

**PROCEEDINGS AT HEARING
OF
JANUARY 25, 2021**

COMMISSIONER AUSTIN F. CULLEN

INDEX OF PROCEEDINGS

Witness	Description	Page
	Proceedings commenced at 9:30 a.m.	1
Rick Duff (for the commission)	Examination by Mr. McCleery	1
	Examination by Mr. Stephens	57
	Examination by Mr. DelBigio	58
	Examination by Ms. Harmer	67
	Examination by Ms. Mainville	76
	Proceedings adjourned at 11:04 a.m.	78
	Proceedings reconvened at 11:19 a.m.	78
Robert Kroeker (for the commission)	Examination by Ms. Latimer	78
	Examination by Ms. Gardner	164
	Discussion re time allocation for examining counsel	175
	Examination by Mr. Smart	179
	Examination by Ms. Bevan	202
	Proceedings adjourned at 2:04 p.m. to January 26, 2021	

INDEX OF EXHIBITS FOR IDENTIFICATION

Letter	Description	Page
	No exhibits for identification marked.	

INDEX OF EXHIBITS

No.	Description	Page
490	Affidavit No. 1 of Robert Kroeker made on January 15, 2021	79

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 25, 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. McCleery.

MR. MCCLEERY: Good morning, Mr. Commissioner. Our first witness on the schedule for today is Mr. Rick Duff. I understand Mr. Duff prefers to affirm.

THE COMMISSIONER: Thank you.

**RICK DUFF, a witness
called for the
commission, affirmed.**

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

THE WITNESS: My full name is Richard Kenneth Duff.
First name R-i-c-h-a-r-d. I generally go by Rick.

THE REGISTRAR: And last name spelled ...

THE WITNESS: Duff, D-u-f-f.

THE REGISTRAR: Thank you.

THE COMMISSIONER: Yes, Mr. McCleery.

EXAMINATION BY MR. MCCLEERY:

Q Good morning, Mr. Duff. Can you see and hear me

1 clearly?

2 A Yes, I can, Mr. McCleery.

3 Q Excellent. If at any point that changes, please
4 let just us know.

5 Mr. Duff, I understand that you had a long
6 and interesting career in the gaming industry in
7 British Columbia, and I want to just begin by
8 walking you through some of your experience,
9 different roles that you held to give the
10 Commissioner a sense of your background and
11 experience.

12 I understand that you first worked in the
13 gaming industry in 1988 as a blackjack dealer.
14 Is that correct?

15 A Well, it was a roulette dealer, but then I
16 learned blackjack shortly after. Yes, I was a
17 dealer in 1988.

18 Q Thank you. And that was at the old Richmond
19 Casino?

20 A Started at the old Richmond Casino. Shortly
21 after that was transferred to the Holiday Inn on
22 Broadway Casino within about six to eight
23 months.

24 Q And how long do you remain at the Holiday Inn
25 casino?

1 A The Holiday Inn Casino until the mid to late
2 90s, where I went back to the Richmond Casino
3 and then at one point went to the -- a casino in
4 Surrey on King George Highway, then back to the
5 Richmond Casino, back to the Holiday Inn. At
6 that point the managers were being moved around
7 pretty significantly.

8 Q And over that time period you held a series of
9 sort of progressively more responsible positions
10 in these different casinos; is that correct?

11 A Yes.

12 Q And you were eventually promoted to assistant
13 General Manager at the Holiday Inn casino?

14 A The Holiday Inn Casino, at the time we didn't
15 have the terms "General Managers," so the
16 highest point I was at the Holiday Inn casino
17 was a shift manager.

18 Q Okay. And I understand you -- when the new --
19 then new River Rock Casino opened in 2004 you
20 transferred over to that casino; is that
21 correct?

22 A Yes. I applied as the General Manager for that
23 casino. I was given the job of Assistant
24 General Manager.

25 Q And that was right at the time when the casino

1 opened?

2 A It opened up in May of 2004. For about three
3 months before that we were working in the casino
4 setting it up and things like that.

5 Q And I understand that shortly after you
6 rejoined the -- or I guess joined the River Rock
7 Casino, you were -- became the acting General
8 Manager of the River Rock?

9 A I was the assistant General Manager for about a
10 year and a half where we went through the
11 original General Manager and then we had another
12 General Manager which lasted about six months,
13 to which she went somewhere else in the company,
14 and at that point for about a year and a half I
15 guess after we opened I was named the acting
16 General Manager and was that for about a year
17 before they took that title away and just gave
18 me the General Manager title.

19 Q And how long were you the General Manager at the
20 River Rock?

21 A Probably from 2006 to June 2012.

22 Q And what did you do after you left the River
23 Rock in 2012?

24 A I went to the Paragon Gaming Group in Vancouver.
25 It was the old Edgewater Casino, which is now

1 known as a Parq casino. I was recruited there
2 and went there to head up the VIP program.

3 Q And you remained in that role for about a year;
4 is that correct?

5 A Just over 10 months. They had a management
6 change and decisions were made, and I was let go
7 in that position in, I believe, April 2013.

8 Q And what did you do after you were let go by
9 Paragon?

10 A Well, there was a four months non-compete clause
11 in my severance, but it was very shortly after I
12 was let go that I was -- I was approached by
13 Great Canadian Casino again to join them once
14 again, but at this point it would be at the
15 Boulevard Casino in Coquitlam. They were going
16 through a change to become the Hard Rock Casino.
17 So Great Canadian Casino came back to me and
18 said they'd like to have me back, and four
19 months later I was Director of Guest Experiences
20 at the Hard Rock Casino. At the time Boulevard
21 Casino -- we changed over to Hard Rock around
22 December.

23 Q And how long were you in that role?

24 A That was from July 2013 to April 2018.

25 Q And I understand you retired from the gaming

1 industry at that point. Is that correct?

2 A I was released from the Great Canadian Casino.

3 I decided to retire shortly after that.

4 Q So your role at the Hard Rock was the last role
5 that you held in the gaming industry?

6 A Yes, it was.

7 Q I want to go back to sort of -- just ask you a
8 few questions from before the time that you
9 joined the River Rock, which I think will be the
10 bulk of our conversation. Do you recall around
11 the sort of mid-to-late 90s some significant
12 changes that took place in how the gaming
13 industry was managed and regulated in this
14 province?

15 A Yes. The gaming had been taken over more on a
16 government stand, like the BCLC had taken it,
17 and our limits had gone up. Some casinos were
18 getting slot machines. The one in Richmond
19 didn't. The one in Guildford did. But you
20 could see that the casinos were evolving to more
21 casinos like around the world.

22 Q And what casino were you working at when those
23 changes came into effect?

24 A I would have been back -- I would have been back
25 in Richmond and then to Guildford.

1 Q Okay. And am I correct that around that time
2 the Richmond Casino introduced baccarat for the
3 first time?

4 A Not just the Richmond Casino, but the casinos
5 throughout the province.

6 Q Okay. You indicated that bet limits also
7 increased at that time. What was the nature of
8 the increase, if you recall?

9 A To my recollection the increase went up to \$500.
10 With these type of games that were being brought
11 in, they are more high-limit games, and the
12 province was increasing the bet limits from when
13 I first originally started at \$5 up to 25, 50,
14 100 and up to the 500 at that time.

15 Q When this happened did you observe significant
16 changes in the -- you know, how busy the
17 Richmond Casino was or the nature of the
18 business that it was doing? How did these
19 changes affect what you were seeing in the
20 Richmond Casino when they came into effect?

21 A Every time we raised our limits we were getting
22 in different -- a different level of player that
23 was coming in. So players who would
24 consistently bet the 200, 300, 400, \$500 on a
25 consistent level. At that point our clientele

1 did have a significant shift.

2 Q What was the nature of that shift, I guess, if
3 anything, other than just how much --

4 A Just the opportunities of playing at a higher
5 level and playing as to what they're used to
6 playing in China, in Las Vegas and things like
7 that.

8 Q So is it fair to say these -- your clientele,
9 did it start to include more players sort of who
10 were not locals, who were coming from overseas
11 or other parts of Canada or the world?

12 A Well, in '97, as you recall, we had a big
13 influx, all of BC did -- North America had a big
14 influx in the Asian clientele because of the
15 taking over of Hong Kong. So we did have a big
16 influx of different players coming from
17 different parts of the world.

18 Q And am I correct that cash was the only method
19 for buying in at the casino at that time?

20 A Yes, you are.

21 Q So as the level of play increased with these new
22 games and higher bet limits, is it fair to say
23 that you -- there was an increase in the volume
24 of cash coming into the casino?

25 A That is fair to say.

1 Q And you would be seeing larger buy-ins than
2 you'd see in the past as players were playing at
3 higher levels?

4 A Yes.

5 Q And you indicated that you moved over to the
6 Guildford casino sort of shortly after these
7 changes took effect.

8 A M'mm-hmm.

9 Q Did you notice any significant differences in
10 how these changes affected that casino relative
11 to the Richmond Casino?

12 A I didn't have any background on the Guildford
13 casino. It was one of the ones I never worked
14 at until I got there. Different clientele.
15 Different clientele meaning, I would imagine,
16 different affluence of people with the cash.
17 But when I did get there, they were saying that
18 business had picked up. We did have our slot
19 machines in Guildford. They were turned off by
20 the city council. So when I got there, we
21 didn't have the -- the slot machines were on the
22 floor. They just weren't plugged in.

23 Q Were you aware of a presence of loan sharks or
24 perhaps cash facilitators at the Richmond Casino
25 following the introduction of these changes?

1 A Once the cash -- once the buy-ins --

2 MR. DELBIGIO: Mr. Commissioner, it's Greg DelBigio.

3 I object to the question. Can the Commissioner's
4 lawyer -- can the Commissioner's lawyer please
5 define the term "loan shark." Is it being used
6 in a technical sense? And if so, what sense?

7 MR. MCGOWAN: Well, I wonder if he might ask the --
8 it might be appropriate for him to ask the
9 witness what the witness's understanding of the
10 term is.

11 MR. DELBIGIO: Sure. But I'm going to ask the -- and
12 I see that there's another commission lawyer now
13 who's intervening, and that's fine, but I just
14 want to make sure that I understand what words
15 are being used or how the words are being used
16 so that I can potentially address them in
17 cross-examination.

18 THE COMMISSIONER: All right. Well, I think
19 Mr. McGowan's suggestion is a sensible one, so
20 maybe, Mr. McCleery, you could canvass with the
21 witness what his understanding of the terms were
22 and whether or not those terms were used
23 contemporaneously.

24 MR. MCCLEERY: Certainly, Mr. Commissioner.

25 Q Mr. Duff, maybe taking a step back, then.

1 A Sure.

2 Q Was the term "loan shark" one that you were
3 familiar with as being used within the gaming
4 industry at the time that you were working at
5 the Richmond Casino?

6 A The term "loan shark" was being used through the
7 casinos. The term was not specific to anybody,
8 but as how players would get money.

9 Q Thank you. Maybe just speak, then, just to
10 expand on that, what -- how loan sharks -- this
11 term "loan shark" was connected to players or
12 people getting money in the casino.

13 A Well, just that. It was just a term that --
14 there being an assumption of the people bringing
15 in this cash, if it was a large amount of cash,
16 that they certainly didn't have that at home,
17 that they would go out to somewhat of an
18 underground bank system throughout Richmond,
19 very much like it is through China.

20 Q And as you understood the term "loan shark" --
21 MR. DELBIGIO: Sorry, Mr. Commissioner. I just
22 object again. I'm sorry. I realize that I am a
23 newcomer to this process and I don't have this
24 individual's affidavit or documents, but when
25 this person is talking about systems in China,

1 is he speaking based upon guess work,
2 assumptions, first-hand knowledge or maybe he
3 can elaborate, please.

4 THE COMMISSIONER: I do notice, Mr. DelBigio, that
5 you will have a chance to cross-examine the
6 witness.

7 MR. DELBIGIO: Thank you.

8 MR. McCLEERY: And, Mr. Commissioner, perhaps to
9 clarify for everyone's benefit, Mr. Duff has not
10 provided an affidavit. We have not asked him
11 for one, so there is no affidavit that
12 Mr. DelBigio is missing.

13 Q Mr. Duff, perhaps I'll just take us a step back
14 again, and maybe to avoid the use of -- we'll
15 define our potentially controversial terms.
16 While you were at the Richmond Casino were you
17 aware of individuals in or around the casino who
18 were providing cash to players with which they
19 would gamble?

20 A We were aware of the accusations of players that
21 would provide this. I never witnessed anything
22 on the gaming floor, of this happening, but we
23 were certainly aware of the accusations.

24 Q And did Great Canadian or the Richmond Casino
25 have a particular policy or practice in place

1 for dealing with these types of individuals who
2 would provide cash to players?

3 A Nothing that was written down in the policy. If
4 we had seen any illegal activity on the floor,
5 we were to report it, and it would go up from
6 there. But there was nothing specifically
7 written down at that point in 1997.

8 Q And did you understand this activity of
9 providing cash to players for the purpose of
10 gambling to be illegal activity of the sort that
11 you were expected to report?

12 A Again, we never -- I personally never saw any
13 cash being handed to players, so if someone had
14 walked in with a large buy-in, we could assume
15 that they got it from illegal activities. But
16 there was nothing that we saw that we could
17 actually put down and report.

