those service providers.
6 And in those reporting requirements it spelled
7 out -- and these were written memorandums and
8 issuances that had been put out from both the
9 assistant deputy minister's office and our
10 office through our executive director Larry
11 Vander Graaf where it actually spelled out all
12 of the criminal matters that we needed reporting
13 from -- on from those service providers and from
14 BCLC.

15 Q But did you say that after that reporting was
16 done, that it was GPEB's role to investigate
17 criminal activity?

18 A Yes, we would have said that. That we would be
19 responsible for that and/or we along with the
20 police of jurisdiction and/or a combination of
21 both and/or either.

22 Q Okay. How was the relationship between GPEB's
23 investigation division and the other divisions
24 of GPEB during your tenure?

25 A How was the relationship?

1 Q Yes.

2 A Well, it probably depended on which part of the
3 GPEB organization we were talking about. We had
4 a very close relationship with, for instance,
5 the registration division. But, again, some of
6 our roles paralleled when it came to them doing
7 background investigations on persons and/or
8 companies that were seeking registration and
9 oftentimes were involved in post-registration
10 investigations on registered workers that were
11 investigated for matters believed to be contrary
12 to the terms of their registration.

13 So we were close with them. We worked -- at
14 least in our Burnaby office and in the other
15 outlying areas we worked almost -- well, we
16 worked side by side in offices in the same
17 office locale as our audit group. Audit and
18 compliance group. Were we as close with them
19 and did we have as much relationship with them.
20 Not. We did not normally, especially in the
21 earlier years.

22 And our relationship was further
23 complicated, at least in Burnaby, because we
24 were commingled and co-housed with the RCMP, who
25 were part of IIGET, and I'm sure we'll talk

1 about IIGET in a minute, the Integrated Illegal
2 Gaming Enforcement Team.

3 And for security reasons we had to be
4 separated from the audit and compliance group.
5 So there was actually a physical wall and
6 locking and keying mechanisms that were put into
7 place to make sure that security from one area
8 to another was maintained for these police
9 purposes, and certainly that caused some
10 difficulties. It was like -- it was felt, I
11 believe, by audit, and we were told that, that
12 we were almost shutting them out and that we
13 didn't want anything to do with them. That was
14 not the case. That's not what the purpose was
15 at all, but it was security. We still dealt
16 with them and we still had a very professional
17 relationship with them, but we didn't have as
18 much dealing with them.

19 Certainly as far as other areas,
20 different -- other areas within the branch, we
21 had on and off relationships with -- a lot of
22 relationships actually with the policy group
23 because oftentimes they were coming to us for
24 clarification, for information and/or other
25 things relative to the development of policy

1 that they were putting in.

2 Were they always seen as the friendliest.
3 Maybe not because, again, our enforcement role,
4 we were often seen as almost the people that
5 were out to get the bad guys and not so
6 interested in helping facilitate policy matters
7 sometimes from time to time.

8 We had an ongoing relationship but rather
9 distanced with the people who dealt with problem
10 gambling. We didn't have as close a
11 relationship because we didn't have that much
12 interaction with them. There was just not a
13 lot. Some in regards to self-exclusion. People
14 self-excluding themselves from gaming centres,
15 but other than that not a lot to do with problem
16 gambling.

17 Eventually, especially following 2007, we
18 had a lot more to do with the licensing people.
19 And again their offices specifically were out of
20 Victoria. And we had more to do with them, but
21 it was almost a distant type of relationship.

22 So I hope I've answered your question.

23 Q Thank you. Did the physical separation that you
24 described from the audit division or the sort of
25 enforcement role/barrier that you described with

1 the policy division impede the investigations
2 division ability to work collaboratively with
3 those other [indiscernible]?

4 A I would like to say no, it didn't, and it
5 shouldn't have. In reality, did it. It's hard
6 for me to go into the mind of an auditor looking
7 at this glass wall, being able to see us but not
8 really feeling comfortable and free in talking
9 to us. And so did it impede them from speaking
10 with us and feeling comfortable in doing that.
11 We were led -- we were told several times that
12 maybe not. They felt that we had put up this
13 wall and it caused an impediment. And we were
14 sorry for that, but there was not a lot we could
15 do at the time.

16 That did change when the police did move out
17 in 2007 and then that wall which continued to be
18 there, but it was now open, much more open. But
19 by that time things had worked kind of through
20 and we were in a much closer relationship with
21 them anyway.

22 Q You said you didn't have much dealing with the
23 problem gambling people. Did you see the issue
24 of suspicious cash transactions to be related or
25 unrelated to problem gambling?

1 A Well, personally we felt -- I felt and I believe
2 our investigative staff all felt the same, that
3 if a person came into a casino environment with
4 2-, \$300,000 in cash and would lose that money
5 in two or three hours or sometimes even less of
6 playing time and sometimes, I might even say
7 often, seem to leave the casino and come back
8 five, ten, 15 minutes later with another 100- or
9 200,000 dollars in 20s and sometimes lose that
10 too, did we feel that that was a problem
11 gambling issue also. Absolutely. I certainly
12 felt and I believe all of our staff would have
13 felt that there was a problem gambling issue
14 here as well.

15 Of course our primary concern was about the
16 suspicious nature of the currency that they were
17 bringing in and where it was coming from and
18 what was happening with it.

19 Q Okay. You mentioned the RCMP component of
20 IIGET. And I understand that began operating in
21 or around the spring of 2003; correct?

22 A That's correct. So there was an arrangement
23 between the Province of British Columbia and the
24 RCMP to form what they referred to as an
25 Integrated Illegal Gaming Enforcement Team.

1 I'll refer to it as IIGET, the initials. And
2 that team was supposed to actually have, as I
3 understood it and in retrospect -- and again
4 we're going back a long time, but I had always
5 believed when I hired on in June of 2002 that
6 this team was going to be put together that
7 fall.

8 As it turned out -- and there was a variety
9 of reasons, I believe, for that, some of which I
10 am aware of and some I'm not, I believe -- it
11 wasn't until later in the spring, probably
12 May -- April, May of 2003 that we saw the first
13 person from the RCMP contingent. And that was
14 supposed to be a 12-person team which would have
15 six people co-located with the GPEB
16 investigational team in Burnaby. And a further
17 six people deployed to three different areas:
18 Prince George, Kelowna and Victoria. And again
19 co-located with the GPEB offices in those
20 different locations.

21 And so we did see the first person arrive
22 from the RCMP. The first person to arrive was
23 only there a couple of days and was
24 commissioned in -- was promoted within the force
25 and we didn't see that person again. And

1 subsequently followed up by another staff
2 sergeant, who again, unfortunately due to health
3 problem, major health concerns, was only there
4 for a very, very short time. Days. And that
5 was followed up by a sergeant who we were
6 told and he was told was there temporarily to
7 oversee the start up of that unit. So that
8 started in, like I say, April, May, June of
9 2003.

10 Q What did you understand the mandate of that
11 group to be?

12 A The mandate, as spelled out and later shown to
13 us in the MOU, or memorandum of understanding,
14 between the province -- and BCLC was involved in
15 that and the RCMP was too, was to have an
16 enforcement oversight of gaming in the province
17 and specifically to deal with illegal gaming and
18 the enforcement of illegal gaming within the
19 province of British Columbia.

20 Q Did you understand the mandate to reach into
21 legal gaming facilities?

22 A We did not and we did not based on the MOU that
23 we had. We were led to believe -- not led to
24 believe. We knew once the team formed up or
25 some of the team were together that there were a

1 couple of occasions where members from IIGET,
2 the RCMP IIGET, had been involved in legal
3 gaming matters.

4 And the bottom line is the RCMP, even though
5 the mandate that -- we understood that we would
6 work together and be co-located, work together
7 on illegal gaming matters, the RCMP and the
8 police -- the real police as we used to call
9 them; we didn't consider ourselves the real
10 police -- could do and go wherever they wanted
11 to. That's their mandate, to investigate
12 criminal activity.

13 Q And did you -- sorry.

14 A But certainly based on a consultative board that
15 was also set up to oversee IIGET -- and the
16 consultative board was set up of a number of
17 people from both within the RCMP, the province,
18 GPEB and BCLC -- they also didn't enforce the
19 mandate, if I can use that terminology, but
20 certainly set guidelines as to what they
21 believed as a consultative board that the
22 concentration of enforcement should be for
23 IIGET.

24 Q Did you ever try to dissuade IIGET members from
25 investigating illegal activity occurring within

1 legal gaming facilities?

2 A No, that wasn't our place to dissuade. I'm led
3 to believe that somebody had indicated that they
4 felt or there was a perception that we didn't
5 feel they belonged when, for instance, they --
6 one of the RCMP personnel had been involved in a
7 loan-sharking complaint or investigation.
8 Again, we may not have felt that that was within
9 their purview, but their purview really -- as
10 far as the mandate of IIGET doing illegal
11 gaming, but their purview as police is to
12 investigate whatever they felt they needed to
13 investigate.

14 Q You mentioned that GPEB and IIGET were meant to
15 work together on illegal gaming investigations.
16 And my question is were both organizations or
17 agencies sufficiently resourced to see that
18 through?

19 A Unfortunately no, in my opinion. And I will
20 start with GPEB. So when GPEB was formed, we,
21 in Burnaby, had, I believe, five investigators.
22 And it was -- so it was a brand new unit --
23 pretty well a brand new unit. And we had
24 oversight over casinos, lotteries, horse racing
25 and a variety of other things. And suddenly we

1 were thrown into that mix. What was thrown into
2 that mix was IIGET in which was supposed to be
3 an equal partnership and an equal partnership to
4 me at least would be that we should be equally
5 staffed, then, as well. So in Burnaby there
6 would be six RCMP personnel. We didn't even
7 have six GPEB personnel, let alone that we could
8 devote some of that personnel to IIGET
9 investigations.

10 We tried. And we did work together with the
11 RCMP contingent and did a lot of joint
12 investigations, illegal gaming enforcement
13 investigation. But did we contribute our share
14 to that? I don't believe we came anywhere close
15 and that never, never did take place as far as
16 having equal personnel available.

17 As far as the RCMP, it took a fair amount of
18 time for the RCMP to staff up their contingent.
19 And again remembering that they had six people
20 in outlying areas. It took some time for them to
21 get those six different personnel to those
22 areas. But similarly for the six that needed to
23 be staffed in the Burnaby office, again, it took
24 some time. And unfortunately things being what
25 they are, especially within the police

1 environment -- and I came from an RCMP
2 background and so did most of us in GPEB at the
3 time were aware that transfers take place,
4 illnesses take place, maternity leaves are --
5 need to be addressed, promotions. And so that
6 was an ongoing matter with IIGET where you were
7 constantly dealing with changing conditions and
8 changing personnel.

9 And so yes, the RCMP were staffed up to
10 12 people after sometime. I believe it was well
11 over a year. But I also am aware that following
12 that they were down to as low as, I believe,
13 three persons. So it was a very ever-changing
14 kind of situation.

15 Q Fred Pinnock took over as the officer in charge
16 of that unit in or around late 2005; is that
17 right?

18 A Actually I thought it was probably 2006. It
19 could be late 2005. If that is what you said --
20 sorry. Then, late 2005. Yes, that's correct.

21 Q And were you made aware that he approached a
22 GPEB investigator responsible for Hastings Park
23 Racetrack and sought a summary of the challenges
24 encountered there?

25 A I am not, and I was aware that something like

1 that had been stated. I am not aware of that
2 one.

3 Q You don't have a recollection of the GPEB
4 investigator asking you for authority to provide
5 that information to Mr. Pinnock?

6 A I do not. And I wouldn't even know what
7 investigator we may or may not be talking about
8 unless I was given a name because we ourselves
9 were dealing with having to do enforcement at
10 the racetracks, two racetracks and other races
11 that were taking place elsewhere in the
12 province, and so that person power was changing
13 from time to time. It wasn't always the same
14 person.

15 Q You don't recall -- or do you recall having a
16 hostile interaction with Mr. Pinnock where you
17 accused him of trying to build an empire?

18 A I don't know if I'd call it hostile. But yes, I
19 certainly had -- well, I had a lot of
20 interactions with Mr. Pinnock. Most of our
21 interactions were very cordial and very
22 professional. Did I have an occasion to
23 question some things that Mr. Pinnock was
24 suggesting. Yes, specifically as far as
25 targeting an online gaming group that he planned

1 to devote all of his person power to as far as
2 targeting that group. And did I have strong
3 objections to that. Yes, I did. But, again, in
4 the long run the RCMP were the ones that needed
5 to and were calling the shots as far as where
6 the resources would be deployed, and that's what
7 happened.

8 But yes, he and I did have a heated exchange
9 at that time about that matter.

10 Q Did you tell him that he did not have a mandate
11 to pursue enforcement activities inside legal
12 casinos?

13 A No, I never did that.

14 Q Did you tell him that legal casinos were GPEB's
15 jurisdiction and not IIGET's jurisdiction?

16 A Not in those words. I may have indicated -- and
17 I'm not suggesting it was at this time of this
18 heating, quotation marks, conversation, but
19 certainly in dialogue that I've had with
20 Mr. Pinnock I probably did, and I believe I did,
21 also have a conversation about I believed that
22 the mandate of IIGET was to do illegal gaming
23 and GPEB's mandate outside of IIGET was also to
24 deal with the legal gaming enforcement.