18 Q And if you were to -- if you had observed this
19 type of activity or one of your colleagues
20 observed this type of activity, would it have
21 been permitted to continue or do you expect it
22 would have been stopped in some manner?

23 A At that point of -- at that point passing money
24 and passing chips and everything on the casino
25 floor was not illegal. It was not -- if someone

1 came in and gave somebody some money, I mean,
2 they gambled it. That wasn't anything written
3 down saying they're not allowed to do that.

4 If there was a suspicious activity and that
5 person came in, dropped the money and left the
6 casino, reports would have been done up.

7 Q Did anyone ever suggest to you that this type of
8 activity with individuals who would provide cash
9 to players, that that was good -- would be good
10 for business for the Richmond Casino or Great
11 Canadian generally?

12 A Nothing that was outright said on that, but the
13 fact of people bringing money in to build
14 revenue was good for business.

15 Q Thank you. Mr. Duff, did you ever work with a
16 dealer or dealer supervisor by the name of
17 Muriel Labine?

18 A Yes, I did.

19 Q Ms. Labine has given evidence before this
20 commission and has described a couple of
21 incidents that in her view took -- or to her
22 recollection took place at the Richmond Casino
23 in which your name has come up, and I want to
24 ensure that you have a chance to respond to what
25 Ms. Labine has [indiscernible].

1 The first of these incidents was one in
2 which Ms. Labine described an individual that
3 she identified as a loan shark. I don't believe
4 that she defined the term directly, but she
5 identified this individual as a loan shark who
6 was known to casino employees as "scar face,"
7 and she alleges that this individual blew smoke
8 in the face of a dealer at a non-smoking table.
9 Ms. Labine gave evidence that she asked you to
10 deal with that situation and her evidence was
11 that your response was that she should leave
12 this individual alone because he was dangerous
13 and that you remove the non-smoking sign from
14 that table.

15 Do you recall an incident along those
16 lines?

17 A I don't recall that specific incident of
18 doing -- of what Ms. Labine said that I had said
19 to her. Now, having said that, if this
20 gentleman wanted a smoking table and he was on a
21 non-smoking table, I would accommodate him. We
22 would have brought him an ashtray. We would
23 have changed that from a non-smoking table to a
24 smoking table and changed another table to a
25 non-smoking table.

1 The actual incident of saying that he's a
2 dangerous man, I've spoken to Muriel quite a bit
3 about a lot of things. I do not recall
4 specifically saying that, but I am aware of the
5 player.

6 Q So there was an individual known to staff, at
7 least, as scar face that frequented the Richmond
8 Casino?

9 A A lot of players all had -- players all had
10 nicknames and this particular player had the
11 scar on his face and thus his nickname scar
12 face.

13 Q Did you understand this player, as you describe
14 him, to have had any involvement in lending
15 money to other players?

16 A No, I did not. He was a player that he would
17 play a high amount of money on the tables. He
18 was what we call -- at that point he would have
19 been one of our high rollers.

20 Q And did you believe -- sorry, do you have
21 something further to say?

22 A No, no. I'm fine.

23 Q Did you believe this individual to have been
24 dangerous in any way?

25 A Yeah, I would say if a gentleman with that

1 reputation or with the rumours going around to
2 him, it would've been -- it would've been naive
3 not to think that either he was dangerous or he
4 dealt with dangerous people. At that time did I
5 feel he was dangerous inside the casino? Not
6 particularly.

7 Q You have indicated some rumours about this
8 individual or something about his reputation.
9 Can you expand on your understanding of his
10 reputation.

11 A Well, just what Ms. Labine had been saying.
12 That he was a loan shark, that he hung around
13 dangerous people and things like that. So
14 nothing that I could substantiate, but certainly
15 things that I had heard.

16 Q Thank you. I'll turn now to the second incident
17 that Ms. Labine described. She suggested it
18 occurred in or around 1998, and her evidence was
19 that she'd observed you speaking with two
20 individuals she identified as loan sharks,
21 following which those two individuals spoke with
22 other individuals in the casino that she
23 identified as loan sharks, and all of whom she
24 described as immediately leaving those casino
25 following in those conversation. Ms. Labine

1 says that you then approached her and told her
2 that Jacee Schaefer, who I gather was a Great
3 Canadian executive, was bringing VIPs into the
4 Richmond Casino, and Ms. Labine's, I think,
5 understanding was that you had asked or
6 suggested that those individuals she believed to
7 be loan sharks leave the casino in advance of
8 that visit.

9 Do you recall that incident or anything
10 along those lines ever happening?

11 A I recall that we would quite often have Jackie
12 Schaefer, Jacee Schaefer, bring government
13 people in, BCLC folks, some VIP players and that
14 we would clean out the casino, push the chairs
15 in, tell everybody that we've got some VIPs
16 coming. As far as telling players such as this
17 gentleman that -- to leave the casino, I do not
18 recall that. But to clean up the casino and get
19 everything in order, I do recall that happening
20 and that happening quite a bit.

21 Q Was there a policy or a practice in place of
22 ensuring that individuals who were known to lend
23 money to other players were removed from the
24 casino before any kind of visits from these
25 types of VIPs?

1 A No, there was not.

2 Q Thank you. Let's move forward now to your time
3 at the River Rock. Am I correct that you were
4 working at the Holiday Inn immediately before
5 you moved over to the River Rock?

6 A I was at the Richmond Casino.

7 Q Okay.

8 A The Richmond Casino [indiscernible].

9 Q The River Rock at that time?

10 A Yeah. I would imagine 2002, 2003. And then
11 early 2000 and -- well, in 2003 the City granted
12 River Rock our licence, so it was being built,
13 and then I had gone over early 2004 to help set
14 up.

15 Q We've spoken a little bit about the nature of
16 the business and sort of the changes at the old
17 Richmond Casino as some of the changes of the
18 gaming industry were introduced. I wonder if
19 you can comment a little bit on your
20 observations of the differences between the
21 Richmond Casino and the River Rock Casino when
22 it opened in terms of the size and nature of the
23 business that the casino was doing?

24 A Well, the biggest difference, as you just said,
25 Mr. McCleery, is the size and the scope of the

1 facility. We went from having 30 gaming tables
2 at the old Richmond Casino and no slot machines
3 to, I believe, 70 gaming tables and a thousand
4 slot machines. We went from having a cafeteria
5 style snack bar to having three or four
6 different restaurant options. We went from
7 having no alcohol to having alcohol in the
8 casino with a lounge and things like that. So
9 we basically went from a card room to what
10 people can relate a casino can be.

11 Q And in terms of the clientele of the casino, did
12 the players who had customarily played at the
13 old Richmond Casino just move over to the River
14 Rock, or did you attract a significant number of
15 new players to your observations?

16 A Well, the old players certainly did come over to
17 River Rock, but we cultivated and brought in a
18 lot of other players, and it was just by name.
19 At that point River Rock was the largest casino
20 in the Lower Mainland, and the particular games
21 that we were having is some of the games that
22 they would like to play. Games -- not just
23 baccarat, but, like, craps. We were one of the
24 first casinos to have a craps table in the
25 province.

1 Q And we'd spoken earlier about the potential
2 presence of individuals who were lending money
3 at the old Richmond Casino and I recall your
4 evidence was that you hadn't observed that
5 personally. Did you have an awareness of
6 individuals lending money to players at the
7 River Rock sort of around the time that it
8 opened and shortly thereafter?

9 A The same would apply that this is how we assume
10 the players were getting the money, from an
11 underground source, and when that came to River
12 Rock, that source was still in effect and the
13 players were bringing in more cash than they had
14 at the Richmond place, but also because the
15 limits were higher too. I believe when we
16 opened River Rock -- again, you know, that's --
17 it's 17 years ago, but I believe when we opened
18 River Rock our limits went up to a maximum of a
19 thousand dollars on some games. Not all games,
20 but some games.

21 Q And you indicated you hadn't personally observed
22 this kind of lending at the old Richmond Casino.
23 Did you have occasion to observe it personally
24 at the River Rock?

25 A I did not.

1 Q And in planning for the opening of the River
2 Rock, was this issue of player -- or individuals
3 who would lend to players, is that something
4 that sort of was factored into the planning for
5 the casino or were any measures put in place to
6 try to address that issue?

7 A No, nothing was planned that we're going to be
8 opening up and all this cash is going to be
9 coming in. It was always a concern of having
10 the perception or having our name attached to
11 this is bad for business, so -- but there was
12 nothing written down saying okay, expect to --
13 do your budget expecting all of these
14 underground systems of bringing cash into the
15 casino.

16 Q I understand the River Rock has dedicated VIP
17 and high limits space, at least by the time that
18 you left River Rock; is that correct?

19 A Yes. On the main floor there are two rooms that
20 are open to the public with higher limit games.
21 I believe -- my apologies. I forget the names
22 of both of them. But they were off the main
23 floor and they would have about 8 or 10 baccarat
24 tables. We then expanded into the second floor
25 where we did have our poker room, but it was

1 obvious that we needed more space for VIP
2 players, players that wanted to play more
3 privately than off the main floor.

4 So we expanded onto the second floor, built
5 an access from the main floor directly to the
6 second floor. We named it Salon Privé. And
7 then when I was there, we did one more small
8 expansion to it where we made private salons.
9 And then once I left, it even expanded further.

10 Q The two spaces you spoke about on the main
11 floor, were they in place when the River Rock
12 opened, or were they developed --

13 A They were in place when we opened. I should
14 say one was open and the other one was more like
15 a high-limit blackjack room, but when our
16 business expanded and the game of choice was
17 baccarat, we had to use that room as strictly
18 baccarat as well. So within a couple years we
19 had two main rooms on -- we had two rooms on the
20 floor dedicated to mid- to high-limit baccarat,
21 and we were beginning to build the VIP tables
22 and VIP rooms upstairs, which would be
23 high-limit baccarat.

24 Q And do you recall when the rooms upstairs, the
25 high limit baccarat rooms, when they opened,

1 roughly?

2 A I would say it would be approximately about two
3 years, two and a half years after we opened. We
4 opened up in May of 2004, and I would say about
5 May or June, July of 2006.

6 Q And can you describe maybe your role in sort of
7 making decisions around dedicating space to VIP
8 play or in deciding how those rooms might be
9 developed and set up?

10 A Well, I worked very closely with our Vice
11 President of Gaming Development, Mr. Walter Soo,
12 and our tables games Vice President for the
13 company, Rob Macintyre. And we would talk about
14 how the rooms would look, we would talk about
15 what type of furnishings would be in the rooms,
16 what type of offerings would be in the rooms,
17 what type of staff would be up there. We would
18 have dedicated VIP staff. But when these people
19 would come up to play, whether they're playing
20 at the Salon Privé at River Rock or they were
21 playing at the high-limit room at Caesar's
22 Palace in Las Vegas, we wanted them to have the
23 same experience right down to the scent of room.

24 Q And you indicated when the River Rock opened, it
25 had higher bet limits than at the Richmond

1 Casino. Did the bet limits sort to continue to
2 periodically increase over the course of your
3 time at River Rock?

4 A Yes, it did. They went from -- I believe they
5 went from a thousand to 2,500 to 5,000 to
6 10,000, 50,000. And I've been out of the
7 business for, you know, a while now, but I do
8 believe that the limits are now -- a specific
9 limit on baccarat could be \$100,000.

10 Q And is it fair to say that as these bet limits
11 increased and players were allowed to gamble
12 greater and greater amounts, VIP players became
13 increasingly valuable from a business standpoint
14 and the River Rock and Great Canadian were
15 spending more and more money to attract
16 high-limit players to the casino?

17 A That's very fair to say.

18 Q Can you give us a sense of how important over
19 time VIP table games play was to River Rock's
20 business?

21 A VIP table games play was so important, it was a
22 separate -- it was a separate item line on our
23 budget. We would budget table games
24 specifically from the floor and from regular
25 table games, and we would budget separately just

1 for VIP play. VIP play was -- again, it's been
2 a while since I've looked at a profit and loss
3 sheet, but VIP play was bringing in over
4 50 percent of all the table revenue.

5 Q And can you give us an indication of what time
6 period that those numbers were from? Is that
7 sort of the end of your tenure at River Rock or
8 is that throughout the time you were there?

9 A That would've started -- that would've started
10 once the upstairs -- we expanded to the upstairs
11 and we got more and more play, once the hotel
12 opened up. Because you got to remember the
13 first two years of existence at River Rock we
14 didn't have a hotel, we didn't have a show room;
15 we just had the casino. So once all the other
16 amenities started up, the increase came.

17 When the Canada Line opened in 2009 for the
18 Olympics, it had a significant increase in our
19 slot play. We also had an increase in table
20 play, but that had more to do with slot play.
21 But as the years grew and as our business model
22 of offering these beautiful rooms to play in and
23 working on a comp system like a lot of casinos
24 down in the States, our business grew and grew
25 and grew.

1 Q In the -- you've just described the importance
2 of VIP table games to River Rock's revenue
3 stream. Did you understand that to be typical
4 for casinos in the Lower Mainland or was River
5 Rock an outlier in that respect?

6 A River Rock -- they were all very important.
7 River Rock was the leader with it, but our main
8 competitors, which would have been Starlight in
9 New West and Grand Villa in Burnaby, they built
10 their own VIP rooms. Some of our staff went
11 there. When I left Great Canadian Casino in
12 2013, I was hired by Paragon to head up their
13 VIP play because the new Parq Casino that was
14 opening up was going to have a lot of VIP rooms
15 and go after the VIP play.

16 Q Did you have a sense of the -- what was your
17 thoughts on the prospects for VIP play at the
18 Parq Casino, say, relative to what you had at
19 the River Rock?

20 A Well, you know, when they hired me to go over, I
21 was very -- there's a lot of players that lived
22 in the north shore and West Van and a lot of
23 them would go right through Vancouver to come to
24 River Rock. I was confident that the VIP play
25 could grow there.

1 I'm not sure if it would grow -- I'm not
2 sure -- I wasn't sure if it was going to grow on
3 its own or we were going to be pulling from
4 other casinos. Regardless of that, that revenue
5 would be coming into that casino. So whether we
6 were going to actually grow the number of
7 players in Vancouver or share, that was to be
8 determined.

9 Q I want to go back to the process of developing
10 VIP play at the River Rock. Am I correct that
11 really until the end of your tenure at River
12 Rock the, at least table games, business was
13 primarily a cash business?

14 A Yes.

15 Q And there were some cash alternatives starting
16 to be developed at the time, but I gather they
17 weren't in significant use?

18 A Yeah, the first cash alternative was -- that was
19 brought in from the government was the players
20 gaming fund, and what that is is a player could
21 actually deposit money into an account at the
22 casino, and how they would deposit that money is
23 through certified cheques from their bank. It's
24 not like they could bring in \$20,000 in cash and
25 say, I want to open up an account. There are

1 strict rules on how to open up the account.
2 When it started, it was really difficult to get
3 the players to think about using this. We would
4 speak with BCLC and think how we can get them to
5 use it more because it is -- it's more
6 convenient, it's safer than walking into the
7 casino with 20- or \$30,000 in cash. So we
8 really wanted to try to push them into opening
9 that up.

10 I believe, since I have left, it is now
11 easier to open up a player's account, and I also
12 believe they have since changed the rules
13 altogether where you have to verify the money
14 coming into the casino. So having a player's
15 gaming account would be easier in that regard.

16 Q Is it fair to say that at the time you left the
17 River Rock the Patron Gaming Fund accounts were
18 not in significant use by VIPs?

19 A No. They were there, but they weren't in
20 significant use. A lot of it had to do with all
21 the paperwork that had to do with it all. But
22 yeah, they weren't being used as much.

23 Q Is it fair to say, then, that as bet limits were
24 increasing and River Rock was working harder to
25 attract VIPs, it was highly likely that as VIP

1 play grew, the volume of cash that players would
2 bring to the casino was going to increase along
3 with it?

4 A That's fair to say.

5 Q As you and your colleagues were planning the
6 expansion and development of the VIP offerings,
7 did you give consideration to how those VIP
8 players were going to be able to access the cash
9 they would need to play at these higher and
10 higher levels?

11 A The consideration was to what I just said, how
12 we can try to find them a way that they could do
13 it easier in the casino. The consideration of
14 how they're going to get their cash was never
15 really thought about. The assumption was that
16 they were going to be bringing the cash in.

17 Q Do you recall anyone ever suggesting that the
18 VIP -- the developments in the VIP program
19 should not proceed until there were sort of more
20 user friendly or more effective alternatives to
21 cash?

22 A No. That was never, never discussed.

23 Q Do you recall anyone ever suggesting that the
24 VIP offerings should not be expanded until
25 credit -- until and unless credit was available

1 to players through the casino?

2 A No, that wasn't suggested.

3 Q And going back to bet limits, am I correct that
4 throughout your time at River Rock maximum bet
5 limits were set by BCLC?

6 A Yes. The service providers can request to raise
7 their limit, depending on the game type,
8 depending on the year. Around the time of
9 Chinese New Year casinos may want to increase
10 their bet limit and things like that. But yes,
11 the increases would be discussed at the
12 corporate level and the operational level and
13 sent to BCLC for approval.

14 Q And when -- would it be -- once BCLC agreed or
15 increased the maximum bet limit, it would be up
16 to the individual casinos to decide whether to
17 allow play up to that limit; is that correct?

18 A Yes. It depends on what type of risk that the
19 casino wants to do. At River Rock we would --
20 having a \$50,000 limit on a baccarat table, we
21 would allow at a casino -- like when I was at
22 the Hard Rock at the end of my career, that risk
23 would have been too great to have.

24 Q Can you explain why that would be the case?
25 Why -- what could cause the risk to be too

1 great to --

2 A Well, the risk comes into it -- if you have more
3 players playing it, then the house's risk goes
4 down. If we have 20 players playing a certain
5 level, say at \$10,000, then we have 20 players
6 that are going to win, going to lose, going to
7 win, going to lose, and then our risk is taken
8 down because we've got that many players. If
9 you have just one or two players playing that
10 and if they win right off the hop and they
11 leave, well, we can't get that money back
12 because we don't have any other players to
13 generate that risk.

14 Q So you need enough players to sort of average
15 out the wins and losses that you know the casino
16 is going to come out on top; is that fair?

17 A Absolutely.

18 Q And what was your -- were you involved in making
19 decisions at the River Rock about whether to
20 allow play up to maximum bet limits?

21 A It was discussed. It was more of -- from,
22 again, the development team. It was discussed
23 as to, I think we can put this risk up, and that
24 I'd be part of those discussions, but it wasn't
25 at a point where I was walking around the floor

1 saying okay, I need \$100,000 table there.

2 Q Do you recall in the course of those discussions
3 anyone ever suggesting or talking about how
4 players might be able to access the cash they
5 would need to play at those limits from
6 legitimate sources?

7 A From legitimate sources? Again, we were
8 speaking -- we talked about looking at the
9 gaming funds, maybe looking at doing credit,
10 allowing people to do cash advances and things
11 like that. But those were the only -- the basic
12 ways that we could offer the players of using
13 that system instead of just bringing cash into
14 the casinos.

15 Q Maybe I'll put the question a little bit -- a
16 slightly different way. In the course of those
17 discussions do you recall anyone ever suggesting
18 that limits -- that River Rock should not allow
19 play up to maximum BCLC limits because you
20 weren't confident players would be able to
21 access cash from -- the cash they would need
22 from legitimate sources?

23 A No, that was never suggested. If we wanted
24 limits -- if we suggested the limits and they
25 said, you could go that way, we basically did.

1 Q As this VIP business was growing, did the growth
2 come from existing players playing at higher
3 levels, or were you attracting a significant
4 number of new players into the casino?

5 A It was a little bit of existing players playing
6 at higher limits, but the majority of it was new
7 players coming into the casino.

8 Q And did you have a sense of whether these this
9 new players were locals or were they tourists or
10 visitors from elsewhere?

11 A Most of them had dual, so they're families and
12 they have homes here in Vancouver, but they also
13 had homes and businesses back in China.

14 Q And I think you made clear how important this
15 VIP play was to the River Rock's business. As
16 General Manager was it part of your role to kind
17 of develop and manage relationships with these
18 players?

19 A Very much so.

20 Q Can you tell us a little bit about sort of how
21 you did that and kind of what your relationship
22 with these VIPs might have been.

23 A Well, the relationship with the VIPs was -- a
24 lot of it had to do just sort of with the
25 respect factor. That if they were on site, I

1 would come down and see how they are, see if
2 they needed anything. If they hadn't visited us
3 for a while, how they've been. We also knew a
4 lot about them. We knew about their families,
5 their kids, their likes, the type of restaurants
6 they liked, the time of sporting events they
7 liked, the type of music and entertainment that
8 they liked. We knew that they liked to play
9 alone in this particular room or they liked to
10 play on the main floor.

11 We really got to know our players, and we
12 used that as the building blocks of the
13 relationships. So when they came into town,
14 they knew that they would be taken out for
15 dinner or taken out to any event they want,
16 given things to their children, like Lady Gaga
17 tickets. If we had the suite, we would take our
18 players so they could bring their kids and
19 things like that. It was just really building
20 the relationships and getting to know the
21 players.

22 Q And when you talked about dinners and things
23 like that, would you join VIPs for dinner if
24 they were inclined to share a meal with you?

25 A Yes, I would've.

1 Q I want to ask you about one such encounter that
2 the Commissioner has heard evidence about. Do
3 you feel meeting with a BCLC investigator named
4 Steve Beeksma about a dinner you had with a VIP
5 named Yan Ming Cao?

6 A I used to meet with Steve Beeksma quite a bit.
7 I was not -- I wasn't aware of -- I do not
8 recall the conversation we had until I was
9 reading of it in the affidavits.

10 Q Okay. Do you now recall the conversation,
11 having had a chance to read some of those
12 documents?

13 A I recall the -- I recall the incident of being
14 at dinner with Ms. Cao, me and quite a few
15 people from River Rock. There was a group of us
16 of 10. I believe we were at Sun Sui Wah
17 restaurant in Richmond, and I do recall that
18 incident. I don't recall speaking to Steve
19 about this specific incident until I was reading
20 it in the report.

21 Q Mr. Beeksma's report and evidence was that he
22 observed Ms. Cao exiting a vehicle that you were
23 driving with a bag from which she later removed
24 \$50,000 in cash, which she used to buy in and
25 play at the casino. Do you recall Ms. Cao --

1 that incident -- or the occasion Ms. Cao was
2 exiting your vehicle and what she may have had
3 in her possession at that time?

4 A I recall driving Ms. Cao back to the casino
5 after dinner because she was -- she didn't have
6 a car and she was going to take a cab, and I was
7 heading back to the casino anyways. And I drove
8 her back to the casino and she exited my car. I
9 do not recall her purse; I do not recall what
10 was in her purse.

11 Q So you were not aware that Ms. Cao was in
12 possession of that amount of money at the time?

13 A I did not.

14 Q And while you were with Ms. Cao, do you have any
15 recollection of seeing her receive anything from
16 anyone that could have been that cash that she
17 ended up buying in with?

18 A I did not.

19 Q And I take it at that time given the level of
20 play it wouldn't have been unusual for a player
21 to have had \$50,000 in cash as they were
22 entering the casino; is that fair?

23 A That is fair to say.

24 Q We're going to move more generally to talk a
25 little bit about the presence and the role of

1 BCLC investigators at the River Rock. The
2 Commissioner has heard evidence that the River
3 Rock was the first casino in the province to
4 have investigators stationed permanently on
5 site. Is that consistent with your recollection
6 or are you -- were you aware of that?

7 A I was -- I'm unaware that we were the first. I
8 know that we had, generally at any given time,
9 three full-time investigators, but they were
10 doing other casinos. So I'm not sure if that
11 comment that we were the first is correct. It
12 may be. I'm just unaware of that.

13 Q Okay. Do you recall sort of a moment in time
14 when BCLC began to station investigators
15 permanently at the casino or dedicate
16 investigators to the River Rock?

17 A Yeah, I remember it was, I would say, 2006,
18 2007. Their offices -- we built offices for
19 them, and it was just 30 feet from my office.

20 Q And what was your reaction or your thoughts on
21 this prospect of having investigators on site?

22 A I didn't have any problem with the investigators
23 being on site.

24 Q Did it provide any value or benefit to the
25 casino from your perspective?

1 A It did on working hand in hand with any
2 incidents that come up and then we got to know
3 each other. So having them there, going down,
4 just to be able to talk to them about an
5 incident was easier than doing it over email.

6 Q How closely did you come to work with those
7 investigators? How regular was your
8 interaction?

9 A I had interactions with them just about on a
10 daily basis.

11 Q I want to take you now to a few incidents that
12 the Commissioner heard evidence about regarding
13 your interaction with some of those
14 investigators. You recall working with an
15 investigator by the name of Mike Hiller between
16 roughly 2009 and 2011?

17 A I do.

18 Q Did you and Mr. Hiller discuss the barring of
19 players or other individuals from the casino by
20 BCLC?

21 A We discussed the barrings of players -- any time
22 a player was being barred, we had a discussion
23 on it.

24 Q Would Mr. Hiller come to you sort of in advance
25 of recommending that a player be barred to get

1 your perspectives on that possibility?

2 A On most occasions the investigators and I were
3 very open with each other on who they were
4 looking at and things like that, yes.

5 Q And would you sometimes agree with the
6 recommendation to bar player and sometimes maybe
7 try to dissuade them from taking that step?

8 A That's fair to say. I would agree on some of
9 their recommendations and I would wholeheartedly
10 disagree on some of their recommendations.

11 Q And were you concerned about -- that if certain
12 players were be barred that that would have an
13 impact on River Rock's revenue?

14 A Absolutely. If a player who is one of my VIPs
15 that comes in and plays six, eight, ten hours
16 and is one of our top players, if they don't --
17 if they feel that just playing is going to get
18 them barred from casinos, they would have played
19 elsewhere.

20 Q And do you recall discussing with Mr. Hiller
21 whether it was appropriate to bar players who
22 borrowed from individuals that might fit the
23 description of loan sharks that you gave
24 earlier?

25 A I do recall speaking not only to Mr. Hiller but

1 to other investigators on that.

2 Q And what was your position as to whether those
3 players -- whether it was appropriate to bar
4 those players?

5 A My position on it is the players who are coming
6 in to play who are legitimate players should not
7 be barred. Where they're getting their cash
8 from, we follow all of the paperwork and all of
9 the regulations needed for that. And to be able
10 to bar somebody because they're getting their
11 cash from an outside source, I didn't think was
12 the right way to go.

13 Q What about the barring of players who -- not
14 players necessarily, but individuals who would
15 provide that cash, who would be lending to
16 players? Would you have any issue with those
17 individuals being barred?