25 Q Did you tell Mr. Pinnock that the expectation

1 was that the officers of IIGET would come off
2 the road for a couple of years and get to relax?

3 A I'm sorry, please could you rephrase that or ask
4 me that again.

5 Q Did you tell him words to the effect that the
6 expectation was that officers who were assigned
7 to work IIGET would come off the road and relax
8 for a couple of years. Essentially they would
9 have a reprieve from their usual duties?

10 A As far as the RCMP contingent?

11 Q Yes.

12 A No, I certainly didn't.

13 Q Okay. Was IIGET embedded -- IIGET was embedded
14 for a time in the GPEB offices in Burnaby;
15 correct?

16 A That's correct. From early 2003 when they
17 started the staff up until -- I believe it was
18 2007 when other -- a combination was found just
19 on the same floor in the same building as where
20 GPEB was located and where they were -- the RCMP
21 were co-located. We found another spot that
22 could be rented and that's where IIGET did move
23 into. I believe it was early 2007.

24 Q Did you understand that that move -- that any
25 part of the decision to make that move was as a

1 result of the tensions between you and
2 Mr. Pinnock?

3 A No, certainly not. From the very beginning of
4 the formation of IIGET and IIGET co-locating
5 with us in at least Burnaby -- and I'm not
6 talking about the other areas, but certainly in
7 Burnaby, we could never understand how we could
8 ever be co-located in those -- that facility
9 together with all of the persons that we had in
10 quite a small area. We felt sorry for the IIGET
11 personnel. Most of them had to be housed in
12 fairly small offices. Two to an office. It
13 just didn't seem right to us. It didn't feel
14 right, and I'm sure it didn't feel right to
15 them. Well, we know it didn't feel right to
16 them. They were not happy with those
17 arrangements. It was not something that we had
18 wanted. We, being GPEB -- and certainly I'm
19 talking about the executive -- who eventually
20 became the director, Larry Vander Graaf, and
21 myself, that's the last thing we wanted. We had
22 always felt that if nothing else, police
23 independence is something that we understood and
24 we understand now and we felt was very
25 important.

1 Also security was very important and we
2 understood that coming from that background.
3 And both, we believed, were being challenged
4 with this arrangement. So no, this was -- the
5 move was one of the happier things that happened
6 for us with IIGET.

7 Q In 2007 did Mr. Vander Graaf mediate a
8 discussion between you and Pinnock --
9 Mr. Pinnock?

10 A Again, I've been asked that in other
11 conversations. I don't recall Mr. Vander Graaf
12 mediating any discussions. Could he have. Yes.
13 If somebody referred me to a specific thing that
14 was supposed to have been mediated, I would try
15 and recall it.

16 Q And to your observation did that tense
17 relationship between you and Mr. Pinnock
18 negatively impact either GPEB or IIGET's ability
19 to work together effectively to fulfill their
20 mandates?

21 A I don't think so and I would hope not because
22 certainly that -- even though we may have had a
23 couple of exchanges that were not as cordial as
24 probably both of us would have hoped, we were
25 still professionals and we dealt with each other

1 and we were able to work together. Did we
2 always agree. No. And certainly I've mentioned
3 when they targeted and worked on just that
4 single group, we were not, first of all, able to
5 contribute, due also partly to the circumstances
6 that we were going through at the time in 2007,
7 2008 -- 2006, 2007, but we certainly didn't have
8 the person power to commit to that, which I
9 believe was also a concern for Mr. Pinnock.

10 But they were basically on their own at that
11 time for well over a year where that's what they
12 concentrated on. Did we still have interaction
13 with their people. Absolutely. On a daily
14 basis. Our lunch room and coffee room was
15 always full and intermingling that was taking
16 place. And we had had some good times, even
17 though we were working on separate type of
18 things.

19 Q Do you recall an instant in or around 2006 where
20 Mr. Pinnock reported to you that a security
21 employee who worked at the River Rock reported a
22 complaint that he had been watching a loan shark
23 engaging in his loan-sharking business and that
24 this loan shark had complained to the River Rock
25 employee's manager about the security employee

1 following him around?

2 A Again this is not foreign to me. I've seen this
3 or heard this before. No, I do not recall ever
4 being asked by/spoken to Mr. Pinnock about that
5 ever.

6 Q You don't recall hearing that the employee's
7 manager scolded him for disrupting the
8 loan-sharking activity, saying it was bad for
9 business?

10 A The first I heard of this was in a media release
11 that I saw just in the last year.

12 Q Did Mr. Pinnock report to you that this employee
13 reported that the manager escorted the loan
14 shark to a corner of the casino that was not
15 covered by security cameras and the loan shark
16 reengaged in his activities?

17 A I do not recall Mr. Pinnock ever divulging this
18 to me. Is that -- was that characteristic of
19 sometimes what was happening in the casinos,
20 loan sharks moving out of range of where they
21 knew camera range was and/or going into
22 washrooms to facilitate their loan-sharking
23 activities. I certainly was aware of that, but
24 not Mr. Pinnock specifically telling me about an
25 incident that -- like described.

1 Q You were aware of incidents like that. Were you
2 aware of incidents where the gaming service
3 provider management or the casino management was
4 assisting the loan sharks to avoid cameras?

5 A Could I say they were assisting them? I don't
6 know if I could say directly that any -- that
7 the service providers generally were assisting
8 loan sharks. I am aware, though, that there
9 were incidents of loan sharks, well-known loan
10 sharks, more what was considered to be the
11 higher range of loan shark that were even given
12 parking privileges at one or more of the casino
13 venues in the Lower Mainland.

14 Were employees facilitating or helping loan
15 sharks. Maybe by simply allowing them to move
16 around very freely within the casino
17 environment, and I am well aware that in many
18 cases these loan sharks were well known to at
19 least some, if not a lot of the employees. Yes,
20 that was allowed but further, I don't know.

21 Q Derek Dickson and you and Mr. Vander Graaf and
22 others prepared various reports of findings on
23 suspicious cash transactions that had been
24 reported to GPEB; is that right?

25 A Yes. We did.

1 Q Were those reports of findings provided to the
2 RCMP or IPOC or any other law enforcement
3 agency?

4 A Some of those reports of findings were
5 absolutely provided to the RCMP IPOC. Those
6 reports were also always forwarded to the
7 assistant deputy minister that we would
8 answer to and many times it's also shared with,
9 say, the person who eventually was put in charge
10 of the anti-money laundering cross-division
11 working group for GPEB, Mr. Bill McCrea. Yeah.
12 And often shared also with others within the
13 investigative unit of GPEB. And some of the
14 other -- sometimes -- I'd better -- I'm not sure
15 that those reports of findings were ever shared
16 with some other executive directors, so I'm
17 actually not sure about that.

18 Q Do you remember any law enforcement
19 investigation occurring as a result of your --
20 or maybe not as a result of but do you remember
21 being aware in or around this time of any law
22 enforcement investigation occurring on this
23 topic, suspicious cash transactions?

24 A Absolutely. So probably going back as far as
25 early 2010 we were communicating now on a

1 regular basis every two, three, four months with
2 the proceeds of crime section with the RCMP.
3 And so as the -- our numbers of suspicious cash
4 was rising on a monthly, quarterly, yearly
5 basis, they became much more interested in our
6 numbers and some of the even names of people
7 that we were seeing on a regular basis coming in
8 with large amounts of suspicious cash.

9 And eventually we did meet with and then
10 were led to believe that a group of six -- I
11 believe up to six investigators from the
12 proceeds of crime unit were involved into a
13 probe relative to suspicious cash proceeds of
14 crime investigations relative to casinos in the
15 Lower Mainland and people coming in with that
16 cash.

17 And we even provided personnel to show some
18 of the persons from this unit, this
19 investigative group that was put together,
20 showed them around several of the casino gaming
21 facilities that were being targeted by some of
22 these people bringing in this suspicious cash.
23 And we also started delivering reports on
24 sometimes a daily basis to the proceeds of crime
25 section, especially on amounts -- on

1 individuals, specific individuals, and
2 especially if the amounts were \$100,000 or more
3 of suspicious cash.

4 Q And did law enforcement communicate to you that
5 the suspicious cash that you were observing was
6 part of a money laundering scheme?

7 A Yes. First of all, communicated many times that
8 they believed that this was suspicious, this was
9 the proceeds of crime and that they believed
10 this suspicious cash being accepted at casinos
11 was part of casinos being used in the laundering
12 of money, proceeds of crime.

13 Q And did you communicate that information to your
14 superiors, to Mr. Vander Graaf?

15 A Oh, very much so. And sometimes Mr. Vander
16 Graaf was present when these communications were
17 held. He also attended meetings with proceeds
18 of crime personnel. Mr. Vander Graaf, his
19 background in the RCMP lasted a number of years.
20 A number of years. He was considered an expert
21 in proceeds of crime. He gave expert evidence
22 in proceeds of crime. He worked with people
23 that were still part of that proceeds of crime
24 unit, and so he was very conscious of and very
25 aware of.

1 And certainly the working relationship that
2 I had with Mr. Vander Graaf was -- it was
3 almost -- well, he was my boss and he made the
4 final decision, but we worked very much together
5 as a pair. And many of our communications and
6 many of our investigation deliberations and/or
7 where we would go was a -- we did that as --
8 together as a pair of persons providing
9 leadership.

10 Q You worked as well under three different -- at
11 least three different general managers during
12 your tenure: Mr. Sturko, Mr. Scott and
13 Mr. Mazure. Was this information communicated
14 to each of these general managers?

15 A Sure it was. Whether it be in direct
16 communication verbally with those people.
17 Certainly our reports of findings that you've
18 referred to, all those were forwarded to the
19 ADMs in each and every case.

20 There was other communications. Even at
21 joint conferences where all GPEB groups would
22 get together, invariably from 2008 on this was a
23 topic of conversation at those meetings as well.
24 There would be something that almost invariably
25 would be brought up by the investigation unit.

1 Q Did you ever participate in communicating that
2 information higher than the general manager
3 level to the deputy minister or the minister,
4 for example?

5 A I did not personally. But I am aware that this
6 information was communicated to at least one
7 minister and one deputy minister in a meeting
8 that Mr. Vander Graaf had with them. I'm also
9 aware that in a meeting, one of these joint GPEB
10 meetings in 2008, there was a fairly new deputy
11 minister that was present when actually one of
12 our -- he was then the director overseeing
13 casino investigation actually got up and spoke
14 about how suspicious currency and the proceeds
15 of crime was something -- coming into the casino
16 was so significant that it would wake him up at
17 nights, and he spoke about this publicly in this
18 public meeting.

19 Q You mentioned meetings with ministers and deputy
20 ministers. Could you identify who that is that
21 you're speaking about.

22 A So the minister was Mr. Rich Coleman and the
23 deputy minister was -- I am sorry, I've drawn a
24 blank. She was very new at the time and she
25 accompanied Mr. Coleman to Mr. Vander Graaf's

1 office in our building.

2 And I also don't recall the name of the
3 deputy minister who was present in those
4 meetings that I'm referring to in 2008. It was
5 also a female deputy minister, and again I've
6 drawn a blank as far as the name of that person.

7 Q Where did that meeting occur?

8 A That was in Victoria. And I believe it was in a
9 conference room in a hotel in downtown Victoria
10 where those meetings took place.

11 Q Do you recall who else was present?

12 A Well, Mr. Sturko, the ADM, the assistant deputy
13 minister. Sue Birge, who was the executive
14 director immediately under Mr. Sturko. All of
15 the what became executive directors, if they
16 weren't already executive directors, of the
17 different units within GPEB. So people from --
18 and managers. So we had all of the people from
19 registration, audit and compliance, policy,
20 horse racing, responsible gambling, licensing.
21 I'm missing one, I think, but they were all
22 there and some of their manager levels were all
23 there.

24 Q You said it was in 2008. Do you remember when
25 in 2008 that was?

1 A Yeah, I believe that was in the fall. So
2 probably September, October.

3 Q Okay. If I suggest a name to you, and I'm
4 actually not confident that I have the name, but
5 just to see if it will refresh your memory, was
6 it Ms. Wenezenki-Yolland?

7 A No, it was not Ms. Wenezenki-Yolland. I only
8 became aware of Ms. Wenezenki-Yolland in
9 probably 2013, and by then we were -- GPEB was
10 under the Ministry of Finance, which was new to
11 us. We had been in a lot of ministries, most
12 often the Solicitor General, but we had been in
13 other ministries also. But I only got to know
14 about Ms. Wezenski-Yolland in I think 2013, and
15 that was after we had gone to Ministry of
16 Finance.

17 Q Okay. Well, maybe I'll just stop there since I
18 can't help you with the name right now. But I
19 was hoping you could tell the Commissioner a
20 little bit about the relationship between middle
21 management at GPEB and BCLC. Was that a tense
22 relationship?

23 A Between middle management and all of BCLC,
24 or ...

25 Q Between the investigations division and your

1 counterparts at BCLC?