18 A If those players were on site and we had -- and
19 investigators and our surveillance teams had
20 them on site giving cash to people on the gaming
21 floor and not playing and just hanging around, I
22 had no problem at all with the removal and the
23 barring of those players.

24 Q And did you ever discuss with Mr. Hiller whether
25 it was appropriate to bar players for chip

1 passing chips three times, I wouldn't like it,
2 you know, because you are a legitimate player,
3 but I would -- I'd let my feelings be known, but
4 the final decision certainly wasn't mine.

5 Q Do you recall ever telling Mr. Hiller that
6 because of your concerns about BCLC barring
7 players that you would direct the River Rock
8 surveillance department to do things
9 differently, is the quote that I have?

10 A Yeah, I read that, and I don't have a
11 recollection of saying that. Had that been
12 said -- a lot of our discussions, they'd get
13 heated. I'm not saying I wouldn't have said
14 something in the heat of the moment or in anger
15 and things like that that he would write down,
16 but to have that -- if you just ask me, do I
17 remember that specific time that I said that, I
18 don't. But there's a lot said in the heat of
19 the moment and a lot said that was -- during our
20 discussions.

21 Q Did you ever direct the River Rock surveillance
22 department to change their operations or their
23 activities because of BCLC barrings?

24 A No, I did not. The hierarchy in a casino is --
25 just so we're clear on it, I have no authority

1 as General Manager over surveillance at all.
2 Surveillance is a different entity in the
3 casino. They didn't answer to me. They
4 wouldn't do anything that I would say, so, you
5 know, you should do this. It's just a separate
6 entity and I wouldn't have the authority to do
7 that.

8 Q Thank you. I want to next ask you about some
9 evidence the Commissioner has heard about your
10 interactions with an investigator named Ross
11 Alderson. Do you recall working with
12 Mr. Alderson?

13 A I do.

14 Q Do you recall a discussion between yourself and
15 Mr. Alderson about Mr. Alderson giving
16 directions to casino staff?

17 A I do.

18 Q Can you maybe describe for us what gave rise to
19 that conversation and what you remember of it?

20 A I do recall Ross speaking to -- on a couple of
21 occasions speaking to our table supervisors
22 about a given player. I do recall in the
23 affidavit of him asking a patron to be paid back
24 in the money they [indiscernible] with. And in
25 both instances I would say to Ross, if you need

1 any information from the staff, there are proper
2 channels to go through.

3 Q And what would those proper channels to be?

4 A Well, in that case they would go up to -- if I
5 wasn't on site or an AGM, they would go up to
6 the shift manager or table manager and say look,
7 we need this information from this player, we
8 need something from the dealer or we want -- you
9 know, this player should be paid back. That
10 they would do it in that manner. They would go
11 to the managers on duty and go -- do it in that
12 way. Which is -- the majority of the time that
13 did happen and the majority of the time with
14 Ross that happened.

15 Q I understand that in at least one of these
16 occasions Mr. Alderson directed the cash cage
17 staff to pay a player out in \$20 bills as
18 opposed to 100s. Do you recall that?

19 A I recall reading it. I don't recall the actual
20 incident.

21 Q Okay. In Mr. Alderson's report he attributes a
22 number of statements to you, and I want to just
23 put those to you and ask you if you recall
24 making them.

25 The first is -- Mr. Alderson writes that you

- 1 told him "he's my player and he was playing
2 until you pulled him off the table and scared
3 him away." Do you recall making that statement
4 to Mr. Alderson?
- 5 A Yeah, I -- that is something that sounds like I
6 would've said.
- 7 Q Mr. Alderson suggests that you said "this is my
8 casino, not yours and if I want to pay him back
9 in 100s or a cheque, I will."
- 10 A I do not recall saying that.
- 11 Q Mr. Alderson suggests you said, "you have no
12 right to tell my staff to pay him back in 20s."
- 13 A I would -- whether with -- if I recall saying
14 it, that is something I would've said.
- 15 Q Okay. But you don't have a specific
16 recollection of making that statement?
- 17 A No.
- 18 Q The next one is "I want to know what's going on
19 with my players."
- 20 A I want to know what's going on with my players?
21 Yeah, that's fair.
- 22 Q Okay. Do you have a specific recollection of
23 saying that to Mr. Alderson, though?
- 24 A No.
- 25 Q Okay. And the final one is "I thought your job

1 was to report this and let the real police
2 investigate." Do you recall making that
3 statement?

4 A I do recall that statement.

5 Q Okay. The next issue I want to talk about is
6 BCLC investigators interviewing players at the
7 casino. Do you recall Mr. Alderson asking to
8 interview players about cash transactions in
9 around 2012?

10 A I recall one incident.

11 Q Okay. And that -- can you give me the
12 background on what led to that request as far as
13 you recall?

14 A It was a request on his inquiry as to where they
15 got to money from, and we had taken the player
16 into a private room. There's myself. I forget
17 who the interpreter was. I actually just
18 thought it was just Ross, but reading the
19 affidavits, I believe either Stone Lee or Steve
20 Beeksma was there as well. I don't recall that.
21 I just recall that it was just Ross and myself.

22 Q And do you recall the nature of the questions
23 Mr. Alderson was putting to the players?

24 A Yep. The questions started out as to what -- as
25 to the questions that are required of the

1 patrons, asking, that we do all of the time,
2 which is your name, phone number, your address,
3 your occupation. And all of those questions are
4 specific and those are part of the guidelines as
5 to what we have to ask the players. But then it
6 got into more of a personal note as to where did
7 you get this money from, who gave you this money
8 and things like that.

9 Q Okay. And did you attempt to stop the interview
10 at some point when Mr. Alderson starting getting
11 into those types of questions?

12 A I informed that -- I informed the player through
13 our interpreter that, you're not obligated to
14 answer that question.

15 Q And did the interview continue or did the player
16 decline to answer the question after you --

17 A If I remember correctly, it was -- Ross and I
18 left and we had a bit of a discussion, and then
19 that was shortly -- the interview -- he came
20 back and then the interview was shortly stopped
21 after that.

22 Q Would you agree that if BCLC was trying to
23 identify whether this -- whether those funds had
24 been sourced from -- potentially as the proceeds
25 of crime that it would be important for

1 investigators to ask patrons where they got the
2 cash?

3 A I do agree with that. I don't agree with where
4 it was done and the methods that it was done by,
5 but I do agree with it is important to hear
6 that.

7 Q From your perspective where and how should that
8 conversation have been conducted?

9 A It was done in the past where they would ask the
10 player to come into the BCLC offices. They
11 would have -- they would know what they're going
12 to be talking about. At this particular time I
13 felt that this player, who is -- was one of my
14 VIPs, was somewhat ambushed.

15 Q Would you have had any concerns or objections if
16 BCLC had sought to interview the player in
17 the -- at the BCLC office in the manner you've
18 suggested?

19 A None whatsoever. They did that with many
20 players.

21 Q Thank you. We've spoken at some length about
22 BCLC investigators present at the River Rock.
23 Am I correct that GPEB also had a presence at
24 the River Rock during your time there?

25 A No. GPEB never had their own offices. They

1 would have GPEB officers come in mostly during
2 audit time and everything. But no, GPEB
3 never -- I don't recall GPEB having their own
4 offices.

5 Q But they would come to the casino from time to
6 time?

7 A Yeah.

8 Q And roughly how frequently would you see GPEB
9 investigators on site, if you can recall?

10 A It would be -- it would just be a handful of
11 times a year. It wouldn't be often -- not often
12 enough that I would be involved in speaking with
13 them or doing any investigating like that.
14 Generally if there was any problem with -- or
15 you wanted to speak to GPEB, you would go to the
16 GPEB offices.

17 Q Do you recall working with or meeting with an
18 investigator by the name of Rob Barber from
19 GPEB?

20 A I remember the name Rob Barber, so yeah, I must
21 have had some interaction with him.

22 Q Do you recall a conversation with Mr. Barber in
23 which he asked you about having surveillance
24 zoom in on the licence plates of vehicles
25 observed making cash drop-offs at the River

1 Rock?

2 A No, I don't recall having that conversation.

3 Q Would you have -- you mentioned earlier your
4 limited authority over the surveillance
5 department. Would you have had the authority to
6 tell the surveillance department to zoom in on
7 particular licence plates?

8 A No, I would not.

9 Q The last topic I want to address is the River
10 Rock's and your engagement with the RCMP.
11 During your time at the River Rock, was it the
12 case that members of the Richmond RCMP would
13 occasionally perform walkthroughs of the casino?

14 A Absolutely.

15 Q And from your perspective did -- was that a
16 welcome presence in the casino?

17 A I thought -- I liked having the RCMP walk
18 through the casino on a Friday or Saturday
19 night. It gave the sense of safety to the
20 players.

21 Q Were you aware of anyone within Great Canadian
22 that had a different perspective and thought
23 that those walkthroughs were bad for business?

24 A Yeah, there were discussions of -- there's not
25 much we can do about it, but, you know, they

1 come in, they should leave, and things like
2 that.

3 Q The Commissioner has heard evidence that the
4 officer in charge of the Richmond RCMP
5 detachment at the time the River Rock opened
6 once received a phone call from a Great Canadian
7 Vice President expressing concern about these
8 walkthroughs. Were you aware of any phone call
9 along those lines being made?

10 A No, I wasn't.

11 Q Were you aware of any Vice President of Great
12 Canadian that had significant concerns about
13 police walkthroughs?

14 A Again, just in conversation that -- we had a
15 different view on it. I looked at it as this is
16 something that the public would look and say,
17 well, this is good, they feel safe, you know,
18 they're walking through. I thought we built a
19 really good relationship with the RCMP, had
20 monthly focus groups with them and the
21 investigators, so -- but there were others that
22 did think that it was not the right thing to do.

23 Q Towards the end of your tenure at the River Rock
24 did you participate in a working group that
25 involved members of the RCMP and BCLC?

1 A Yes, I did.

2 Q And what was your understanding of the purpose
3 of that working group?

4 A That working group, we worked -- we got together
5 once a month, and we discussed incidents that --
6 in a criminal matter that would have happened in
7 the casino. We would give the RCMP heads up on
8 events, like when we had our big poker
9 tournament, we're going to see a big influx of
10 people. The investigators would be bringing up
11 players that they don't believe are legitimate
12 players that we want to discuss perhaps barring
13 them.

14 But it was basically with the three entities
15 and GPEB. There's -- on occasion GPEB would
16 join us as well, but it was generally the RCMP,
17 the casino and the BCLC. Myself -- Gord Friesen
18 from BCLC was the one who initiated the focus
19 group. Then him and I worked on the scheduling
20 and putting everything together. I believe it
21 continued when I left. I hope it would've
22 continued when I left. That was a very, very
23 good opportunity.

24 Q And can you maybe identify any positive outcomes
25 or specific actions that arose from the work of

1 that group?

2 A Well, there's -- just -- I think the most
3 positive thing about it was the open
4 communication amongst all of us and the type of
5 players that may have been a concern for the
6 RCMP, they would bring it up to us. And that
7 was the best part about it that we had this open
8 dialogue, that we could share our information
9 and come up with strategic planning if we have
10 events and things like that.

11 Q And just the final topic. Were you aware of
12 in -- around 2010 or 2011 an investigation by
13 the RCMP Proceeds of Crime Unit into cash
14 transactions or suspicious transactions at the
15 River Rock?

16 A No, I was unaware of that.

17 Q Were you aware of around this time period police
18 contacting River Rock VIP players to ask them
19 about cash transactions and the source of cash
20 they used to buy in?

21 A I do remember -- I do remember some players
22 coming up and talking about that they have the
23 police come to their house and to wonder why
24 this is. And at that point they're saying well,
25 obviously they're doing an investigation. It

1 A Not to my recollection. Not with the -- on the
2 topic that we're talking about of them going to
3 their homes.

4 MR. McCLEERY: Okay. Thank you very much, Mr. Duff.

5 Mr. Commissioner, those are my questions for
6 Mr. Duff.

7 THE COMMISSIONER: Thank you, Mr. McCleery.

8 I'll now call on Ms. Harlingten on behalf
9 of the province, who's been allocated 15 minutes

10 MS. HARLINGTEN: Thank you, Mr. Commissioner. My
11 friend Mr. McCleery has actually covered the
12 areas of examination that I intended to cover,
13 and so I don't have any questions for this
14 witness.

15 THE COMMISSIONER: Thank you. I'll turn, then, to
16 Ms. Gardner on behalf of Canada, who's been
17 allocated five minutes.

18 MS. GARDNER: Thank you, Mr. Commissioner. Similarly
19 based on the evidence that's come out during
20 Mr. Duff's direct evidence examination, we have
21 no questions for this witness at this time.

22 THE COMMISSIONER: Thank you. And Mr. Stephens on
23 behalf of the BC Lottery Corporation, who has
24 been allocated 10 minutes.

25 MR. STEPHENS: Thank you, Mr. Commissioner.

1 **EXAMINATION BY MR. STEPHENS:**

2 Q Mr. Duff, it's Mr. Stephens here. I just want
3 to follow up on a question Mr. McCleery asked
4 you about the working group between RCMP, BCLC
5 and Great Canadian that you described. You
6 recall those questions?

7 A That Mr. McCleery was just asking?

8 Q Yes, right.

9 A Yeah, yeah. Yes, Mr. Stephens, I do.

10 Q And then just -- I don't know that he -- that
11 you described the dates where that commenced.
12 And I just want to pin that down, Mr. Duff, if
13 you can recall. Is it true to say that these
14 meetings with RCMP that you described were in
15 place at least by 2007?

16 A I'd say that's fair, Mr. Stephens.

17 Q And before?

18 A I wouldn't think it would be that much before.
19 It did start when Gord Friesen was one of the
20 investigators, and I do not believe Gord Friesen
21 was an investigator right at the very beginning.

22 Q Thank you. So at least by 2007 these working
23 groups with the RCMP that you described were in
24 place; correct?

25 A I'd say that's fair. It was just shortly after

1 I was named the General Manager. They were not
2 in place before I became General Manager, I do
3 not believe.

4 MR. STEPHENS: Thank you, Mr. Duff.

5 Mr. Commissioner, those are my questions.

6 THE COMMISSIONER: Thank you, Mr. Stephens.

7 Now, Mr. DelBigio on behalf of Mr. Jin, who
8 has been allocated 15 minutes.

9 MR. DELBIGIO: Thank you.

10 **EXAMINATION BY MR. DELBIGIO:**

11 Q Mr. Duff, I don't have any documents, so I'm
12 going to ask you some questions and if any of
13 them seem obvious, forgive me, please.

14 A No problem.

15 Q I want to begin just to -- briefly to understand
16 how it is that you came to be at the commission.
17 Did you receive a summons?

18 A I received an email back in -- oh, I imagine
19 February or March of 2020.

20 Q Did you --

21 A I'm sorry. I forget the email and who it came
22 from.

23 Q And did you participant in interviews with any
24 of the commission team?

25 A We had set up -- from that it did say if I

1 wanted legal representation, by all means to get
2 him to contact the commission, and thus the
3 relationship started with my attorney, Chris
4 Bacon.

5 Q And did you -- have you had meetings with
6 Mr. McCleery or other members of the commission
7 team?

8 A We had our first meeting in May, I believe.

9 Q And how many meetings have you had?

10 A That was the only one.

11 Q And during the course of that meeting were you
12 shown documents?

13 A I don't recall. I think it was mostly just a
14 discussion. There must've been some documents
15 that were sent to me that I could look through,
16 but there wasn't anything shown, like, a shared
17 screen or anything like that.

18 Q Because in your testimony one of the phrases --
19 when Mr. McCleery was asking you about one of
20 the investigators and you used the phrase "I
21 recall in the affidavit."

22 A No, that would've been the ones that I'm reading
23 right now.

24 Q And which affidavits are those?

25 A Well, all of the stuff that I got sent over the

1 last week from -- not just from the commission
2 but from my attorney.

3 Q I see. You were at River Rock in the mid-90s;
4 is that right?

5 A No. River Rock opened up in 2004. In the
6 mid-90s I was between the Holiday Inn on
7 Broadway and the Richmond Casino and at some
8 point during -- closer to the later 90s, the
9 Guildford Casino. River Rock opened up in 2004.

10 Q Now, when you were testifying, you heard me make
11 an objection about the word "loan shark."

12 A Yes.

13 Q You recall that?

14 A Yes, I do.

15 Q And then you testified, and you said that it is
16 just a term that you use with respect to how
17 some players get their money; right?

18 A That was the term that people were using on how
19 they got their money, they got it from loan
20 sharks.

21 Q And you used the word -- you said it's an
22 assumption of bringing in cash from the
23 underground. You used the word "the
24 assumption." That's really what it is, isn't
25 it?

- 1 A Yes, it is.
- 2 Q You have no firsthand knowledge with respect to
3 where any players received cash; is that
4 correct?
- 5 A No, I do not.
- 6 Q And you understand that assumptions can
7 sometimes be incorrect; right?
- 8 A Absolutely.
- 9 Q And you understand that if there are a number of
10 people bringing in cash, it would be dangerous
11 to make an assumption, one assumption with
12 respect to all of them; is that also something
13 you agree with?
- 14 A I agree a hundred percent with that.
- 15 Q And you said you never saw cash transferred, and
16 that's correct; right?
- 17 A Yes.
- 18 Q And you said you assumed the cash was from
19 illegal activity. But, again, that's just your
20 assumption; right?
- 21 A That's an assumption that they would be bringing
22 it in from other sources.
- 23 Q Whether that assumption is true or false, you
24 have no way of knowing?
- 25 A That is correct.

1 Q Did any -- okay. You never called the police on
2 the basis of your assumption; right?

3 A No, I did not.

4 Q Because you understand all of the dangers of
5 working on an assumption; right?

6 A Yes.

7 Q Now, you -- to the extent that it is relevant to
8 a fact-finding process, and I guess we'll figure
9 out how much it is, but Mr. McCleery asked you
10 about rumours and he asked you to expand upon
11 rumours. Do you remember when he asked you
12 that?

13 A Honestly, I don't recall the word "rumours" in
14 the last hour.

15 Q Okay.

16 A And I may just have misunderstood him, but I
17 don't --

18 Q That was his -- I apologize. I didn't mean to
19 cut you off. Go ahead.

20 A No, I'm just saying I don't recall in the last
21 hour speaking specifically on rumours.

22 Q It was in relation to a person who you said --
23 you referred to as "scar face."

24 A Okay.

25 Q And then Mr. McCleery asked you to expand upon

1 rumours.

2 A Gotcha. Okay. Yes. Well, back in --

3 Q And I'm just setting the stage for some

4 questions. So you --

5 A Okay. My apologies.

6 Q You recall those questions that Mr. McCleery put

7 to you?

8 A Yes.

9 Q And in your understanding of the word "rumours"

10 is another substitute word "gossip"?

11 A Absolutely.

12 Q And you understand the dangers of any reliance

13 upon rumour or gossip; right? It's just a

14 matter of common sense?

15 A Yes, I do.

16 Q Because the problem with rumour and gossip is

17 that it's difficult to know whether it is true

18 or false; right?

19 A Absolutely.

20 Q It's difficult to know where it's originates

21 from?

22 A Yes.

23 Q It's difficult to know whether it is based upon

24 truth or something that is false; right?

25 A Absolutely.

1 Q And when you talk about rumours and gossip with
2 respect to an individual who you knew as scar
3 face, that's going back -- is that to the era
4 from the 90s?

5 A That came from 1997, reading it in the
6 affidavit, so that's 24 hours ago.

7 Q And, again, what affidavit are you referring to
8 when you say that?

9 A So it is "Affidavit of Muriel Labine" that I
10 received last week, and I believe it is page 4,
11 bullet 13.

12 Q You talked about a rumour that a person -- that
13 this person scar face hung around dangerous
14 people. You have no way of knowing whether
15 that's true or false; right?

16 A I do not.

17 Q And if somebody used the word "dangerous
18 people," you have no way of knowing what they
19 mean by that precisely; right?

20 A I do not.

21 Q And you don't know whether that phrase might
22 be -- you don't know who those people are;
23 right? Like you have no sense of their
24 identities?

25 A No, I do not.

1 Q You have no way of knowing whether that
2 characterization is true or false; right?

3 A That is correct, I do not.

4 Q And you said -- in fairness to you, you used --
5 you said "it is nothing I could substantiate."
6 And that's correct; right?

7 A That is correct.

8 Q At best, it is something that somebody said in
9 1997?

10 A Yes.

11 Q And to the extent that your opinion about
12 anything matters -- and I don't -- I want to be
13 clear why I phrase it like that. I'm not
14 suggesting it doesn't. It's just that it's the
15 Commissioner who will decide one day whether it
16 does; okay?

17 To the extent that your opinion matters,
18 you would regard it as dangerous to base a
19 conclusion upon this rumour and gossip, which is
20 unsubstantiated, from 1997. Do you agree?

21 A I do agree.

22 Q You were asked questions about an RCMP
23 investigation in 2010 and 2011, and that was
24 just near the end of your testimony. Do you
25 recall that?

1 A I do.

2 Q And did the police ever speak to you?

3 A To me personally, no.

4 Q And I just want to make sure I understand your
5 answer because you say to you personally. And
6 when you say -- when you draw that distinction
7 between you personally and -- what is the
8 distinction that you are drawing?

9 A Mainly that discussions may have gone to people
10 higher than myself, vice presidents of the
11 company, directors of surveillance, because
12 they'd be working with surveillance a lot on
13 that. But as far as -- as far as having a
14 discussion with the RCMP that they said, we're
15 going to investigate your players and we'll
16 speak to them in their homes, I don't recall
17 ever having that discussion.

18 Q And you used -- you referred to a person with a
19 nickname, and you testified that various people
20 had different nicknames. Do you recall that?

21 A Yes.

22 Q And you also understand that if you call
23 somebody by a nickname, it doesn't follow --
24 it's not that everybody uses that nickname to
25 refer to that same person; right?

Exam by Mr. DelBigio

Exam by Ms. Harmer

1 A I do.

2 Q And nicknames also come and go; right?

3 A Yes.

4 Q Sorry, I'm just pausing because I'm just looking
5 at my notes.

6 A Not at all.

7 MR. DELBIGIO: Mr. Commissioner, as you're aware, I
8 don't yet have access to documents, but subject
9 to that issue, those are my questions for this
10 witness.

11 THE COMMISSIONER: All right. Thank you,
12 Mr. DelBigio.

13 I'll now call on Ms. Harmer for Great
14 Canadian Gaming Corporation, who's been
15 allocated 10 minutes

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

17 **EXAMINATION BY MS. HARMER:**

18 Q Mr. Duff, can you hear me okay?

19 A I can, Ms. Harmer.

20 Q As the Commissioner said, I'm counsel for Great
21 Canadian in this matter.

22 Mr. Duff, a few minutes ago you gave some
23 evidence regarding the percentage of revenue
24 that VIP play accounted for, and I believe you
25 said that it was your view that it was over

1 50 percent of revenue. Do you recall that
2 evidence?

3 A I do, specifically on the table games. This is
4 what I am looking back at remembering.

5 Q And it's been a long time since you were
6 employed at the River Rock as a General Manager;
7 is that right?

8 A Ten years. Since 2012.

9 Q And you haven't worked at the River Rock since
10 2012 and wouldn't have any insight into revenue
11 since that time?

12 A No, not specific revenue. My position at Hard
13 Rock as Director of Guest Experiences, I
14 wouldn't have the numbers available of the table
15 games.

16 Q And I understand that while you were with Great
17 Canadian and while you were the General Manager
18 at the River Rock your role was the General
19 Manager of the River Rock; is that right?

20 A My role was the General Manager of gaming
21 operations of River Rock. There's a separate
22 General Manager for the hotel, and the theatre
23 and the entertainment went through another
24 offshoot through head office. So I was the
25 General Manager of gaming operations. We had

1 General Manager of hotel operations.

2 Q Thank you. And your role was not a financial or
3 accounting role with Great Canadian at that
4 time?

5 A I don't quite understand what you mean.

6 Q Your role wasn't in finance. You weren't an
7 accountant --

8 A No.

9 Q -- for the company?

10 A No, no, no. No. I was responsible for the
11 day-to-day operations of the casino and oversaw
12 six different departments.

13 Q And overseeing those departments, is it fair to
14 say you would've observed that there were a lot
15 of expenses associated with the table games?

16 A Oh, I was part of the budget process of
17 expenses, so yes.

18 Q And so it's expensive to offer table games; is
19 that fair?

20 A It certainly is.

21 Q And especially for VIP table games?

22 A It certainly is.

23 Q Would you agree with the proposition that the
24 margin on table games is lower than the margin
25 on slot play?

1 A Yes. Yes. Slot play is -- slot play is almost
2 automatic. The machines are -- they pay what
3 they pay. Table games are very much more
4 volatile. It can go up and down, so the margins
5 are more difficult. And that falls into the
6 whole thing of budgeting of the marketing and
7 promotions and everything. It's a very fine
8 line.

9 Q And, Mr. Duff, if we heard testimony from
10 somebody with a more closer knowledge of the
11 finances of the River Rock revenues, would you
12 defer to their opinion about the revenues that
13 were obtained from table games at the River
14 Rock?

15 A Yes, I would.

16 Q Mr. Duff, during your time at Great Canadian,
17 you moved up through a number of roles. We
18 heard that you started as a dealer and you
19 eventually moved up to the General Manager of
20 River Rock.

21 A M'mm-hmm.

22 Q Would you characterize all these roles as
23 operational roles?

24 A All of them are operational.

25 Q You never occupied a compliance role at River

1 Rock, did you?

2 A No, I did not.

3 Q Can you recall during your time at River Rock
4 who the senior compliance people were?

5 A Carl Bolton.

6 Q Anybody else?

7 A Mr. Kroeker.

8 Q And what were the responsibilities of these
9 employees?

10 A Well, they were from head office, and they
11 were -- they headed up all of the compliance.
12 So if there was any issues on audits, on
13 compliance that we weren't doing, it would go
14 through them, they'd come, interview, all that
15 sort of stuff.

16 Q I recall earlier you gave testimony that the
17 surveillance department did not report to you.
18 Is that right?

19 A No, they did not.

20 Q Who did the surveillance department report to?

21 A That, I would say, would be Pat Ennis.

22 Q And was that on the compliance side rather than
23 the operational side?

24 A I believe with Pat it would be a combination of
25 both on surveillance.

1 Q And would it be an operational role or a
2 compliance role to set policies to deal with
3 concerns like potential money laundering or the
4 potential for money being loaned to players?