2 A Yeah, for the most part I would agree. It was
3 probably -- I don't know if "tense" is the right
4 word, but certainly not a cordial relationship
5 most of the time.

6 Again, I believe that the reason for this is
7 this we had -- we, GPEB investigations and
8 certainly the mid management and upper
9 management of GPEB investigations, had a very,
10 very different view than what mid managers --
11 about suspicious currency, proceeds of crime,
12 money laundering when it came to casinos than
13 what BCLC security, mid managers and even other
14 managers within BCLC had. We had diabolically,
15 completely different viewpoints about this and
16 there was almost no middle road that you could
17 come to.

18 We firmly believed that this was proceeds of
19 crime and it was suspicious and we believed that
20 casinos were being used for money -- for the
21 laundering of money of this suspicious currency.
22 Yet these people, these mid managers and even
23 some investigators -- and I can talk about that
24 a little more, but certainly the mid managers
25 and the position that was taken with us verbally

1 and in writing was -- and these people most, if
2 not all, of them came from the same background
3 that we did. They all came -- or most of them
4 came from a police background. And certainly
5 our belief came also from our background and
6 what we were being told by the police.

7 And these same people -- or these people
8 with the same background had a just completely
9 different attitude about this currency. And at
10 very best most of the time the attitude was all
11 we need to do is report. Even if it is
12 suspicious, all we need to do is report. And
13 we're doing that. We believed that it required
14 a whole lot higher degree than just reporting.
15 We were talking about the integrity of gaming.
16 And yes, GPEB investigations had to have
17 oversight in regards to the integrity of gaming,
18 but we also believed that BCLC very much had to
19 have the integrity of gaming first and foremost
20 in their mind. And we're talking about the
21 financial integrity of gaming, and that was
22 their bailiwick.

23 Q Did you tell Gordon Friesen or anyone else at
24 BCLC that their role was only to observe and
25 report?

1 A Absolutely not.

2 Q Did you tell Gordon Friesen or anyone at BCLC
3 that they were interfering in criminal
4 investigations and that actions might be taken
5 against them?

6 A I did not. And I don't believe that would have
7 happened. We continued to stress that they
8 needed to take more action as far as stopping
9 this money. We didn't believe -- we believed
10 that casinos should be exactly -- should do
11 exactly what banks do as far as the suspicious
12 cash coming in.

13 Q Did you --

14 A Not allowing it.

15 Q Okay. Did you tell BCLC that they were not to
16 conduct criminal investigations and that this
17 was GPEB's responsibility?

18 A In regards to suspicious cash?

19 Q Yes.

20 A I don't recall ever saying anything like that in
21 regards to suspicious cash coming into casinos.
22 Have I said that in regards to some of the other
23 criminal investigations that we were involved in
24 in regards to, say, internet gaming or
25 lotteries. I may have.

1 Q Okay. Just before I move on to my next topic
2 I'm going to try one more time with this 2008
3 meeting with the deputy minister. I'm going to
4 suggest a name to see if it refreshes your
5 memory. I've been passed a noted. Was it
6 possibly Lori Wanamaker?

7 A Lori Wanamaker. Thank you. And it just came to
8 me. Lori Wanamaker was the deputy minister who
9 was with Mr. Coleman -- Minister Coleman when
10 they met with Mr. Vander Graaf in his office.

11 Q Okay. I don't intend to walk you through these
12 letters, but in or around 2010 you and
13 Mr. Dickson began to correspond with BCLC and
14 essentially the information you were sending was
15 from the reports of findings. Do you recall
16 that?

17 A Oftentimes the letters that were sent to
18 different people within BC Lottery Corporation
19 security -- their security department were a
20 regurgitation of a lot of the information or
21 some of the information that we had produced in
22 those reports of finding.

23 Q What was the purpose of those letters?

24 A Just to make sure and inform completely, whether
25 it be Mr. Friesen or Mr. Hodgson [sic] of what

1 we were seeing over the course of the last --
2 and usually it was about a year period, where I
3 think we sent three, maybe four of those letters
4 or memorandum to BCLC mid managers just to
5 inform them of what we were seeing, what our
6 statistics were showing. A couple of those
7 reports even included some specific examples and
8 usually the strong suggestion that we believed
9 something much more serious needed to be done in
10 this regard.

11 Q And these letters culminated in a letter from
12 you to Bryon Hodgkin dated December 27th, 2012;
13 correct?

14 A That's correct.

15 Q And is it fair to say that that last
16 communication resulted in a complaint from
17 BCLC's CEO, Michael Graydon, to GPEB's general
18 manager, Doug Scott?

19 A That specific letter that I sent to Mr. Hodgson
20 [sic] did result in a complaint from Mr. Graydon
21 to Mr. Doug Scott, who was our assistant deputy
22 minister at the time. Yes.

23 Q And following that complaint were you directed
24 to stop making those kinds of communications?

25 A Yes. Mr. Scott directed and it was directed

1 through Larry Vander Graaf and also directly to
2 me that they were no longer to have those
3 communications with personnel within BC Lottery
4 Corporation.

5 Q And did --

6 A And that those communications were properly
7 disbursed to them through our AML working group.

8 Q And did you comply with that direction?

9 A I did.

10 Q Okay.

11 A As far as my written communication, yes.

12 Q Did you comply with it as far as your verbal
13 communication?

14 A Well, I did, but that doesn't mean that I wasn't
15 contacted from time to time by BCLC personnel to
16 ask a question or whatever. And if I was asked,
17 then I would, at least in general, continue to
18 at least let them know my feelings about what
19 was happening.

20 Q When you raised the concerns about suspicious
21 cash transactions, we'll start with the general
22 manager Derek Sturko, did he express to you that
23 he understood that these issues were related to
24 proceeds of crime?

25 A Sorry, Alison, could I ask you to kind of

1 rephrase that, or ...

2 Q When you raised the issue of suspicious cash in
3 casinos to the general manager, Mr. Sturko, did
4 he express that he understood that this was
5 proceeds of crime?

6 A Yes. I had every reason to believe he
7 understood completely. And I guess that was
8 reinforced early because Mr. Sturko was also
9 present at our meeting that I've referred to in
10 2008 when Mr. Rampone gave the indication of
11 what he was -- what kept him up at night. And
12 the very next day Mr. Sturko invited us to
13 become involved in a conference call with him --
14 both Mr. Rampone, myself, I believe Mr. Vander
15 Graaf and there may have even been one or two
16 others -- where we furthered the conversation
17 and certainly furthered the information in
18 regards to what Mr. Rampone had first brought up
19 the day before.

20 Q And did you understand that Mr. Scott also
21 understood that it was proceeds of crime?

22 A Yeah. Well, there's simply no question
23 whatsoever in my mind that Mr. Scott knew and
24 understood completely that this was proceeds of
25 crime, and that was made very evident. First of

1 all, Mr. Scott we knew and we were actually
2 really anticipating his arrival as a new AGM
3 coming directly from the police, department,
4 from the RCMP in another province. And so that
5 was encouraging to us because we felt that
6 somebody like that would for sure know what we
7 were talking about.

8 And then within a short time after he took
9 over as the our new ADM, he was over in our
10 offices and I helped facilitate showing him two
11 or three, maybe even four different portions of
12 videos of people bringing in large amounts of
13 suspicious cash into various casinos within the
14 Lower Mainland, video captures that some of our
15 investigators had picked up during the course
16 their furthering their investigation into
17 Section 86 Reports that they followed up on.

18 And I can almost -- not almost. I do recall
19 clearly his eyes widening and just almost in awe
20 that something like this was happening. This
21 was not an uncommon thing for us to see in
22 anybody that we'd would show some of these
23 videos to, whether it be my lecturing to groups
24 offer police officers, RCMP officers, IPOC
25 people. They all were in amazement when they

1 saw some of these examples.

2 Q And did Mr. Mazure also understand that the
3 suspicious cash was proceeds of crime?

4 A Did Mr. Mazure understand. I think he
5 understood that we were very clear in saying it
6 was suspicious and that it was the proceeds of
7 crime, and that became very evident to me. He
8 may not have agreed or felt that he needed more
9 proof and that's what he stated in a 2013 report
10 of findings that was put in by myself and
11 footnoted by Executive Director Vander Graaf.
12 And when we received a copy back from
13 Mr. Mazure, he had many, many, many footnotes on
14 it.

15 And so based on that and his questioning of
16 the expertise, the background, the intelligence,
17 the information that we were providing, I have
18 no doubt that he knew exactly what we were
19 indicating. He may not have agreed with what we
20 were saying.

21 Q Okay. You were eventually terminated from your
22 position at GPEB; correct?

23 A That's correct.

24 Q Have you ever been told the reason for your
25 termination?

1 A No, I was not. Not until I have read at least
2 the suggestion in some of the materials that I
3 was just provided in the last month or so.

4 Q Sorry, can you elaborate.

5 A When I was brought in and terminated, Mr. Mazure
6 was there with somebody from human resources.
7 He told me that my position was -- had become
8 redundant and I would -- I was being terminated
9 without cause. And when I asked -- well, first
10 of all made the statement that I believed it had
11 to do with us -- me reporting horrendous amounts
12 of suspicious currency that was coming into the
13 casinos, by then Mr. Mazure was already on his
14 way out the door and said I could address
15 anything further with the human resources person
16 and the reason for my termination would be in a
17 letter that -- an envelope that was there.

18 Q What was the basis for your belief that it was
19 because you were -- because of the reporting
20 about suspicious cash?

21 A Well, my belief was that we had continued to
22 report -- in my opinion diligently report from
23 2010 on and we became firmer and stronger in our
24 stance about the necessity for something drastic
25 to have to be done to stop the flow of currency

1 which was now coming close to being 200 million
2 per year, a good 70 percent of that in \$20
3 bills.

4 And in the last report that we had put in
5 that I authored and again footnoted by
6 Mr. Vander Graaf in October of 2014 just two
7 months before our termination, we had been very,
8 very strong in some of the language we used, and
9 "willfully blind" were even included in that
10 report.

11 And so we were getting to the point in all
12 of our discussions also as part of the AML
13 working group, it was almost like they would
14 hear us, they would listen as a working group,
15 but the predominance of the discussion and the
16 thinking and the onward progression of where
17 they were going had to do more with the reliance
18 of other methods other than cash coming into the
19 casinos. But never ever dealt with stopping the
20 flow of 20s.

21 And then in looking at how we were
22 dismissed, it was more than curious to me that
23 not only were Mr. Vander Graaf and I both
24 terminated but also removed and sent elsewhere
25 were the executive director of compliance --

1 audit and compliance. And audit and compliance
2 had become also very open in their reporting
3 about their concerns about what they were seeing
4 on the financial side of their audits in the
5 various casinos, especially the major casinos,
6 with the suspicious cash coming in.

7 And there was also redirection of the person
8 in charge of the AML working group, Mr. McCrea.
9 He was also moved or transferred to another unit
10 within government. And the AML -- as we were
11 led to believe and told after the fact, the AML
12 working group ceased to function upon our
13 dismissal.

14 So I don't know. And this was my
15 interpretation and my belief that it had to do
16 with our insistence that something had to be
17 done in regards to this suspicious currency.

18 Q In preparation for this process you had an
19 opportunity to review a report that recommended
20 restructuring of GPEB and ultimately resulted in
21 your termination. Did anything in that report
22 change your belief about the reason for your
23 termination?

24 A Well, I guess in my mind it reinforced my belief
25 that we were not -- that we were terminated for

1 other than what -- the reasons were given. The
2 report that -- the report is of a review done by
3 persons within the finance ministry on behalf of
4 Mr. Mazure and led by Mr. Mazure. There's many
5 things within that report that I believe are
6 completely wrong, false. There's insinuations
7 about expenses and parking and insinuations
8 about low morale within GPEB which are totally
9 wrong and/or had long been resolved and/or
10 looked after, and yet it's left hanging there.
11 And so yes, further to my other concerns and
12 beliefs, this helped reinforce that in my mind.

13 Q Was it ever suggested to you that you were being
14 terminated because of the correspondence we
15 discussed that you had engaged with with BCLC?

16 A No, that was never ...

17 MS. LATIMER: Thank you, Mr. Commissioner. Those are
18 all my questions for this witness.

19 THE COMMISSIONER: All right. Thank you,
20 Ms. Latimer.

21 I'll now call on Ms. Gardner on behalf of
22 Canada, who has been allocated five minutes.

23 MS. GARDNER: Thank you, Mr. Commissioner.

24 **EXAMINATION BY MS. GARDNER:**

25 Q Mr. Schalk, can you hear me all right?

1 A I can hardly hear you.

2 Q Is this any better?

3 A Thank you, yes. Thank you.

4 Q Okay. Thanks. Just let me know if at any time
5 you do have difficulty hearing me.

6 A Thank you.

7 Q Now, earlier today you answered some questions
8 from commission counsel and gave some evidence
9 about the RCMP IIGET positions. Do you recall
10 generally giving that evidence?

11 A Yes.

12 Q I just want to ask you a couple of very quick
13 questions just to make sure there's clarity on
14 the record about those positions. Now, I
15 believe you testified that IIGET started in the
16 spring of 2003 and that the RCMP had committed
17 to providing 12 personnel but it took quite a
18 long time for them to staff up to that full
19 level. Is that an accurate summary of your
20 evidence?

21 A Yeah. And not surprisingly based on our
22 background. But yes, that's correct.

23 Q Now, were you aware that the commitment to
24 provide the 12 personnel actually didn't --
25 wasn't effective until April 1st, 2004? Does

1 that accord with your memory?

2 A No, it does not. My understanding was and is
3 that the MOU was dated around the beginning of
4 April 2003, that it was to run for five years
5 which would bring it to April 1st, 2008. And I
6 am aware and have always been aware that at that
7 time or shortly before that time in 2008 the
8 decision was made by the consultative board to
9 further have one more year added to that to
10 allow them to do a review and to -- for IIGET to
11 provide some further information to the board.

12 MS. GARDNER: Madam Registrar, if I could ask you
13 bring up appendix A of exhibit 77, which is the
14 IIGET overview report.

15 Q And this is the MOU you were referencing. Is
16 that correct, Mr. Schalk?

17 A I don't know if I've ever seen this document
18 before. Well, way back when I may well have,
19 but I haven't seen this document recently, I
20 don't believe.

21 MS. GARDNER: Sure. And Madam Registrar, if I could
22 just ask you to move to page 26 of the PDF. And
23 scroll to the bottom half of the page.

24 Q Mr. Schalk, I'll direct your attention to
25 clause 3.2, and I'm read that out for you. It

1 says:

2 "In the Fiscal Year beginning April 1,
3 2003, the RCMP will provide a maximum of
4 six members and one Support Staff (PSE) to
5 form the IIGET. During the Fiscal Year
6 beginning April 1, 2004, IIGET's RCMP
7 establishment will be increased to a
8 maximum of 12 members and one support
9 staff."

10 Have I read that accurately?

11 A Yes, you have.

12 Q Does that refresh your memory as to when it was
13 that the RCMP committed to providing
14 12 personnel?

15 A It doesn't refresh my memory. I do not recall
16 ever reading that or seeing that, but I believe
17 that to be the case. That's the MOU. So then
18 my apologies if I've inferred something else.

19 Q It's been a long time.

20 A It has been. And --

21 MS. GARDNER: Madam Registrar, if I could ask you
22 next to move to page 74.

23 Q Mr. Schalk, do you recall that in
24 November 2007 --

25 MS. GARDNER: Oh, I'm sorry, I must have the wrong

1 page. I was looking for the cover page of this
2 appendix, Madam Registrar.

3 THE REGISTRAR: Sorry, Ms. Gardner. Which appendix
4 you're --

5 MS. GARDNER: Appendix C, please. Thank you.

6 Q Do you recall that in November 2007 Catherine
7 Tait completed an effectiveness review of IIGET?

8 A Yes, for sure I do.

9 Q And does this appear to be that review?

10 A Yes. Could you give me the number that relates
11 and then -- so I can look at the document here.

12 Q Yes. Do you have the IIGET overview report or
13 only separate documents?

14 A I have it all as separate documents, but I'm
15 just wondering what the GPEB or Canada number on
16 it might be.

17 Q I believe I can find that for you.

18 THE REGISTRAR: Ms. Gardner, I think it's on top of
19 the corner -- the right corner.

20 MS. GARDNER: Perfect. Thank you very much, Madam
21 Registrar.

22 Q It should be GPEB0063 Mr. Schalk.

23 A 0063?

24 Q That's correct.

25 A No, I don't have that either. But ...

1 Q If you're content to simply look at the screen,
2 there's only one small passage I'm hoping to
3 bring you to.

4 A Of course. Please.

5 MS. GARDNER: Madam Registrar, if we could now move
6 to page 74. And I'll just ask that you scroll
7 down to about midway. That's perfect. Thank
8 you. So here -- sorry, if we could scroll up
9 slightly. Thank you.

10 Ms. Tait's setting out a chronology of
11 IIGET. And I'll just draw your attention to
12 2004.

13 And scrolling down slightly, Madam
14 Registrar, please. Thank you.

15 Q At the first sentence of the third 2004
16 paragraph Ms. Tait writes:

17 "By the end of December 2004, nearly all
18 of RCMP positions had been filled and most
19 of the staff had taken a two-week course
20 on illegal gaming investigations delivered
21 by the Ontario Provincial Police."

22 Does that accord with your memory of when it was
23 that those positions were filled or nearly
24 filled?

25 A Yes, to the best of my recollection that's very

1 accurate.

2 Q Okay. Now, you also mentioned that at one point
3 only three of the 12 RCMP IIGET positions were
4 filled. Do you recall that evidence?

5 A Yes.

6 Q Would you agree with me that that wasn't
7 representative of the average number of
8 vacancies on the RCMP IIGET side?

9 A I would agree completely. That was not
10 representative of the average at all, no. But I
11 can say that my belief and my memory would
12 indicate that probably there was less than 12
13 RCM Police members for the course of the
14 six years of the MOU than -- there was less than
15 12 for more periods of time than they had a full
16 complement.

17 Q More than three, generally?

18 A But certainly more than -- three was the very,
19 very minimum and that was only for a brief
20 period of time.

21 MS. GARDNER: Okay. Thank you. Those are my
22 questions.

23 THE COMMISSIONER: Thank you, Ms. Gardner.

24 Mr. Smart for the British Columbia Lotto
25 Corporation has been allocated 20 minutes.

1 MR. SMART: Thank you, Mr. Commissioner.

2 **EXAMINATION BY MR. SMART:**

3 Q Mr. Schalk, I understood you to say that Mr.
4 Scott, Doug Scott, when he became the deputy
5 minister, the ADM -- I guess it's assistant
6 deputy minister -- that he knew that this cash
7 that was coming in, these large suspicious cash
8 transactions, he knew that this was the proceeds
9 of crime. Is that your evidence?

10 A I can't say he knew, but I believe he suspected
11 it for sure.

12 Q All right. I thought you said he knew. Did you
13 say he knew?

14 A I don't -- if that's what I said, that is -- I
15 believe he was aware that this could be the
16 proceeds of crime.

17 Q Okay. Because there's a big difference, isn't
18 there, between knowing and suspecting?

19 A Of course.

20 Q One's a criminal offence. If someone is aiding,
21 abetting, encouraging, allowing proceeds of
22 crime to come in the casinos and they know it's
23 the proceeds of crime, that's a criminal
24 offence, isn't it?

25 A That's correct.

1 Q And you are not suggesting Mr. Scott was
2 committing a criminal offence, are you?

3 A No.

4 Q All right. You use interchangeably at times
5 "proceeds of crime" and "large suspicious cash
6 transactions," but there's a difference, isn't
7 there? One is suspicion, the other is knowing
8 that it's the proceeds of crime; correct?

9 A Well, I believe I can call it "suspicious cash"
10 and -- believing that it may be proceeds of
11 crime.

12 Q Yes. Mr. Vander Graaf testified that these
13 large cash transactions, GPEB could not prove
14 beyond a reasonable doubt that it was the
15 proceeds -- that any particular transaction was
16 the proceeds of crime. You don't disagree with
17 that, do you?

18 A I don't disagree with his comments at all.

19 Q Yeah. In fact he went further and he said, we
20 couldn't even prove on a balance of
21 probabilities that any particular transaction is
22 the proceeds of crime. You don't disagree with
23 that?

24 A I don't disagree with that either.

25 Q Yes. And that's why you -- when I say "you,"

1 Mr. Vander Graaf and, I expect, you and
2 Mr. Dickson -- were advocating that the BCLC
3 simply refused to accept large suspicious cash
4 transactions. Correct?

5 A That's correct.

6 Q Yeah. Because law enforcement wasn't able --
7 apparently wasn't able to prove it was the
8 proceeds of crime?

9 A They obviously didn't, or they would have laid
10 charges. But certainly they believed it was
11 suspicious and it could have been proceeds of
12 crime.

13 Q Yes. You've been involved with gaming for a
14 long time. And when I say that, I mean right
15 back from really the expansion -- almost from
16 the expansion of gaming, the introduction of
17 slot machines in the casinos in this province,
18 haven't you?

19 A Yes. 2002, Mr. Smart.

20 Q Yes. And you understand that the expansion of
21 gaming in this province was a decision made by
22 government to try to reap the social benefits
23 that can come from revenue generated by gaming?

24 A Yes.

25 Q Yes. But at the same time there has to be --

1 there has to be action taken to try to reduce
2 the potential social harm that can come from
3 gaming; correct?

4 A Yes, that's correct.

5 Q Things like criminal offences that may be
6 committed in or around casinos, people becoming
7 addicted to gaming, other social harms?

8 A Yes, including bags of suspicious cash.

9 Q Of course. That's a crime. It's money
10 laundering.

11 A It's the difference -- again, like you have
12 alluded to, the difference between actually
13 being able to prove it or at least saying it's
14 suspicious.

15 Q But there's -- the reason we've expanded gaming
16 in this province is to try to reap the benefits
17 of revenue that can be used for public good;
18 right?

19 A I believe part of it, yes.

20 Q Yes.

21 A A good part of it.

22 Q Yeah. And that includes revenue for the local
23 government, provincial government, for
24 charities, for hospitals, for lots of good
25 purposes; right?

1 A Yes.

2 Q Okay. GPEB's mandate wasn't -- you weren't
3 responsible for trying to ensure adequate
4 revenue was realized from gaming. That wasn't
5 GPEB's responsibility, was it?

6 A I didn't believe it was, no. Well, certainly
7 not GPEB investigations.

8 Q No. But BCLC had a responsibility to try to --
9 in fact let me be more accurate. BCLC's
10 responsibility was for enhancing financial
11 performance, integrity, efficiency and
12 sustainability of the gaming industry. Did you
13 understand that to be BCLC's responsibility?

14 A Yes. Have I ever heard that statement before.
15 No, not that I can recall. But yeah, I would
16 generally agree with that.

17 Q And it was for government to set the priorities
18 in gaming, wasn't it?

19 A I don't know if I would agree with that. I
20 believed it was a combination of probably
21 government who would direct down to, say, policy
22 and procedures within -- both GPEB and BCLC
23 would've had a role. Would it all be generated
24 from government down. No, I don't believe so.
25 I think a lot of that would also be generated

1 from below and upwards to the powers to be in
2 government.

3 Q You and Mr. Vander Graaf were advocating that
4 BCLC simply reject cash if it was suspicious.
5 At a certain amount. You wanted -- \$10,000 in
6 \$20 bill, it should be rejected because it was
7 suspicious.

8 A Well, that number changed -- kept changing. Or
9 it kept changing. It changed several times. We
10 were advocating that the service providers stop
11 the money. That the service providers react
12 exactly like banks in this country do to
13 suspicious cash coming into it, and we believed
14 that BCLC could be instrumental in directing the
15 service providers to stop that suspicious cash
16 from coming in. We also believed that GPEB
17 through registration could have also helped with
18 that.

19 Q But you knew that middle management in BCLC and
20 the investigations section and the service
21 providers, they couldn't implement what you
22 wanted on their own. They could not on their
23 own implement what you wanted to see happen.

24 A I don't know if I can fully agree with that. I
25 believed that what I've suggested was possible.

1 May -- people like our ADM, who oversaw both
2 GPEB and BCLC -- which by the way we always felt
3 was almost like a conflict. But that person
4 and/or people above them could have helped
5 direct that.

6 Q Yes. You wanted your ADM to do what you were --
7 you and Mr. Vander Graaf were suggesting was
8 institute a policy of rejecting suspicious cash
9 if it was at a certain amount in certain
10 denominations?

11 A The ADM was only one. I think our insistence on
12 this suspicious cash and the abundance of it
13 coming in and our referring that to BCLC, our
14 hope and our belief was that BCLC could have
15 easily done that too in coordination with the
16 service provider by directing it.

17 Q Well, couldn't GPEB, the ADM, issue a direction
18 or ask the minister to issue a direction to BCLC
19 to reject, for example, cash in amounts of
20 10,000 or more in \$20 bills?

21 A Sure he could have.

22 Q And isn't --

23 A He could have directed that to the service
24 providers, I believe, on their own, whether it's
25 the CEO or whoever in charge of BCLC.

1 Q Yeah. And you were not getting any traction
2 with your ADMs in advocating for ministerial
3 direction, were you?

4 A We didn't feel we were, no.

5 Q No. And what you did, then, is to direct what
6 I'll call written missives at the BCLC middle
7 management asking them to do what you wanted to
8 have done, that is to put cash restrictions. Do
9 not allow service providers to take cash in \$20
10 bills in the amounts of -- whether it's 10,000
11 or 20,000 or 25,000. You directed it at them to
12 see if you could get traction.