5 A That would probably go more on a compliance.
6 The rules would come from head office and we're
7 doing this and doing this.

8 Q And that wasn't your -- part of your role as an
9 operations person?

10 A No, it was not.

11 Q Thank you. Mr. Duff, you gave some evidence
12 about raising some concerns with how BCLC
13 investigators on one occasion interacted with
14 players -- with a patron when they were trying
15 to interview that patron. Do you recall that
16 evidence?

17 A Yes, I do.

18 Q Can you tell us a bit more about what those
19 concerns were.

20 A Well, my concerns on how the interviews would go
21 on that is the players weren't -- number one,
22 English wasn't their language. Although we had
23 an interpreter. They didn't really
24 differentiate between BCLC investigators and
25 Great Canadian casino staff. But if they were

1 upset with an investigator, then they were upset
2 with the whole casino. Like I said, my concern
3 was questions that were being asked of them that
4 they did not have to answer at that point. The
5 questions that we put -- placed on the players
6 at the time were set. And we would ask those
7 questions on all of their large cash
8 transactions, on all of the things like that,
9 but the questions they were asking I didn't
10 think warranted that form. If they wanted to
11 get into that in more detail, then a visit to
12 the BCLC offices would have been the better form
13 for that.

14 Q Is it fair to say that your concern was about
15 how the interviews were taking place, not the
16 fact that they were taking place?

17 A Yes. That would be fair.

18 Q And that was why you proposed that they take
19 place in the BCLC offices?

20 A Yes.

21 Q And those BCLC offices were still onsite at the
22 River Rock Casino?

23 A No, I actually meant the actual BCLC office in
24 Burnaby.

25 Q So your suggestion --

1 A They wouldn't -- I'm sorry, but they wouldn't
2 have come -- the offices are back of house and
3 we wouldn't have taken anybody to the back of
4 the house offices. My suggestion was -- and
5 they had done it, taken players to the actual
6 British Columbia Lottery Corporation offices at
7 the time, which was in Burnaby.

8 Q And, Mr. Duff, you gave some evidence regarding
9 concerns about players being banned from
10 casinos, and I think you described some back and
11 forth that you would have with the investigators
12 discussing those bans?

13 A Yes.

14 Q What were your concerns if a player was banned
15 from a Great Canadian casino as opposed to other
16 casinos?

17 A Well, that was my main -- that was my main
18 concern. My job of General Manager is to run
19 River Rock and to build the business at River
20 Rock. And to have a player, who I believe is a
21 legitimate player and all they want to do is
22 play, get banned from one casino but they can
23 travel 6 miles into New Westminster and play at
24 my competitor's casino, I thought was very
25 unjust. That was my biggest concern early on

1 that if they're going to ban a player for --
2 whether it's three days or a week, two weeks,
3 that they should be provincially banned. And
4 that way the player knows it's not Great
5 Canadian at this point; it is a provincial
6 banning. And I also thought -- I thought it
7 was -- if you think they're not -- if you think
8 they're not good enough to play in our casino,
9 why are they good enough to play at my
10 competitor's casino. That was the gist of a lot
11 of the disagreements I had with the barrings.

12 Q So it's fair to say that your concern was not
13 with the player being barred, it was -- the
14 concern was that the player was only being
15 barred from one casino?

16 A That was my biggest concern at that point.

17 MS. HARMER: Thank you, Mr. Duff. I have no further
18 questions.

19 THE COMMISSIONER: Thank you, Ms. Harmer.

20 Anything arising Mr. DelBigio?

21 MS. MAINVILLE: Mr. Commissioner.

22 THE COMMISSIONER: Yes.

23 MS. MAINVILLE: My apologies. I indicated this to
24 commission counsel, Mr. McCleery. I would just
25 request -- in light of the reference just now to

1 Mr. Kroeker, I would just request permission to
2 ask one clarifying question about -- to Mr. Duff
3 about the overlap between Mr. Kroeker and
4 Mr. Duff. And I recognize we didn't seek
5 permission to examine Mr. Duff, but it would be
6 very quick.

7 THE COMMISSIONER: All right. Go ahead.

8 MS. MAINVILLE: Thank you very much.

9 **EXAMINATION BY MS. MAINVILLE:**

10 Q Mr. Duff, you indicated that one of the vice
11 presidents of compliance at Great Canadian
12 during your time there was Mr. Kroeker?

13 A I believe so, yes. I remember dealing a lot
14 more with Carl Bolton, but I believe Mr. Kroeker
15 did take that position at some point.

16 Q Yes. And my understanding is you left River
17 Rock in 2012. Correct?

18 A I left in June of 2012.

19 Q So if I advised that Mr. Kroeker arrived at
20 Great Canadian in November of 2012, does that
21 assist in refreshing your recollection as to
22 whether there was any overlap between your
23 respective --

24 A Not at the River Rock. I believe I dealt with
25 him on one incident when I was at the Hard Rock.

1 MS. MAINVILLE: Okay. I see. So that's your
2 recollection of your interactions with him.

3 Okay. Thank you. Those are my questions.

4 THE COMMISSIONER: Great. Thank you.

5 Ms. Harmer, anything arising out of that?

6 MS. HARMER: Nothing. Thank you.

7 THE COMMISSIONER: Thank you. Mr. DelBigio?

8 MR. DELBIGIO: Nothing. Thank you.

9 THE COMMISSIONER: Mr. Stephens?

10 MR. STEPHENS: Nothing, Mr. Commissioner. Thank you.

11 THE COMMISSIONER: And Mr. McCleery?

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

13 THE COMMISSIONER: All right. Thank you. Thank you,
14 Mr. Duff. I appreciate you taking the time to
15 share your experiences with us in the gaming
16 industry. You're now excused from further
17 evidence. Thank you.

18 THE WITNESS: Thank you.

19 **(WITNESS EXCUSED)**

20 THE COMMISSIONER: Mr. McCleery, I think what we'll
21 do now is take a 15-minute adjournment. I
22 gather it will be necessary to bring our next
23 witness online. Is that correct?

24 MR. McCLEERY: Yes, I believe that's correct,
25 Mr. Commissioner.

1 THE COMMISSIONER: All right. We'll take 15 minutes,
2 then. Thank you.

3 THE REPORTER: This hearing is adjourned for a
4 15-minute recess until 11:19 a.m.

5 **(PROCEEDINGS ADJOURNED AT 11:04 A.M.)**

6 **(PROCEEDINGS RECONVENED AT 11:19 A.M.)**

7 THE REGISTRAR: Thank you for waiting. The hearing
8 is resumed. Mr. Commissioner.

9 THE COMMISSIONER: Yes, thank you, Madam Registrar.
10 Yes, Ms. Latimer.

11 MS. LATIMER: Yes, Mr. Commissioner. Our next
12 witness is Robert Kroeker. And I understand the
13 witness wishes to be affirmed.

14 ROBERT KROEKER, a
15 witness called for the
16 commission, affirmed.

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

19 THE WITNESS: Robert George Kroeker, K-r-o-e-k-e-r.

20 THE REGISTRAR: Thank you.

21 THE COMMISSIONER: Yes, Ms. Latimer.

22 **EXAMINATION BY MS. LATIMER:**

23 Q Yes. Good morning, Mr. Kroeker. Can you hear
24 me okay?

25 A I can.

1 Q Okay. You prepared an affidavit to assist in
2 giving evidence before this commission; is that
3 correct?

4 A It is.

5 MS. LATIMER: Madam Registrar, may I have the
6 affidavit -- the redacted affidavit placed
7 before the witness, please.

8 Q And, sir, do you recognize this as the affidavit
9 number 1 that you made on January 15th, 2021?

10 A I do.

11 MS. LATIMER: Mr. Commissioner, I ask that this be
12 marked the next numbered exhibit, please.

13 THE COMMISSIONER: Very well. That will be 490.

14 THE REGISTRAR: Exhibit 490.

15 **EXHIBIT 490: Affidavit No. 1 of Robert Kroeker**
16 **made on January 15, 2021**

17 MS. LATIMER:

18 Q Mr. Kroeker, you worked in policing from 1986 to
19 1998; is that right?

20 A That's correct.

21 Q And you were also trained and have worked as a
22 lawyer; correct?

23 A Yes.

24 Q You held various positions within the Ministry
25 of Public Safety and Solicitor General; correct?

1 A I did.

2 Q And you led the creation and operation of BC's
3 Civil Forfeiture Office; right?

4 A That's true.

5 Q You were the first executive director of that
6 office from 2006 to 2012; correct?

7 A Yes.

8 Q I want to ask you about -- in 2011, while you
9 were in that role, you received a call from
10 Deputy Minister Lori Wanamaker about the
11 relationship between BCLC and GPEB. And could
12 you tell the Commissioner about that call.

13 A I believe it was in a meeting in person, if I
14 recall correctly. Ms. Wanamaker explained that
15 the minister was desirous of having a review
16 done around BCLC's controls with respect to
17 money laundering and whether -- how well they
18 aligned with the federal requirements. She
19 explained that the minister was receiving
20 contradictory information from GPEB and from
21 BCLC, and he was desirous of finding out where
22 things actually landed.

23 Q When you refer to the minister, was that
24 Minister Coleman?

25 A It was.

1 Q Did you understand that he was concerned about
2 the relationship between those two agencies?

3 A That was a concern. The task, I think, was more
4 focused on where actually BCLC was with respect
5 to its AML compliance as it related to the
6 federal legislation.

7 Q Okay. And you were engaged in January by
8 Minister Coleman to review those anti-money
9 laundering strategies; correct?

10 A I believe that's the timing, yes.

11 Q And in the course of preparing your report, did
12 anyone suggest to you that gaming losses -- that
13 it suggest -- sorry. Did anyone suggest to you
14 that if a patron suffered losses while gaming
15 that meant they were not involved in any kind of
16 money laundering?

17 A No, it wasn't that definitive. I would say
18 there was some view within the corporation that
19 if a player consistently came in and
20 consistently lost money, mostly all of it, that
21 that would not line up with common money
22 laundering typologies that were known at the
23 time.

24 Q When you referred to the corporation, are you
25 referring to BC Lotto Corporation?

- 1 A Yeah, excuse me. Yes, I mean BCLC.
- 2 Q Did you agree with that view at the time?
- 3 A No, I did not.
- 4 Q You communicated with Mr. Vander Graaf both
- 5 orally and in writing on a number of occasions
- 6 in relation to this review; is that correct?
- 7 A I recall one in-person meeting and perhaps one
- 8 or two emails.
- 9 Q Okay. And you shared a draft report with
- 10 Mr. Vander Graaf after it had been forwarded to
- 11 the deputy minister and the minister; correct?
- 12 A Correct.
- 13 Q Did Mr. Vander Graaf suggest to you at any time
- 14 in the course of your review that there should
- 15 be a limit placed on the number of \$20 bills of,
- 16 say, 10,000 or \$20,000 per day per patron?
- 17 A He did.
- 18 Q And did you make that recommendation?
- 19 A Not that specific, no. I recommended that all
- 20 cash should -- there should be measures to
- 21 reduce all cash, not just \$20 bills.
- 22 Q What was your -- why didn't you make a specific
- 23 recommendation focused on \$20 bills?
- 24 A Well, from my experience and what I knew at the
- 25 time, I felt that if you simply banned one

1 denomination, you were inviting people with bad
2 intent to simply switch to other denominations,
3 50s, 100s or smaller denominations. I didn't
4 see it being a problem solely around \$20 bills.
5 It was a problem of a massive amount of cash
6 coming in and only being allowed to use cash.

7 Q Did you understand the basis for Mr. Vander
8 Graaf's focus on the \$20 bill?

9 A I understood that he felt -- that in his view
10 \$20 bills were synonymous with criminal
11 activity.

12 Q Did you suggest that there should be a cash cap
13 on -- for any denomination of cash for a patron
14 in a 24-hour period?

15 A At that time I can't recall if I specifically
16 stated anything that definitive.

17 Q Okay. Did Mr. Vander Graaf suggest to you that
18 service providers should have the same
19 obligations as a bank?

20 A I believe he said that at some point, yes.

21 Q Did you understand what that entailed?

22 A I did not.

23 Q Did you ask Mr. Vander Graaf to explain what
24 that entailed?

25 A I don't recall during our conversation if I

1 probed on that. I mean, what I took him to mean
2 was that the lottery corporation should have the
3 same controls that banks did, if that helps.

4 Q Did you understand those controls to relate to
5 customer due diligence?

6 A Yes, they would.

7 Q Did you understand those controls to relate to
8 source of funds?

9 A No, I didn't.

10 Q Did you make that recommendation that casinos
11 should be subject to the same controls as banks?

12 A I said that they should be similar, they should
13 be guided by them, I believe. I don't have my
14 report in front of me, but words to that effect,
15 yes.

16 Q Okay. Did Mr. Vander Graaf suggest to you that
17 there should be a source of funds requirement?

18 A I don't believe he did. I think he mentioned it
19 in a vague sort of way around that GPEB should
20 be making those types of inquiries or should
21 start doing so.

22 Q You did not recommend that, did you?

23 A I did not.

24 Q And why not?

25 A That was -- I'd like to take a step back. What

1 I did to inform myself was I started with the
2 foundational documents from the Financial Action
3 Task Force, the international body that sets out
4 money laundering standards, and also from
5 FINTRAC. They had a number of different
6 publications and they had one specific to the
7 casino sector and to risk-based programs, which
8 was the standard.

9 In those documents the focus at the time --
10 and this is relatively early days in AML
11 regimes -- was that casinos make sure that they
12 were fully identifying customers, that that
13 included obtaining their occupation and that
14 their play and transaction history was
15 consistent with their stated occupation or what
16 would be the presumed source of wealth. I
17 didn't see anything, I recall, related to source
18 of funds at that time.

19 Q But whether or not it was recommended by the
20 FATF, did it strike you as a sensible
21 recommendation?

22 A It didn't really even enter into any of the
23 documentation or the conversations at that point
24 in time.

25 Q It's not -- was it a recommendation that you

1 elevated in any way orally or otherwise to the
2 minister or the deputy minister?

3 A I don't recall any conversations around source
4 of funds in that period of time.

5 Q Okay. Did Mr. Vander Graaf suggest to you that
6 there should be an agency on site in casinos
7 similar to the OPP in Ontario?

8 A I believe he did that, and I also thought that,
9 if I recall, he thought GPEB could also fulfill
10 that role, would be another alternative.

11 Q And you did not make that recommendation, did
12 you?

13 A Not that specific that I recall. And, again, I
14 don't have my report in front of me, so ...

15 Q Okay. Did he tell you there should be a term
16 and condition of registration focused on
17 anti-money laundering?

18 A Hmm. I don't recall him saying that. It's
19 possible.

20 Q Is that a recommendation that you advanced at
21 that time?

22 A Not to my recollection, no.

23 Q Did Mr. Vander Graaf tell you that BC Lotto
24 Corporation and GPEB should be in separate
25 ministries because housing them in the same

1 ministry was a conflict of interest?

2 A I believe he expressed that opinion, yes.

3 Q You did not make that recommendation, did you?

4 A I did not. That was out of scope, in my view.

5 Q Okay. Did you alert the deputy minister or the

6 minister to any of the feedback that you

7 received in writing from Mr. Vander Graaf and

8 which was not reflected in your draft report?

9 A Not that I recall.

10 Q Okay. You issued that report in 2011; correct?

11 A Yes.

12 Q Can you explain why you made the recommendation

13 you made regarding suspicious currency

14 transactions in casinos, including at BCLC,

15 except law enforcement's professional opinion

16 about that?

17 A I believe that was in relation to Suspicious

18 Transaction Reports. I'm not really familiar of

19 what a suspicious currency report is.

20 Q Okay.

21 A Yes. I think that relates back to your earlier

22 point around a view that if a player lost all of

23 their money that it wasn't consistent with known

24 and typical money laundering typologies.

25 Q And you understood that to be BCLC's view at the

1 time?

2 A Yes.

3 Q Okay. You joined Great Canadian Gaming
4 Corporation as the Vice President of Compliance
5 in December 2012; correct?

6 A November, I believe.

7 Q Okay. You say at paragraph 36 of your affidavit
8 in the last three lines that you were "concerned
9 that seemingly legitimate players could be
10 buying-in with large amounts of cash, and in
11 particular that some of this cash may be coming
12 from illicit sources." What was the basis for
13 that concern?

14 A My experience with the Civil Forfeiture Office
15 and the money laundering and proceeds files that
16 I had experienced in that role.

17 Q Can you elaborate?

18 A In what regard? I'm sorry.

19 Q Well, how did your experience in the Civil
20 Forfeiture Office cause you to become concerned
21 that players were accessing cash from illicit
22 sources?

23 A Oh, I'm sorry. So I became aware of underground
24 banking or informal value transfer systems and
25 that they were often used both by criminal and

1 non-criminal actors, and there was a concern
2 that the cash that they were getting may have
3 been tainted.

4 Q Because -- was it your view that players were
5 accessing cash from these underground banking
6 systems?

7 A Yes. I felt that was a possibility for sure.

8 Q What was the basis for that belief?

9 A Just the large volume of cash, the fact that I
10 was aware that there were currency controls on
11 the removal of cash from China, and so there was
12 a question of where were the funds coming from.

13 Q Because the patrons were Chinese?

14 A No, not necessarily that they were Chinese, but
15 that would have played into it. But any player
16 that would show up with a large amount of cash,
17 you'd have to consider that.

18 Q Okay. At paragraph 38 of your affidavit you say
19 that early in your tenure at Great Canadian
20 Gaming Corporation you "became aware of an
21 individual named Paul King Jin who had been
22 banned from casinos in BC for suspected loan
23 sharking activity" and you "suspected that he
24 may still be lending money to otherwise
25 legitimate players to gamble."

1 So my first question is how did you become
2 aware of this individual named Paul King Jin?

3 A I would have become aware through a briefing
4 either by the director of surveillance or
5 security or both.

6 Q And what was it that was relayed to you about
7 this individual?

8 A That he had been in the casino prior. That he
9 had been detected and observed and reported for
10 providing cash to other players when in fact he
11 wasn't playing himself. That he had been first
12 banned, I believe, for a shorter period of time
13 and then ultimately for five years.

14 Q You used the term "loan sharking." And what do
15 you mean when you use that term?

16 A Yes. It's a bit of the misnomer because it's
17 difficult to prove the criminal interest rate
18 with respect to a single transaction at a point
19 in time. But it would be providing cash to
20 players on some terms of repayment that were
21 unknown.

22 Q And you say he was banned from casinos. And was
23 it for that activity, for lending money to
24 players?

25 A That was my understanding. I had no direct

1 knowledge of that, but that's my understanding.

2 Q Why was that of concern to Great Canadian
3 Gaming?

4 A We didn't want that type of activity occurring
5 in the properties. And it could involve illicit
6 cash.

7 Q Okay. At paragraph 55 of your affidavit -- and
8 we don't need to turn there, but you can if you
9 want -- but you mention this again, and you say
10 "loan sharking or providing loans to patrons."
11 And was it your understanding that the activity
12 Mr. Jin was engaged in was loan sharking, or was
13 it simply making the loans to patrons?

14 A It's difficult to say. I would view those -- I
15 mean, loan sharking is being used in the
16 industry at the time to refer to both loan
17 sharking and the provision of funds a bit
18 loosely, so it would be both.

19 Q Okay. At paragraph 38 you say -- sorry, I've
20 already gone over that.

21 Did Great Canadian notify BCLC about the
22 fact that Mr. Jin was still seen lending money
23 to individuals around the property?

24 A Yes, that's the information I was provided by
25 surveillance and security.

1 Q And were regulators and law enforcement also
2 informed?

3 A The provincial regulator would have been
4 informed for sure by Great Canadian. I can't
5 say for sure. I don't have direct knowledge
6 about whether the police were informed directly
7 by Great Canadian.

8 Q Are you aware of any enforcement action that was
9 taken in response to that early notification?

10 A I am not.

11 Q Did you direct Great Canadian Gaming Corporation
12 to take any additional actions to prevent that
13 activity that was being observed?

14 A With respect to Mr. Jin or cash facilitation
15 generally?

16 Q With respect to players borrowing money from
17 Mr. Jin?

18 A I can't recall any specific conversations, but
19 Mr. Ennis and I --

20 MR. DELBIGIO: Mr. Commissioner. It's Greg DelBigio.
21 I object. I object to the characterization in
22 the question of borrowing money and lending
23 money. If this witness has direct information
24 with respect to that, fine, he should say so.
25 If this witness has direct information with

1 respect to observations he made about money
2 being passed from one person to another, that's
3 fine. But the uses of the words "lending" and
4 "borrowing" are characterizations and this
5 witness should not be led with respect to that.
6 Thank you.

7 MS. LATIMER: Mr. Commissioner, as I've already taken
8 the witness through, this witness has deposed in
9 his affidavit that he became aware that an
10 individual named Paul King Jin had been banned
11 from casinos in BC for suspected loan sharking
12 activity. I'm now asking this witness what
13 enforcement actions, if any, were taken in
14 response to that information. I think it's a
15 permissible question.

16 MR. DELBIGIO: Mr. Commissioner, if the witness -- if
17 the question is qualified on that basis, so it's
18 not to suggest -- so the conclusion is not built
19 into the question, then I don't object. But to
20 the extent that the lawyer -- counsel is
21 suggesting a characterization as being correct,
22 I do object.

23 THE COMMISSIONER: I'm sorry, Mr. DelBigio. I'm not
24 sure I understand what you're saying. Is your
25 objection that -- of the characterization of it

1 being a loan?

2 MR. DELBIGIO: Well, my understanding is that this
3 witness so far did not himself witness anything.
4 He might have received a report. I don't have
5 the report. It might be that in the report
6 there is a characterization of an exchange of
7 money. If the witness is -- if the question to
8 the witness is having regard to a report that
9 you were given, did you take any steps, that is
10 not an objectionable question. If the witness
11 is asked a question which characterizes a
12 transaction or an exchange as a loan or -- as a
13 loan, then that is something that this witness
14 is going to have to provide foundation for.

15 THE COMMISSIONER: All right. So as I understand it,
16 Ms. Latimer, what your concerned with leading
17 through this witness is his awareness through
18 reports of circumstances in which Mr. Jin
19 provided cash to patrons of the casino over
20 which this witness had a compliance function and
21 what ensued from him learning about that; is
22 that correct?

23 MS. LATIMER: Correct.

24 THE COMMISSIONER: All right. I think that's fine.

25 MR. DELBIGIO: Thank you.

1 MS. LATIMER:

2 Q Mr. Kroeker maybe I'll restate my question. I
3 can't remember exactly how I stated it, but the
4 question is when you learned that Mr. Jin had
5 been banned for suspected loan sharking
6 activities, you learned that Mr. Jin was still
7 seen in and around casinos and it was believed
8 he was lending money to players, what actions,
9 if any, did you take to prevent that activity?

10 A Specifically I didn't give any direction. Head
11 of surveillance -- head of security would have
12 managed the operations on that. And I believe I
13 received ongoing briefings that in fact -- that
14 when Mr. Jin was detected, because he was
15 banned, he was removed from the casino or from
16 the casino property.

17 Q Was any compliance action focused on the players
18 who were seen interacting with Mr. Jin at this
19 time?

20 A They would have been cautioned not to bring in
21 money that wasn't theirs or chips that were not
22 theirs, to the best of my understanding.

23 Q They were not barred from the casino; is that
24 correct?

25 A I can't recall any specific instances at that

1 point in time, no.

2 Q And their cash would not have been refused;

3 correct?

4 A If it was knowingly coming from someone who was

5 providing it from outside, yes, it should have

6 been refused.

7 Q Okay. At paragraph 41 of your affidavit in the

8 second sentence you describe that in 2013 you

9 asked the compliance team at Great Canadian to

10 start tracking monthly table revenue rates as

11 compared to STRs and to track cash buy-ins made

12 in predominantly \$20 bills. Why were you

13 tracking \$20 bills at this point in time?

14 A Because I was aware it was a concern of GPEB's.

15 Q Was it a concern of yours?

16 A Yes, it was.

17 Q Had your thinking about the \$20 bill issue

18 shifted since you issued the report in 2011?

19 A Not really. The problem is cash, and -- but

20 there was a particular focus on \$20 bills, so I

21 wanted to monitor it.

22 Q Why was there a particular focus on \$20 bills?

23 A GPEB had a particular focus on \$20 bills. They

24 saw \$20 bills as synonymous with criminal

25 activity.

1 Q Was it because the STR is predominantly related
2 to transactions conducted in \$20 bills?

3 A I don't know that that's true. I would have to
4 review the documents to see that.

5 Q Okay. Paragraph 42, I take it if that's what
6 the documents showed, you will agree with that.
7 Is that right?

8 A Yes, I would. I just don't know that off the
9 top of my head. I'm sorry.

10 Q Okay. At paragraph 42, you say:

11 "This monitoring showed that STR rates for
12 GCGC properties were trending in parallel
13 to business levels for table games on a
14 month-to-month basis. This trend
15 suggested there was less cause for concern
16 than if STRs had been increasing while
17 business was remaining flat or declining.
18 In other words, I believed that if money
19 laundering was on the rise, the increase
20 in cash would not tend to correlate with
21 business levels."

22 That idea that if money laundering was on the
23 rise, the increase in cash would not tend to
24 correlate with business levels, is that the same
25 as the belief that gaming losses tended to

1 indicate that money laundering was not
2 occurring?

3 A No, not at all. What I was trying to monitor
4 for was that if business was flat but we
5 continued to see increases in top-line revenue,
6 that's a disconnect that's concerning. You
7 don't know what's going on, but it's a data
8 point that tells you you need to probe on that.
9 That's what I was looking for.

10 Q Okay. Sorry, I didn't mean to cut you off.
11 Were you finished?

12 A No -- yes, I'm done.

13 Q Okay. In April 2014 you met with senior members
14 of the Richmond RCMP detachment, Commander
15 Nessel and Inspector Hall; is that right?

16 A That's correct.

17 Q Where did that meeting occur?

18 A I don't recall, specifically.

19 Q Do you recall who else, if anyone, was at that
20 meeting?

21 A I believe it was just the three of us.

22 Q What was the purpose of the meeting?

23 A We had general touch-base meetings, so we would
24 discuss a range of issues. I was primarily
25 concerned with any concerns that they had. But

1 we did discuss money laundering risk and
2 concerns with respect to River Rock, which was
3 in their detachment's jurisdiction.