13 A Well -- but that wasn't the purpose. The
14 purpose was to -- and I don't know if I would
15 agree that they were written missive, but it was
16 certainly written communications to them to at
17 least make sure that they were completely aware
18 of this fund -- these funds that were coming in,
19 suspicious cash that were coming in. They
20 should have been well aware of it. They get the
21 same information from the service providers that
22 we did about the suspicious cash. But just to
23 confirm that we continued to think that this was
24 a significant issue and that, if nothing else --
25 and I don't think we ever worded it that way --

1 we needed their help and a whole lot of other
2 people's help probably in trying to stop the
3 suspicious cash from coming in. But at least we
4 wanted to make sure it was in writing that they
5 were well aware of the issue.

6 Q Well, they're the ones that provided the reports
7 to you, didn't they?

8 A No.

9 Q The suspicious cash transactions that they filed
10 with FINTRAC they filed with you, didn't they?

11 A No, that's not correct, Mr. Smart. The service
12 providers always provided the Section 86 Reports
13 to us.

14 Q Yes.

15 A That was their responsibility and that's what
16 they did, and that's where we received the
17 information. Were we aware that BCLC security
18 was also receiving a copy of that. Yes, we
19 were. Were we aware that BCLC was reporting
20 both suspicious and large cash transactions to
21 FINTRAC. Yes, we were.

22 Q Were you not -- I'm going to suggest to you that
23 BCLC was also sending copies of their suspicious
24 transaction reports to GPEB as well as FINTRAC.
25 They were sending you copies of what they were

1 sending to FINTRAC. Do you disagree with that?

2 A Yeah. Not to my knowledge. I disagree, yes,
3 because not to my knowledge were they.

4 Q Well, whatever -- you were -- go ahead.

5 A I know in the last couple of years prior to our
6 departure that BCLC was committed to once a
7 month or once every couple of months to
8 collating with the director of our casino
9 investigations certain large cash transactions,
10 suspicious cash transaction reports that had
11 come in and that there might be some dispute on
12 whether or not it was large cash or suspicious
13 cash. So that at the end of the day the same
14 things that we believed were suspicious were
15 being reported by BCLC to FINTRAC as suspicious.

16 Q We've heard from investigators that worked at
17 GPEB earlier in this inquiry, Mr. Schalk, a
18 couple of the investigators, they were
19 frustrated because they felt they were simply to
20 a large extent duplicating what BCLC was doing.
21 They were taking BCLC and service provider
22 reports and packaging them up, sprinkling them
23 with some CPIC information and maybe a little
24 more and sending them up management chain or
25 sending them to law enforcement. Do you

1 disagree with that?

2 A Okay. Well, if you're talking about BCLC
3 information that came off of BCLC and service
4 provider computer information that was logged by
5 the security staff at the different venues, yes,
6 we were receiving that information. If that's
7 the report, BCLC reports that you're referring
8 to, yes, okay, we were receiving those reports.

9 Q What was -- time has proven, shown that what you
10 and Mr. Vander Graaf were advocating early on
11 was -- largely turned out to be the right thing
12 to do. It took time to implement measures, but
13 to take steps to try to determine source of
14 funds, to try to limit the amount of cash, many
15 of the things you were advocating, Mr. Schalk,
16 turned out to be accurate. But in terms of this
17 period of time what did GPEB do to deal with
18 these large transactions other than put reports
19 to law enforcement and send reports up to your
20 general manager?

21 A And reports to BCLC?

22 Q Yes.

23 A What else did we do?

24 Q Yeah.

25 A We continued to communicate and tried to

1 facilitate and help the police as best they
2 could so that -- as best we could so that they
3 could hopefully put a case or cases together in
4 regards to money laundering.

5 Q I'm going to ask you -- show you -- I want to
6 show you a couple of documents. Time is
7 limited, but I want to show you exhibit 141,
8 please, which is what we've called the Kroeker
9 report.

10 A Yes.

11 Q I wonder -- that is BCLC7108?

12 A I have it also in a different number, but I have
13 the report that you're referring to.

14 Q Okay. And that report, Mr. Schalk, pointed out
15 that BCLC had too limited of a view of what
16 might constitute money laundering. Is that a
17 fair summary of one of the points that were
18 made?

19 A Right on page 3. Yes, that's correct.

20 Q I want to take you to page 10, where Mr. Kroeker
21 stated:

22 "BCLC's obligation is primarily a duty to
23 report. These reporting obligations do
24 not extend to a duty to investigate and
25 confirm the exact provenance of cash used

1 to buy-in. Detailed inquiries and
2 investigation into legitimate or
3 illegitimate sources of cash appropriately
4 fall to various law enforcement and
5 regulatory authorities."

6 BCLC was doing what Mr. Kroeker was advocating,
7 weren't they?

8 A I don't know what exactly BCLC was doing. We, I
9 and others within GPEB investigations, at least,
10 did not agree with certain portions of the
11 Kroeker report and things that he was
12 advocating. This was certainly one of those.

13 Q If I take you to the third page in the third
14 paragraph and the third line.

15 A Yes.

16 Q Mr. Kroeker wrote:

17 "Conclusions and statements as to the
18 ultimate legitimacy of cash should only be
19 made where there is detailed, independent
20 information verifying the source of the
21 funds and should only be made by the
22 enforcement agencies with a mandate to
23 conduct these types of inquiries."

24 Do you disagree with Mr. Kroeker?

25 A I do.

1 Q Yeah?

2 A Again I simply point to the banking institutions
3 here in Canada and what they do and feel obliged
4 to do.

5 Q But if Mr. -- but if BCLC was doing what
6 Mr. Kroeker advocated, then they were doing what
7 was expected of them, weren't they?

8 A What at least Mr. Kroeker was suggesting was
9 sufficient, but it's only one -- this one person
10 that was suggesting that, in my view.

11 Q It was a government -- he was hired by the
12 government, the minister, to undertake this
13 investigation or this report, didn't he?

14 A He was.

15 Q Okay. And as a result of this, there was a
16 joint -- I'm actually not sure exactly -- to
17 describe it is GPEB and BCLC together had a
18 joint directorate or committee to look at
19 anti-money laundering strategies?

20 A Well, in effect it was two separate anti-money
21 laundering cross-divisional working groups.

22 Q Yes.

23 A And I'm not aware of how often, if -- I believe
24 they met once or twice jointly, but -- there was
25 very few meetings jointly. But yes, there were

1 cross-divisional working groups established by
2 both BCLC and GPEB.

3 Q And your letter of -- you've been referred by
4 Ms. Latimer, and she's sending me my time has
5 run out, so I'll be quick. Your letter of
6 December 2012 to Mr. Hodgkin that resulted in a
7 complaint from the CEO of BCLC and a response by
8 Mr. Scott. Did you know that Mr. Scott
9 communicated as CEO that -- I want to be -- this
10 is actually found at exhibit B for
11 identification. That he apologized for your
12 letter, and said:

13 "I also note that BCLC has undertaken
14 everything that we have asked and agreed
15 to as part of the comprehensive AML
16 strategy."

17 Were you aware that he communicated that to BCLC

18 A I wasn't aware at the time. I've become I aware
19 of that just in the last eight, nine months.

20 Q All right. So insofar as Mr. Kroeker's report
21 went and insofar as Mr. Scott, it looks like
22 BCLC was doing what was expected of it with
23 respect -- from government and the head of GPEB
24 in terms of anti-money laundering. Do you agree
25 with that?

1 A No, I can't agree with that. Not simply based
2 on those comments that I've read that Mr. Scott
3 made to the CEO of BCLC reference my
4 communication with Mr. Hodgson [sic].

5 MR. SMART: Okay. There are two exhibits,
6 Mr. Commissioner, that were marked for
7 identification. Exhibit A is the letter of
8 December 27th, 2012. The letter speaks for
9 itself in whether Mr. Schalk was accurate in
10 that letter. But I'm seeking to have GPEB0181,
11 exhibit A for identification, marked as an
12 exhibit proper at the inquiry.

13 THE COMMISSIONER: Okay.

14 MS. LATIMER: I believe it's already in
15 Mr. Vander Graaf's affidavit. I don't object to
16 it being marked again, but I believe it's found
17 in Mr. Vander Graaf's affidavit already.

18 MR. SMART: Well, that's -- I'm fine with whatever
19 the commission prefers.

20 THE COMMISSIONER: Why don't we mark it discretely.
21 If it has been marked for identification at some
22 point, it should be converted to an
23 exhibit proper.

24 MR. SMART: And exhibit B is the email exchange.
25 Mr. Graydon will be testifying and I expect

1 we'll -- that document will be put in then. But
2 if the Commissioner and Ms. Latimer don't
3 object, I'd seek to have that marked as an
4 exhibit as well at this point.

5 THE COMMISSIONER: Ms. Latimer.

6 MS. LATIMER: I don't object, Mr. Commissioner. We
7 do have Mr. Scott and Mr. Graydon coming to
8 testify, so I don't object.

9 THE COMMISSIONER: We'll mark that as the --

10 THE REGISTRAR: The next number is 488,
11 Mr. Commissioner.

12 **EXHIBIT 488: (Previously marked as Exhibit A**
13 **for ID) Letter from Joe Schalk re Suspicious**
14 **Currency Transactions/Money Laundering Review**
15 **Report - December 27, 2012**

16 THE COMMISSIONER: And this will be 499 -- 489,
17 rather.

18 THE REGISTRAR: 489. So exhibit A is 488. Exhibit B
19 is 489.

20 THE COMMISSIONER: Yes, thank you.

21 **EXHIBIT 489: (Previously marked as Exhibit B**
22 **for ID) Email exchange between Douglas Scott and**
23 **Michael Graydon, re GPEB letter - Privileged and**
24 **Confidential - January 18, 2013**

25 THE COMMISSIONER: I think -- I'm actually sorry,

1 Mr. Smart. Are you finished?

2 MR. SMART: I think my time's run out, so I think I'm
3 finished, yeah.

4 THE COMMISSIONER: You've been finished.

5 MR. SMART: I've been finished. Thank you.

6 THE COMMISSIONER: All right. I think what we'll we
7 do is take a brief adjournment. We still have
8 approximately 50 minutes to go. I have a
9 meeting scheduled for 1:45 that clearly I'm
10 going to have to move, so we'll take a brief
11 ten minutes and resume with the balance of the
12 examinations at that point.

13 THE REGISTRAR: This hearing is stood down for
14 ten minutes until 1:53 p.m. Please mute your
15 mic and turn off your video. Thank you.

16 **(WITNESS STOOD DOWN)**

17 **(PROCEEDINGS ADJOURNED AT 1:43 P.M.)**

18 **(PROCEEDINGS RECONVENED AT 1:53 P.M.)**

19 THE REGISTRAR: Thank you for waiting. The hearing
20 is now resumed. Mr. Commissioner.

21 **JAN (JOE) SCHALK, called**
22 **for the commission,**
23 **recalled.**

24 THE COMMISSIONER: Thank you. I'll now call on
25 Ms. Harmer and behalf of the Great Canadian

1 Gaming Corporation, who's been allocated
2 ten minutes.

3 MS. HARMER: Thank you, Mr. Commissioner.

4 **EXAMINATION BY MS. HARMER:**

5 Q Mr. Schalk, can you hear me okay?

6 A I can, yes.

7 Q I'm counsel for the Great Canadian Gaming
8 Corporation. Earlier this afternoon you
9 testified about being told over and over again
10 by police about suspicious currency being
11 associated with organized crime or being
12 proceeds of crime. That was your testimony?

13 A Yes.

14 Q When were you first told that?

15 A To put that on a date, but I'm going to -- to
16 the best of my recall at this time we were
17 talking to police personnel from IPOC. I was
18 talking to police from IPOC back in 2008 for
19 sure and probably before. But certainly I was
20 being told this also on a regular basis by
21 Mr. Vander Graaf, who I've already said was an
22 expert in proceeds of crime/money laundering
23 gave expert evidence, that's the background he
24 came from before he came to GPEB. And certainly
25 he was prominent in communication with IPOC

1 personnel on a regular basis from the time I was
2 part of GPEB.

3 Q And during this time that you are talking about,
4 you were a director of investigations; is that
5 right?

6 A That's correct. I should also add that we had
7 on staff, and I've referred to him already,
8 Mr. Rampone, who had also come directly to us
9 from proceeds of crime unit where he had been
10 for at least, I believe, four years, if not
11 longer. And he was saying what it was.

12 Q Mr. Schalk, with this information, what did you
13 direct your investigators to do with that
14 information?

15 A Well, initially it was to collect as much
16 information as possible about the actual
17 transactions, including video recapture, all of
18 the information relevant to the individual
19 coming in with that information. And then
20 certainly having the availability, if not
21 directly, providing it to the police or police
22 authorities.

23 Q And when your investigators were collecting this
24 information about transactions, where was that
25 information coming from generally?

1 A Most of it was coming directly from the service
2 provider who was obtaining the information from
3 the individual.

4 Q And did you have any concerns with the
5 information that was being reported by service
6 providers and how they were fulfilling their
7 responsibilities?

8 A Generally, no. On occasion we did -- our
9 investigators would seek more information or
10 advocate for more information being obtained
11 and/or clearer or better reporting.

12 Q And when that was advocated for, support service
13 providers generally complied?

14 A Generally, yes. Certainly there's one very
15 specific thing that I can relate to that I'm
16 aware of that service providers did not comply
17 with. A service provider did not.

18 Q Can you describe what you're referring to.

19 A Yeah, I'm referring to a service provider that
20 was not reporting anything as suspicious under
21 \$50,000 for a period of probably a year, year
22 and a half.

23 Q But if steps were taken by you as the regulator
24 to direct service providers to improve their
25 reporting, they were generally compliant?

1 A Yes, generally they were. In that case they
2 weren't.

3 Q Even after that was brought to the attention of
4 the service provider?

5 A Yes, that's correct.

6 Q You're saying that the service provider did not
7 correct their reporting after it was brought to
8 their attention?

9 A Not for a considerable period of time at least,
10 yes. And, again, BCLC was involved and there
11 was a number of negotiations, if you want to
12 call it, that had to further the receipt -- the
13 proper receiving of the proper information.

14 Q Mr. Schalk, could you put a time frame on that.
15 I'm not quite sure what you are referring to.

16 A Well, certainly 2013, for most of that year I
17 know we were having concerns with a specific
18 service provider.

19 Q And can you recall that being brought to the
20 attention of the service provider?

21 A Yes, I do. I know there was written
22 correspondence about that. There was certainly
23 verbal communication with a variety of people
24 about that, mostly by Mr. Dickson.

25 Q Going back to the information that you received

1 from police, what did you do to share that
2 information about potentially being proceeds of
3 crime with service providers?

4 A As far as our dealings with the police and then
5 coming back to the service provider and
6 providing them information? Is that what you
7 are asking?

8 Q Yes, that's what I'm asking.

9 A Very little. There would be very little
10 communication with us to the service provider
11 about information the police were providing us.
12 Other than general information. We believed it
13 was suspicious. We believed it was the proceeds
14 of crime and that we had concerns that casinos
15 were being used -- in a very general, broad way
16 casinos were being used to launder money.

17 Q You shared that information with service
18 providers?

19 A Oh, yes.

20 Q Do you recall a specific occasion where that
21 information was shared?

22 A I think that was -- to say that it was shared on
23 a daily basis almost because our people -- our
24 investigative staff were constantly, almost on a
25 daily basis, dealing with security personnel

1 from the different venues and the different
2 casinos. Were they sharing this information
3 that it was suspicious every time they spoke
4 with a security person. No, absolutely not.
5 But were they generally sharing an overall
6 concern on an ongoing basis? You betcha.

7 Q Mr. Schalk, you gave us some information today
8 about loan sharks believing to be in the casinos
9 and them potentially moving around casinos.
10 What time frame did that occur in?

11 A Well, the time frame where that I was referring
12 to as far as loan sharks actually operating, my
13 terminology, out of different casino venues, at
14 least in the Lower Mainland, we're probably
15 talking -- well, from shortly after we started
16 as GPEB getting into casinos. So we're talking
17 about late 2002 into 2003 and on to probably
18 about 2007 or so, loan-sharking was a
19 significant issue for our investigative staff
20 and the service providers and BCLC.

21 Q And after that time you were satisfied that the
22 problem was being taken care of?

23 A No, absolutely not, because basically the
24 problem was moved, as we saw it -- and I'm
25 simplifying it here, but it was moved off the

1 floor in open view to some of the back nooks to
2 eventually washrooms to offsite where loan
3 sharks were still coming and going offsite, were
4 communicating via cell offsite with the player.
5 They were meeting the player, they were
6 providing drop-offs to players. So that
7 loan-sharking issue never went away. And
8 that's -- they're the predominant cog in this
9 whole wheel of money transmission. So it goes
10 from organized crime to the loan shark to the
11 high limit -- generally the high limit player to
12 the casino.

13 Q And, Mr. Schalk, you represent GPEB and they are
14 the regulator.

15 A That's correct.

16 Q What was GPEB doing to combat what you say was
17 continuing?

18 A We were certainly gathering as much in
19 information and intelligence as we could for the
20 purposes of the police but also for us to make
21 sure that the powers to be, whether it be our
22 bosses and/or BCLC and/or the service provider,
23 were very aware that this is a significant
24 concern that we believed needed to be stopped.
25 That they needed to -- the service providers

1 needed to act, as do the banks in the banking
2 institutions in Canada, as it relates to
3 suspicious currency.

4 Q And, Mr. Schalk, what you just told me about it
5 continuing, it doesn't sound like your efforts
6 of collecting information was very effective.

7 A I guess that's left to be determined. But yes,
8 I would agree that we were less effective than
9 we could be and maybe should have been, but we
10 had a variety and a whole lot of constraints and
11 matters that didn't allow us to do a whole lot
12 more.

13 MS. HARMER: Mr. Commissioner, I'm actually being
14 advised that I am out of time. I have no
15 further questions.

16 THE WITNESS: Thank you.

17 MS. LATIMER: Mr. Commissioner, you're muted.

18 THE COMMISSIONER: Thank you. Thank you, Ms. Harmer.

19 I will now call on Mr. Gruber for Gateway
20 Casinos & Entertainment Ltd., who has been
21 allocated five minutes.

22 **EXAMINATION BY MR. GRUBER:**

23 Q Mr. Schalk, I'm correct that GPEB had no reason
24 to believe that the gamblers themselves were
25 criminals?

1 money."

2 And so I use the word "many" and -- but
3 certainly not "all" and that -- could we prove
4 money laundering, no.

5 Q And you're not aware of any attempt having been
6 made to inquire of the gamblers whether they
7 were aware that they were buying in with money
8 from organized crime, are you?

9 A Was I aware that any gamblers were asked about
10 that?

11 Q Right.

12 A I am aware that they were. Some gamblers were
13 asked about that, both by -- well, in several
14 cases our people. We were told secondhand by
15 some BCLC personnel and certainly by police
16 investigators, IPOC investigators. Some.

17 Q Well, none of the GPEB investigators or the BCLC
18 investigators who have testified so far on these
19 proceedings have said that question was ever
20 asked of any of the gamblers. Do you recall any
21 specific instances where you were aware that
22 that question was asked?

23 A Yeah, I do. One of our investigators by the
24 name of Burrows actually asked a female gambler
25 those questions. I believe he attended at their

1 home -- at her home. I'm actually not quite --
2 absolutely positive about that, but he
3 definitely spoke to her about the origin of the
4 cash where she got the cash from.

5 Q I'm not asking about whether gamblers were asked
6 about what the origin of the cash was. I'm
7 asking whether they were asked whether they were
8 aware that the cash came from organized crime?

9 A Hmm. I can't answer one way or the other.

10 Q And in your earlier testimony you talked about
11 gaming workers permitting loan sharks to be on
12 premises or providing them parking. I don't
13 know what word you used, but some preference in
14 parking. Did I have that right?

15 A Yes, that's correct.

16 Q Now, all gaming workers are registered with
17 GPEB; correct?

18 A That's correct.

19 Q And it's a term of their registration that they
20 honour all standards of gaming conduct?

21 A That's correct.

22 Q And so if GPEB had concerns about gaming workers
23 providing any favours or privileges to loan
24 sharks, GPEB had the power to suspend their
25 registrations or cancel their registrations?

1 A Well, certainly investigate the matter with
2 the -- one of the possibilities being that the
3 registration could be cancelled or suspended.

4 MR. GRUBER: Those are my questions.

5 THE WITNESS: Thank you.

6 THE COMMISSIONER: Thank you, Mr. Gruber.

7 Now Mr. McFee on behalf of Mr. Lightbody,
8 who has been allocated ten minutes.

9 MR. McFEE: Thank you.

10 **EXAMINATION BY MR. McFEE:**

11 Q Mr. Schalk, I just want to pick up on your
12 testimony that you gave in response to
13 Ms. Latimer's questions about this IPOC
14 investigation that, as I understood it, you
15 commenced in early 2010?

16 A We didn't commence it. GPEB did not commence
17 that.

18 Q No, no, I understand that. It was IPOC that
19 commenced it. Is that accurate?

20 A That's correct.

21 Q And you had -- when I say "you," GPEB's
22 investigation division had two of your
23 investigators assist, including providing
24 personnel to show the IPOC people around the
25 casinos?

1 A On occasion, yes. And also provide almost daily
2 direct reporting to them.

3 Q And what was the outcome of that investigation?

4 A I don't know what the outcome was. There was no
5 specific outcome that we could ever point to as
6 in prosecution or even charges being laid.
7 The investigation, we were told, was curtailed
8 actually quite suddenly for several reasons, but
9 one of them being it was right at the time or
10 just before the RCMP changed their structure as
11 far as IPOC and other federal units and actually
12 disbanded a number of federal units, like drug
13 sections, a proceeds of crime section, customs
14 and excise and others, and combined them into
15 one big federal unit and then prioritized
16 targeting based on that one unit, and it may or
17 may not then be targeted as a proceeds of crime
18 investigation or a drug investigation or
19 whatever.

20 Q And in terms of timing, did that disbandment of
21 the specialized units, including IPOC, as you
22 recall it, occur in or around the fall of 2012?

23 A I thought it was -- and so if it was 2012, then
24 actually it was 2011 that we should have been
25 talking about this IPOC unit doing the

1 investigations and that's probably -- in
2 retrospect that's probably 2011 versus 2010.

3 Q And you say this one large integrated unit was
4 created. That's the FSOC unit?

5 A I haven't said that. I'm actually not sure what
6 you're referring to, FSOC.

7 Q You know Federal Serious Organized Crime was
8 created?

9 A Sorry. Okay. If that's what -- I didn't
10 understand the acronym. Yes, that's -- as we --
11 again, that's what we're being told. And we
12 really saw that, yes.

13 Q And to you your knowledge did Federal Serious
14 Organized Crime assume this in-progress
15 investigation?

16 A No, I understood that that investigation was
17 curtailed or shut down.

18 Q And did you learn that from the former IPOC
19 officers that you'd been in fairly constant
20 communication with?

21 A Yes.

22 Q And did that surprise you?

23 A Surprise. We were more really unhappy as
24 surprised. We really had hoped that an
25 investigation might lead to some real

1 investigation, some charges that might also then
2 influence decisions about suspicious cash coming
3 in.

4 Q And from the time that this investigation that
5 you had some optimism in came to a fairly quick
6 halt until the time you departed from GPEB,
7 there would be about a two-year period in there,
8 wouldn't there, from the fall of 2012 to
9 December 2014?

10 A Yes.

11 Q Did you observe the RCMP taking any
12 investigative endeavours with respect to illegal
13 activities in or around BC casinos respecting
14 money laundering in that two-year time frame?

15 A I didn't personally, but certainly our
16 investigators still from time to time would see
17 people they recognized as proceeds of crime
18 people or at least police -- federal police
19 officers still from time to time being around
20 and/or even in casinos. And certainly we
21 continued to provide reports on a very ongoing
22 and regular basis right up until the time of my
23 termination to IPOC in regards to suspicious
24 currency coming into casinos.

25 Q Okay. I am a bit confused there. If IPOC

1 was -- the units were disbanded in the fall of
2 2012, how would you be providing reports
3 thereafter?

4 A It was going to a collective group for their
5 intelligence, an intelligence group that was in
6 that, as you call it, FSOC.

7 Q And given your experience in policing and with
8 GPEB, is it your considered view that had that
9 2011/2012 investigation been allowed to
10 continue, that the increase in large cash
11 transactions in BC could have been addressed and
12 reduced in a much more timely fashion?

13 A No, there's no way I could speculate and/or even
14 suggest that. As a matter of fact, police doing
15 an investigation in this regard in the casino
16 environment, it may have helped at least
17 highlight the concern. But policing wasn't
18 going to solve this problem and police
19 investigations wasn't going to solve this issue.
20 They weren't going to stop the 20s from coming
21 into the casino just because somebody was
22 charged with money laundering. This had to be
23 addressed at that level to stop the money from
24 coming in just --

25 Q As a former police officer, active law

1 enforcement, and charges you always view as
2 being a deterrent to criminal activity; correct?

3 A Of course it would act as a deterrent, but in my
4 view and my belief, in this case it would have
5 been a very minor blip, really. Because, again,
6 and I think everybody understands and
7 appreciates, these investigations are very
8 involved, very detailed, involve a lot of people
9 over a long period of time and then before it
10 ever gets to the court process and there's some
11 adjudication on that process, it's been years
12 usually. And a great deal of money time and
13 expense. In the meantime all this person power
14 that's gone to this investigation and bringing
15 it forward is not available to do other
16 investigations.

17 So it's simply -- yes, would it make a mark
18 and would the media help the area of concern
19 about it, sure. But in my opinion, it would
20 have very little effect on stopping, on an
21 ongoing basis, this from happening.

22 Q Do you have your witness statement handy?

23 A I do.

24 Q If I could ask you to look at paragraph 78 of
25 it. 78.

1 A Yes.

2 Q It says that you believe that IPOC wanted to act
3 on GPEB investigation division suspicious
4 currency transaction information from the
5 beginning but did not have the necessary
6 resources to conduct the investigations.

7 "Schalk believes that if IPOC had been
8 able or allowed to follow through on the
9 2011 investigations things would have
10 never reached the state they did with
11 E-Pirate in 2015."

12 Have I read that accurately?

13 A Yes.

14 Q And was that your view when you gave this
15 witness statement?

16 A Yes. But, again, I'm -- if -- I think what
17 you're asking me to zero in on, and I want to
18 zero in, on is had there been, for instance,
19 furtherance of that investigation back in
20 2011/2012, I don't believe that the -- that
21 E-Pirate and what --the evidence that I
22 understand they uncovered in the E-Pirate would
23 have got to that extent because of a previous
24 conviction and/or at least charges. And I'm
25 talking about the whole scope of E-Pirate, which

1 included huge underground banking and, I
2 believe, money laundering.

3 Q So was it your view, then, that it was a lost
4 opportunity when the 2011/2012 investigation
5 came to a quick halt?

6 A Yes, I do believe that.

7 Q Now, let's just talk for a moment about you --
8 the position that you were advocating and
9 Mr. Vander Graaf was advocating and others with
10 respect to a blanket ban on all cash buy-ins
11 above \$10,000.

12 A First of all, we had started with a suggestion
13 of 3,000 -- and actually that wasn't our
14 suggestion, it came from elsewhere at GPEB -- to
15 5,000 to 10,000 to 20,000. And, you know, if
16 somebody had suggested 25,000, we probably would
17 have said sure, let's start with something.
18 Yes, we advocated that. Strongly.

19 Q Did you consider that as opposed to a blanket
20 ban on all cash buy-ins above a threshold that a
21 more focused and nuanced approach would be to
22 interview the patrons to ascertain the source of
23 their funds?

24 A Well, did we consider. We considered it in the
25 view that BCLC needed to direct the service

1 providers to do that and -- because that was
2 their function. They were the conduct and
3 manage oversight of the service providers. And
4 the service providers, like a bank, should be
5 the ones that are dealing with that.

6 Now, I have also previously said was there
7 another possible way, yes. I -- we believed
8 that GPEB registration by way of the ADM so
9 directing it and/or with a ministerial order
10 could have changed the terms and conditions of
11 registration as put on by the act and allowed
12 this to be a term and condition imposed on the
13 service provider as well.

14 Q And another possible way was for GPEB
15 investigators to interview the patrons that were
16 coming in with large amounts of cash as to the
17 source of their funds; correct?

18 A Well, again, if we had the ability and facility
19 to be able to do that, we'd also long advocated
20 and documented that another way would be the
21 Ontario model, where the police -- the actual
22 police are right onsite and they actually do
23 have the start, if nothing else, if you want to
24 refer to it as that, the start of a point
25 possible money laundering investigation by doing

1 the interview.

2 Q That is an alternative. But to be clear, there
3 was nothing preventing the GPEB investigators
4 from interviewing casino patrons, was there?

5 A Well, was -- we didn't have the authority to do
6 really -- what authority does a GPEB
7 investigator have to say, sir, let me see the
8 money and where is that from. We didn't have
9 that authority. It's suspicious and we, I guess
10 on behalf of the service provider, could have
11 asked that question, if you wanted to go that
12 route.

13 It's the service provider that is accepting
14 the money, and so the service provider, like a
15 bank, we believe, has the -- not only the
16 opportunity but the requirement to ask as to the
17 origin of the cash and other things about that
18 cash.

19 Q And GPEB's responsible for the integrity of
20 gaming in the province of British Columbia?

21 A As is BCLC.

22 Q Well, BCLC is responsible for the conduct and
23 management, aren't they?

24 A And the financial integrity. And it's very
25 specific as well in the terms of reference of

1 BCLC.

2 MR. McFEE: I'm actually told I'm actually over time,
3 so I will -- those are my questions. Thank you.

4 THE WITNESS: Thank you. You're welcome.

5 THE COMMISSIONER: Thank you, Mr. McFee.

6 I'll now call on Ms. Mainville on behalf of
7 Robert Kroeker, who has been allocated
8 ten minutes.

9 MS. MAINVILLE: Thank you.

10 **EXAMINATION BY MS. MAINVILLE:**

11 Q Mr. Schalk, I have to say I'm quite confused
12 about what GPEB investigations was doing or
13 believed it was doing in respect of this issue.
14 You said that your division was seen as --
15 within GPEB as out to get the bad guys and not
16 particularly interested or focused, I believe
17 was effectively your evidence, on policy. But
18 to date it appears to me that you guys were not
19 out to get the bad guys and in fact what you
20 were doing was reporting, I think as you've
21 explained, up to the police and back down to
22 BCLC and the service providers; correct?

23 A And up to upper management. But we were
24 investigating a lot of other matters that were
25 happening in gaming venues within the province.

1 Q And if you had the sense, though, that the
2 police were not investigating and BCLC or the
3 service providers were not doing at least what
4 you wanted them to do, why would you not shift
5 to putting a clearer emphasis on policy and
6 direction and making recommendations based on
7 your observations?

8 A Well, I again defer to our involvement with the
9 anti-money laundering cross-divisional working
10 group that I was a part of with GPEB. And
11 following the Kroeker report, government and
12 certainly GPEB and BCLC committed to working
13 through those groups. So that was also, then,
14 the direction that we were providing the
15 information and our thoughts about how to deal
16 with suspicious cash coming in.

17 Q So did you -- at that point are you saying that
18 following the Kroeker report and that -- in the
19 increased communications, did you voice
20 suggestions and recommendations aside from just
21 banning \$20 bills?

22 A Just banning \$20 bills? Certainly that was a
23 strong suggestion and we advocated that that
24 become a position. It wasn't the only thing
25 that we were advocating and/or assisting with.

1 GPEB -- the AML group and GPEB did a lot of
2 reliance on cash matters that they also felt
3 would -- that many felt would help curb the
4 reliance on cash by venues. I'm not sure
5 exactly where you're going, but certainly we
6 weren't sitting on our hands just writing memos.

7 Q You weren't? No?

8 A I wasn't and none of our people were, no.

9 Q Were you going into the casinos, speaking with
10 players or anything like that on the floor?

11 A Not too often. Not on the floor, no. As a
12 matter of fact, I think it would be generally --
13 we were if there was a specific -- not a
14 specific suspicious currency transaction matter
15 but certainly if it was to do with, say, a cheat
16 at play or a theft or a fraud, and then we would
17 only talk to somebody on the floor in order to
18 necessitate them being removed so that we could
19 talk to them elsewhere in private.

20 Q And this is what gets me confused because you
21 were interacting with players in respect of all
22 sorts of other offences and yet for suspicious
23 cash you claim that what authority did you have
24 to speak to anyone or intervene or do anything.
25 It seems inconsistent to me.

1 A Well, I have already stated and I'll state again
2 there's no way that we could prove that money
3 laundering was taking place. There wasn't even
4 an avenue for us to say that it was the proceeds
5 of crime. The manner -- it was suspicious cash.

6 Q Right. Some of --

7 A And so just like the banks, we firmly and
8 strongly believe that the service providers,
9 also under the direction of BCLC, had an
10 obligation to ask about the origin of the cash
11 and do the due diligence on the background of
12 that.

13 Q And I'll come back to the issue of banks. But
14 GPEB and indeed the ADM and Doug Scott, you
15 said, clearly understood the issue, never issued
16 any directives to BCLC or the service providers
17 to do -- to refuse cash or anything like that;
18 correct?

19 A Not that I am aware of, no. Not in my time.

20 Q Or to your knowledge sought any ministerial
21 direction or sought the approval of the minister
22 to direct BCLC or the service providers;
23 correct?

24 A I can't really answer that because I don't know
25 if it was ever sought.

1 Q And you did say that GPEB registration could
2 have acted; correct?

3 A We believe they could have and likely would have
4 needed some directive either from the AGM and/or
5 higher. I don't know.

6 Q But I take it that was brought to GPEB
7 registration's attention that they could impose
8 or amend the terms and conditions of
9 registration to act on this?

10 A It was certainly strongly suggested that that
11 was one way that we could do something about
12 this matter and that was not only brought to
13 them -- to the attention tension of the
14 registration and management of registration
15 division, but it was openly discussed at our AML
16 meetings.

17 Q And that would have included with Mr. Len
18 Meilleur; correct?

19 A Len Meilleur.

20 Q Meilleur.

21 A Yes, he was 00 at least for some of that he
22 was -- if not the executive director, but he was
23 a manager at the registration, yes.

24 Q Do you recall what his response to that was?

25 A Quite frankly, as far as I'm aware, we never got

1 a direct response about that suggestion.

2 Q And those conversations with him and GPEB
3 registration, that would have been obviously
4 before your departure in 2015, I take it?

5 A Yeah, probably -- those suggestions about
6 registration being able to assist that way
7 probably were more in the 2012, 2013 time limit.

8 Q Okay. And you indicated to -- in response to a
9 question from Ms. Harmer that some of the -- I
10 guess the GPEB investigators would have told the
11 service provider that at least you believed it
12 was proceeds of crime or suspicious; correct?

13 A Yes, that's correct. So the service
14 providers -- well, I believe they were also told
15 that by BCLC security personnel, but the
16 security -- some service provider personnel from
17 time to time were also present when I or other
18 people like me from GPEB investigations had --
19 whether it be conferences and/or meetings and/or
20 where we did lectures and talks about this, and
21 for sure this type of information was passed on.

22 Q You agree with me the service provider also
23 thought it was suspicious because they were
24 filing suspicious transaction reports and
25 unusually transaction reports? They did not

1 disagree with you on that?

2 A Of course. They had to feel it was suspicious
3 before they could ever report it to us as
4 suspicious.

5 Q Right. So it was going up, but -- and they were
6 reporting as they believed it to be their role
7 getting no direction back down -- direction to
8 do anything, and yet my understanding of what
9 GPEB was doing is -- or GPEB investigations was
10 also reporting and collecting information and
11 expecting others to act.

12 A Well -- so the service providers were reporting
13 to GPEB as they needed to under the provisions
14 of Section 86 of the *Gaming Control Act*. So
15 they were fulfilling their role in having to
16 report. Yes, GPEB in turn was reporting some of
17 the matters that were reported under Section 86
18 specifically that dealt with suspicious currency
19 to others, especially IPOC and/or police of
20 jurisdiction. Mostly IPOC.

21 Q Beyond telling the service provider that you
22 believed it was suspicious or proceeds of crime,
23 am I right that GPEB investigations never gave
24 any specifics regarding any particular player to
25 BCLC or the service provider in terms of telling

1 them that any specific player or transaction had
2 to -- required their intervention?

3 A I don't recall us -- being aware of our
4 investigators ever saying it to the service
5 providers. As far as BCLC, yes, from time to
6 time information was shared with BCLC indicating
7 that a specific person may -- or could be
8 considered undesirable because of their
9 background.

10 Q And to your knowledge they acted on that
11 information?

12 A I know that they acted on it on occasion. I
13 don't know if they always acted on every bit of
14 information that we provided as a matter of
15 fact. I don't think so.

16 MS. MAINVILLE: Mr. Commissioner, I am out of time.
17 I just have one question on the banking
18 information.

19 THE COMMISSIONER: Okay.

20 MS. MAINVILLE:

21 Q Mr. Schalk, you've indicated a few times in
22 answer to questions that you just wanted BCLC or
23 the service provider to do what financial
24 institutions did and indeed you indicated that
25 you had hoped to see that in the Kroeker report.

1 What is the basis for your knowledge of what
2 financial institutions did or did not do at that
3 time in respect of suspicious cash?

4 A They made inquiries to the origin of the cash if
5 they believe it's suspicious when it comes in --
6 brought into their banking institution by a
7 client, and they do the necessary due diligence
8 and background.

9 Q Sorry, the basis for -- what is the basis for
10 your knowledge?

11 A What is the basis for my knowledge?

12 Q What is the basis for you saying this right now?
13 How do you know that?

14 A Well, I personally was involved in dealing with
15 the banks on a regular basis. Probably meeting
16 with three, four, five banks' people, mostly
17 compliance and regulatory people, even some of
18 their legal people, over the course of probably
19 four or five years and regularly meeting with
20 them.

21 Q Did you mean in your role as GPEB investigator?

22 A Yes, well, in my case, my position as a
23 director.

24 Q As a director. And to be clear before joining
25 GPEB you had no money laundering experience;

1 correct? No experience in money laundering
2 matters?

3 A The investigations, no. I had some background
4 knowledge about money laundering and suspicious
5 currency and those kind of things, yes.

6 MS. MAINVILLE: Okay. Those are my questions. Thank
7 you.

8 THE COMMISSIONER: Thank you, Ms. Mainville.

9 Now, turning to Ms. Chewka on behalf of the
10 province, who's been allocated 15 minutes.

11 MS. CHEWKA: Thank you, Mr. Commissioner.

12 **EXAMINATION BY MS. CHEWKA:**

13 Q Mr. Schalk, can you hear me okay?

14 A I can. I will -- if you could turn it up just a
15 little bit. I'm actually sorry, my hearing
16 maybe is ...

17 Q That's okay. I can be louder. Is that better?

18 A Remnants of my -- that's good. Thank you.

19 Q No problem. You testified this morning that
20 GPEB could not investigate the offence of money
21 laundering. Is that correct?

22 A That's correct. We didn't. We couldn't.

23 Q And it was your evidence that you could collect
24 information but that you did not have police
25 authority to conduct an investigation; is that

1 correct?

2 A To conduct that investigation. That's correct.

3 Q You also testified that you did not have the
4 resources or the capability to investigate the
5 offence of money laundering; is that correct?

6 A That's correct, I testified to that. Yes.

7 Q Did -- sorry, did you send two or three letters
8 to Gord Friesen where you stated that GPEB had
9 authority to investigate criminal activity?

10 A Two or three letters?

11 Q Or any letters, for that matter, about GPEB's
12 authority to investigate criminal activity, that
13 you did have it?

14 A I have sent a letter to Mr. Friesen. I don't
15 recall the exact contents of it and how I would
16 have worded it.

17 Q Would you have sent a letter saying that GPEB
18 had authority to investigate criminal activity?

19 A I would have -- I could have said something like
20 that, that we had the authority to investigate
21 criminal activity.

22 Q Would you have said that you have authority to
23 investigate money laundering?

24 A I don't believe I did.

25 Q Would you have said that you have authority to

1 investigate proceeds of crime, for example?

2 A I don't believe I did.

3 Q In answer to Ms. Latimer's questions you gave
4 evidence regarding whether assistant deputy
5 ministers during your tenure had particular
6 knowledge about suspicious cash transactions
7 being proceeds of crime. Do you recall that?

8 A Yes.

9 Q You'll agree with me that the person best
10 positioned to give evidence about what the ADMs
11 did or did not know are the ADMs themselves?

12 A I would agree.

13 Q Mr. Smart also asked you a series of questions
14 regarding what the general manager under the
15 *Gaming Control Act* could or could not do with
16 respect to BCLC and directions it could give.
17 Do you recall that?

18 A Yes.

19 Q Mr. Schalk, have you ever held the position of
20 general manager under the *Gaming Control Act*?

21 A No, I have not.

22 Q So your evidence in response to Mr. Smart's
23 questions is simply your understanding of what a
24 general manager could or could not do; is that
25 correct?

1 A That's correct. Absolutely.

2 Q And you'll agree with me the best -- person
3 who's best positioned to give that evidence
4 regarding the general manager's authority is
5 someone who's actually held the general manager
6 position under the act. Is that fair?

7 A Or is presently in that position. That's
8 correct.

9 Q Mr. Smart also asked you a series of questions
10 about what GPEB was doing to address large cash
11 transactions, do you recall that?

12 A Yes.

13 Q And to be clear, you were positioned within
14 GPEB's investigation unit for your entire tenure
15 at GPEB; is that right?

16 A Yes, that's correct.

17 Q And there are other divisions without GPEB
18 outside of the investigation division; is that
19 correct?

20 A At least six others, yes.

21 Q For example, audit?

22 A Yes.

23 Q Registration?

24 A Registration, yes.

25 Q And you've never held positions in audit or

1 registration or any of the other divisions?

2 A No, I have not.

3 Q And so it's fair to say that you're not in a
4 position, then, to give evidence about what GPEB
5 was doing generally. Your position was what
6 investigation division was doing.

7 A I don't know if I can agree with that statement.
8 We were not working in a vacuum and/or living in
9 a vacuum, and so we were in regular, if not
10 constant, communication within other divisions
11 within GPEB that were at least attuned to what
12 we were talking about. Registration wasn't a
13 whole lot involved in anything to do with
14 suspicious currency. That doesn't mean that we
15 weren't talking to them about the things that we
16 were seeing and even some of the individuals
17 because it did reflect on their registration
18 processes. Similarly and especially with audit
19 and compliance and especially the last
20 several years, we were in very regular contact
21 meeting with them at all levels, whether it be
22 at the executive director level, my level and/or
23 managers or investigators with the auditors or
24 different levels of their audit and compliance
25 unit.

1 So -- and we were aware of what they were
2 doing maybe sometimes after the fact, sometimes
3 as they were doing and sometimes before.

4 Q Would you agree with me that the person best
5 positioned to advise the Commissioner as to what
6 audit was doing, what registration was doing,
7 are people from audit or registration
8 themselves?

9 A Absolutely I would say that.

10 Q In response to a question posed by my friend
11 Ms. Mainville regarding whether or not GPEB
12 investigators shared information with respect to
13 specific patrons with either BCLC or service
14 providers. She had asked you a question about
15 that.

16 A She did.

17 Q Is it fair to say that you personally are not
18 aware of every conversation or every
19 correspondence that a GPEB investigator had with
20 BCLC or service providers on that issue?

21 A Absolutely. I'm not aware of every
22 conversation.

23 Q So it's possible for a GPEB investigator to have
24 raised concerns with BCLC or the service
25 providers about a particular patron and you

1 would not be aware of that?

2 A I believe, although don't -- can't say that I
3 know that happened on more than one occasion for
4 sure.

5 Q Mr. Schalk, you also testified that while at
6 GPEB you dealt directly with IPOC on a fairly
7 regular basis. Do you recall that?

8 A Yes, that's correct.

9 Q In response to Ms. Latimer's questions you
10 indicate that you dealt with people such as
11 Barry Baxter, Mike Arnold and Inspector
12 Chrustie?

13 A That's correct.

14 Q Did you know or were familiar with the kind of
15 skills, training or experience that these IPOC
16 officers had with respect to investigating
17 proceeds of crime?

18 A Not individually and specifically to those
19 people, but I was aware of some, if not a lot,
20 of the kind of background and training that
21 people like Inspector Baxter, Cal Chrustie and
22 others would have availability to, if not were
23 trained in, and much of that would have come
24 from Mr. Vander Graaf, who himself instructed a
25 lot of the people in his time when he was

1 proceeds of crime with the RCMP.

2 Q Now, I understand that while at GPEB you also
3 worked quite closely with IIGET and the RCMP
4 members of IIGET; is that correct?

5 A That's correct.

6 Q And were you familiar with the kinds of skills,
7 training or experience that the RCMP members on
8 IIGET had with respect to investigating money
9 laundering or proceeds of crime?

10 A Well, one in particular. So a corporal then
11 promoted, came to GPEB -- I am sorry -- to IIGET
12 and came directly from the proceeds of crime
13 section. And he had been there for three, four,
14 five years for a considerable amount of time
15 working there. So I was aware that he had
16 specific proceeds of crime background and
17 experience. I don't know of any others and I
18 don't believe there was others on IIGET -- RCMP
19 portion of IIGET that had proceeds of crime. I
20 apologize. I believe there was one other lady
21 that came shortly before the disbandment of
22 IIGET that also came from proceeds of crime.

23 Q So based on your law enforcement background and
24 your GPEB background, in your view did the IIGET
25 RCMP members, with the exception of the two you

1 mentioned, have the requisite skills, training
2 or experience needed to investigate proceeds of
3 crime?

4 A Probably not, although that's difficult for me
5 to kind of equate. And, again, you put some
6 inexperience with some experience, then I
7 believe you all have the capability of forming a
8 unit that can do a proper investigation.

9 Q Mr. Schalk, you also testified today about your
10 termination from GPEB. You stated in response
11 to a question from Ms. Latimer that you believe
12 that you were terminated because of your
13 persistent voicing of concerns regarding
14 suspicious cash transactions and money
15 laundering in casinos; is that correct?

16 A That's my belief, yes.

17 Q And you also testified that you've recently seen
18 some documents regarding an internal review of
19 GPEB, is that right, in your preparation for the
20 inquiry?

21 A That's correct.

22 MS. CHEWKA: Madam Registrar, can I please have -- I
23 believe it's actually marked as exhibit C for
24 identification, but it's GPEB4090. It's a
25 briefing note dated November 6, 2014.

1 THE WITNESS: I have the document here too.

2 MS. CHEWKA: Excellent. Thank you, Mr. Schalk.

3 Q It's safe for me to assume that you didn't
4 review or receive a copy of this briefing note
5 at the time of your termination?

6 A Yeah, that is proper conjecture on your part.
7 No, I have never seen this document until just a
8 couple of weeks ago.

9 Q But you have had the opportunity to now review
10 this document?

11 A Yes, and I can't say I've spent a lot of time
12 reviewing it.

13 Q That is okay. In the document Mr. Mazure
14 recommended your termination and that of
15 plaintiff Vander Graaf; is that correct?

16 A Yes, that's correct.

17 Q Would you agree that -- or maybe does this
18 document change your belief as to why you were
19 terminated?

20 A It doesn't change my belief. No, it doesn't.
21 My belief is not stated in here as the reason
22 for my termination.

23 Q Of course. And my last question for you today,
24 Mr. Schalk, is whether or not anyone in a
25 position of authority within GPEB advised you

1 that you were being terminated for raising
2 concerns about suspicious cash transactions or
3 money laundering in casinos?

4 A No.

5 MS. CHEWKA: Thank you, Mr. Schalk.

6 Those are my questions, Mr. Commissioner.

7 THE COMMISSIONER: Thank you, Ms. Chewka.

8 Anything arising Ms. Mainville.

9 MS. MAINVILLE: No, thank you, Mr. Commissioner.

10 THE COMMISSIONER: Mr. McFee?

11 MR. McFEE: Nothing arising, Mr. Commissioner. Thank
12 you.

13 THE COMMISSIONER: Mr. Gruber?

14 MR. GRUBER: Nothing arising, Mr. Commissioner.

15 THE COMMISSIONER: Ms. Harmer?

16 MS. HARMER: Nothing arising.

17 THE COMMISSIONER: Mr. Smart?

18 **EXAMINATION BY MR. SMART (continuing):**

19 Q Mr. Schalk, as a special constable under the
20 police -- let me start again. GPEB members were
21 special constables under the *Police Act*. Am I
22 right?

23 A That's correct.

24 Q Sorry. And as special constables you had the
25 authority to investigate criminal offences in

1 relation to gaming?

2 A That's correct.

3 Q And so you had the legal authority to
4 investigate money laundering. Do you agree with
5 that?

6 A I think there would be an argument in that money
7 laundering and the authorities relative to
8 criminal activity in gaming might be two
9 different things.

10 Q Well, money laundering occurring in a casino,
11 you had legal authority to investigate it as a
12 GPEB member and special constable. Leaving
13 aside your -- leave aside your --

14 THE COMMISSIONER: Sorry, Mr. Smart. I think
15 Ms. Chewka has raised an objection.

16 MS. CHEWKA: Yes. Thank you, Mr. Commissioner. My
17 friend Mr. Smart is asking a question about the
18 legal authority of GPEB investigators with
19 respect to this witness who is not positioned to
20 answer whether or not they do or do not have
21 legal authority.

22 THE COMMISSIONER: I think you can ask him whether or
23 not -- what his understanding is of this.

24 MR. SMART: Yes, thank you.

25 Q I was following up on Ms. Chewka's question.

1 What was your understanding as to whether you
2 had as a special constable the legal authority
3 to investigate money laundering as opposed to
4 having the resources to do it? Did you believe
5 you had the legal authority to investigate money
6 laundering occurring in casinos?

7 A I don't believe we had the authority, but I also
8 believe that was based on at least information
9 that I've received that legally we were not --
10 but this is second, thirdhand information, we were
11 not -- didn't have the authority to investigate.

12 MR. SMART: Thank you.

13 THE COMMISSIONER: Ms. Gardner?

14 MS. GARDNER: Yes. Thank you, Mr. Commissioner. I
15 just have one brief question.

16 **EXAMINATION BY MS. GARDNER (continuing):**

17 Q Mr. Schalk, Ms. Chewka was asking you a couple
18 of questions about the training and expertise of
19 RCMP members in the IPOC and IIGET units. You
20 would agree with me that the persons best placed
21 to answer questions about the training and
22 expertise of those members would be RCMP members
23 who were in those units or had oversight of
24 those units. Would you agree?

25 A I would agree, although I do think I got pretty

1 good insight from Barry Vander Graaf. But I
2 would have to defer to those people themselves
3 for sure.

4 MS. GARDNER: Thank you.

5 THE COMMISSIONER: Thank you, Ms. Gardner.

6 And Ms. Latimer?

7 MS. LATIMER: No, thank you.

8 THE COMMISSIONER: Thank you. Thank you, Mr. Schalk.

9 I appreciate the time you've taken to share your
10 experience with us during the period that you
11 were with GPEB, and you are now excused from
12 further testimony. Thank you.

13 THE WITNESS: Thank you for this opportunity,
14 Mr. Commissioner. Thank you very much.

15 **(WITNESS EXCUSED)**

16 THE COMMISSIONER: We will adjourn now until
17 Monday at 9:30 unless there's anything else to
18 deal with, either Ms. Latimer or Mr. McGowan, I
19 see you there as well.

20 MR. MCGOWAN: Yes, nothing else, Mr. Commissioner.

21 THE COMMISSIONER: Thank you. All right. We'll
22 adjourn until Monday at 9:30.

23 THE REGISTRAR: The hearing is adjourned until
24 January 25th, 2021, at 9:30 a.m. Thank you.

25 **(PROCEEDINGS ADJOURNED AT 2:53 P.M. TO JANUARY 25, 2021)**