4 Q And what were the concerns at that time?

5 A My concern was the level of controls and whether
6 or not they felt that we were doing what we
7 needed to do and whether or not there was
8 additional actions we should take.

9 Q Did they give you a view about that?

10 A Yes.

11 Q What was it?

12 A It's captured in an email, which I would prefer
13 to refer to that directly because I think it --
14 rather than just go from my memory.

15 Q Well, I don't have the email in front of me,
16 so -- but I take it it's attached to your
17 affidavit. Is that correct?

18 A It is. I'll recall it to the best of my
19 ability. I can pull it up in front of me here,
20 if you'd like.

21 Q Sure. Is it at exhibit 13 of your affidavit?

22 A It is. Thank you.

23 Q I'll have it displayed for the Commissioner.
24 Thank you.

25 A Yes. So Mr. Hall expressed the opinion to me

1 laundrying that one might expect at a casino.

2 Q Okay. In June 2014 you participated in a
3 meeting with members of the Combined Forces
4 Special Enforcement Unit at the River Rock;
5 correct?

6 A I did, yes.

7 Q And who was in attendance at that meeting?

8 A I cannot recall everyone. I can -- I was there.
9 Mr. Ennis from Great Canadian was there.
10 Mr. Desmarais from British Columbia Lottery
11 Corporation was there. Mr. Karlovcec from the
12 British Columbia Lottery Corporation was there.
13 And then there was a number of members from
14 CFSEU, who I do not recall their names.

15 MS. LATIMER: Madam Registrar, I don't need that
16 document displayed any longer.

17 Q What was the purpose of the meeting?

18 A As I understood it -- my desire for the meeting,
19 and I understand BCLC's desire to be the same,
20 was to lay out what we thought was a significant
21 risk around proceeds coming into and being spent
22 at the casino. Some of those proceeds obviously
23 from crime. And we were hopeful that this would
24 trigger a police investigation. It was in
25 essence making a compliant.

1 Q You were making a complaint to the CFSEU?

2 A Yes.

3 Q And what was the reaction to that complaint that
4 was made at that time?

5 A So at that time the members in attendance were
6 extremely engaged and enthusiastic with the
7 information that was being provided, and you
8 could see they clearly understood the challenge
9 and the problem we had outlined. And I was left
10 with the impression that this was going to now
11 garner some police attention.

12 Q Did you observe any police action focused on
13 this issue following that meeting?

14 A Not -- no, not for at least 12 months.

15 Q Okay. Did you have more information at this
16 time that caused you to form the view that some
17 of the cash might be proceeds of crime that was
18 coming into casinos?

19 A Beyond what we've already discussed? I can't
20 think of anything off the top of my head.

21 Q Okay. When you didn't see police action
22 occurring following this meeting, did you
23 increase your own compliance efforts against
24 patrons known to be borrowing money outside of
25 the casino?

1 A Not beyond the controls BCLC already had in
2 place. We were more sensitive looking for those
3 types of transactions, and as my compliance team
4 brought transactions to my attention where
5 players, for instance, would walk in with a
6 large number of chips that we couldn't reconcile
7 to a purchase, we would send a specific email to
8 BCLC alerting them to that. They would've been
9 already told through iTrak and other processes,
10 but I would specifically bring that to either
11 Mr. Karlovcec or Mr. Desmarais's attention and
12 ask that they pay particular attention to that
13 file and suggest that perhaps this is another
14 file that should be brought to the attention of
15 the police.

16 Q Okay. Did you have any interactions with Larry
17 Vander Graaf or Joe Schalk or anyone at GPEB in
18 or around this time about suspicious cash
19 transactions or cash drop-offs in casinos?

20 A I don't recall any interactions with Mr. Vander
21 Graaf or Mr. Schalk. I did have fairly periodic
22 calls with Mr. McCrea.

23 Q And what was the subject of those calls?

24 A It would be the similar type thing. The risk
25 that we were perceiving, controls that we

1 were -- that we had in place and that further
2 action needed to be taken around investigating
3 the potential for proceeds to be coming in.

4 Q Okay. Were you concerned in January 2015 about
5 cash that was being paid out in 100s when
6 buy-ins were occurring in 20s?

7 A I don't recall specifically any instances. It's
8 possible.

9 Q What would the concern there be?

10 A We wouldn't want refining happening. That's
11 where a person brings in small denomination
12 bills and -- for purposes to refine them, colour
13 them up, if you will is the nomenclature. To
14 convert them from 5s, 10s, 20s into 100s or 50s.
15 You don't want to facilitate that.

16 There was a control in place that if a
17 person came in with small denomination bills,
18 played notional or not at all and cashed out,
19 they should be paid back not only in those
20 denominations but the actual bills if that was
21 possible. That wasn't always possible because
22 if they were there for a period of time, the
23 actual cash they brought in would have been
24 moved down to the cage and wouldn't be available
25 to pay them back at that point.

1 Q Now, to the extent that a player was engaged in
2 a transaction that would trigger a Suspicious
3 Transaction Report, were you supportive of BCLC
4 investigators questioning both the patron and
5 casino staff in and around 2015?

6 A Yeah. In fact I believe I asked for that on
7 some occasions.

8 Q Were there any issues with any of the management
9 at the River Rock not wanting to offend patrons
10 for fear that the patron would go to the
11 competition?

12 A That was a concern that some of the casino
13 top-end managers had that they didn't want
14 action taken that would needlessly drive the
15 customer away. So in other words, if there was
16 a legitimate money laundering concern or the
17 behaviour was problematic, they had no
18 difficulty with that. They were worried that if
19 there was action taken by River Rock but it
20 wasn't province-wide, the player would just
21 shift to a different service provider.

22 Q Was there any -- were there any adjustments made
23 in how those kinds of patrons were approached in
24 response to those concerns?

25 A I don't think there was adjustments. I would

1 say it started off from the beginning to do the
2 interviews in a way that was not confrontational
3 in public, if I could put it that way. So the
4 player would be asked to meet with enforcement
5 staff off the gaming floor rather than at the
6 table.

7 Q Okay. In early 2015 you met with Detachment
8 Commander Nessel and provided him with
9 information about the meetings that BCLC had
10 been having with the CFSEU about proceeds of
11 crime and money laundering concerns; correct?

12 A And illegal gaming, intelligence that we were
13 starting to get from players around illegal
14 gaming houses popping up.

15 Q Was anyone else present at that meeting?

16 A If there was anyone else, it would have been
17 Mr. Hall. I don't recall specifically.

18 Q Could you tell us more about the nature of the
19 discussion that occurred there?

20 A So the discussion was that the efforts that BCLC
21 primarily let on -- and we attended some -- to
22 engage FSOC and CFSEU from the RCMP and that --
23 my belief that there was a high level of
24 engagement and that an investigation was likely.
25 However, I was concerned that I wasn't seeing

1 any of the telltale signs that you might see if
2 an investigation was happening.

3 It doesn't mean an investigation wasn't
4 happening, but if it involved casinos and
5 transactions moving through casinos, I would
6 have expected to see production orders around
7 certain players asking for their records. I
8 would have expected to see members coming in,
9 asking to at least view video footage and those
10 types of things. I wasn't seeing any of that.

11 So, again, it doesn't mean there wasn't an
12 investigation going on, but it was a bit
13 concerning. And I expressed to Mr. Nettet that
14 I was concerned about that, and he -- the
15 intelligence that we were now getting that there
16 was two, potentially three illegal casinos
17 operating in his detachment area and they were
18 doing so at a high level and the potential for
19 violence around all of this.

20 Q Okay. Did you understand from that interaction
21 that there would be any investigation from the
22 Richmond detachment of the RCMP focused on these
23 issues?

24 A I don't want to put words in his mouth, but my
25 impression was he was concerned and he expressed

1 Corporation and any directions by GPEB. I can't
2 remember if there was any specific increases in
3 control at that point in time. If there was, we
4 certainly would have complied.

5 Q The okay. You describe in your affidavit that
6 in 2014 and 2015 you observe that the River
7 Rock's chip liability grew substantially. And I
8 was hoping you could explain to the Commissioner
9 why that was of concern.

10 A Yes. So, Mr. Commissioner, chip liability is
11 the outstanding chips that the casino can't
12 account for. They're not either in the cage or
13 on the floor, which means in all likelihood a
14 customer has left the casino with those chips.
15 This was monitored for two reasons. One was for
16 anti-money laundering concerns. It would be a
17 concern if you had a large number of chips out
18 on the street. They could be used as stored
19 value instruments by crime figures. The other
20 reason was at that time we monitored it -- our
21 chief financial officer monitored chip liability
22 for financial reasons because at the end of each
23 fiscal year, Great Canadian was required to
24 provide a cheque to the British Columbia Lottery
25 Corporation for the outstanding balance.

1 I was advised by the CFO that historically
2 the chip liability would run between a million
3 and \$2 million. That's what we would normally
4 see and that's people leaving with chips and
5 coming back and gambling with them. In the
6 period of time that has been referenced, we
7 watched that chip liability suddenly grow to
8 3 million then 5 million and eventually up to
9 \$12 million, which was completely out of the
10 norm and was alarming.

11 Q And what was the plan to address that issue?

12 A So I brought this to Mr. Desmarais's attention,
13 and we discussed it, that we already had a large
14 number of chips out. So chips are like
15 currency. You can cancel them, make them
16 valueless and reissue. And that was what we
17 decided we would do. BCLC took our advice on it
18 and they agreed we should do a chip cancellation
19 and reissuance, or a chip swap in the jargon of
20 the industry, and we would do it -- normally
21 players are given quite a period of time because
22 they're presumed to have these chips
23 legitimately. In this case the presumption was
24 there was a large number of chips out
25 illegitimately, and so it would be a very short

1 period of time, and that would allow BCLC
2 investigators to intercept people bringing in
3 these chips, question them as to where they came
4 from and make a determination of whether they'd
5 be paid out or not.

6 Q And that plan for the chip swap was delayed;
7 correct?

8 A Yes, it was. I was informed by that, yes.

9 Q And why was that, did you understand?

10 A I was told by British Columbia Lottery
11 Corporation that there had been a request by
12 GPEB on behalf of police to delay it. I don't
13 know the specifics.

14 Q Okay. Were you told that it was a concern about
15 an ongoing criminal investigation?

16 A Subsequent, I believe, when I arrived at BCLC.

17 Q Okay. And in September 2015, that's when you
18 started at VP of corporate security and
19 compliance at BCLC; right?

20 A That is correct.

21 Q Did you see evidence of an ongoing criminal
22 investigation in or around BC casinos at this
23 time?

24 A I didn't see the evidence, but I was told it was
25 happening, yes, on my first day.

1 Q Okay. Your -- was your understanding that the
2 chips were related to that criminal
3 investigation?

4 A No. I don't think I ever received information
5 of a direct link between those chips and that
6 investigation.

7 Q Okay. When you moved to BCLC was there a
8 direction in place from Mr. Alderson that
9 investigators were not able to initiate barring
10 of patrons for cash facilitation at their own
11 initiative?

12 A I believe there was an email saying that they
13 had to seek permission from Mr. Alderson or
14 others before they could conduct an interview.

15 Q Did you reverse that instruction?

16 A I did.

17 Q Why?

18 A In my view that -- those actions, those
19 determinations properly sat with the
20 investigators at that point in time. They
21 shouldn't be delayed.

22 Q Okay. In your new role at BCLC, how was your
23 relationship with your counterpart at GPEB, Len
24 Meilleur?

25 A It started off very positively. I had known

1 Mr. Meilleur when he was in the registration
2 role. I'd had a number of interactions with
3 him. In fact when the executive director of
4 investigations position became vacant, I
5 understood Mr. Meilleur to be interested in that
6 position and the then General Manager reached
7 out to me for a reference for Mr. Meilleur and I
8 highly recommended him.

9 Q Did it remain positive throughout your tenure at
10 BCLC?

11 A I would say overall from my perspective we had a
12 productive working relationship. There were
13 issues-related conflict for sure.

14 Q And what were the issues that there was conflict
15 on?

16 A Well, the first one that arose was we had an
17 information sharing agreement with the RCMP, and
18 I had been at BCLC approximately six or seven
19 weeks, and Mr. Alderson came to me with an email
20 from the RCMP advising that as a result of a
21 conversation Mr. Meilleur had with the RCMP, the
22 information sharing agreement was either
23 suspended or cancelled.

24 Q What was the purpose of that information sharing
25 agreement?

1 A It was to facilitate information flow between
2 us, BCLC, and the RCMP. The primary use on the
3 BCLC end was to enhance customer due diligence
4 and also to drive our proactive banning program
5 where anyone associated to a gang or organized
6 crime would be identified through that
7 information sharing agreement and proactively
8 banned from attending any casino in the
9 province.

10 Q That information sharing agreement was cancelled
11 for a period of time but it was ultimately
12 reinstated; right?

13 A That's correct, yes.

14 Q And that occurred in November 2015?

15 A That's my recollection, yes.

16 Q Okay. Did you have -- prior to his review that
17 resulted in the *Dirty Money* report, did you
18 occasion to interact with Dr. German along with
19 Len Meilleur? Did you have some involvement
20 with him on an engagement for the provincial
21 government?

22 A My recollection is there was an engagement, but
23 it was joint. It was between provincial
24 government and BCLC where we asked Mr. German to
25 undertake a review of roles and

1 responsibilities, primarily around investigators
2 in both organizations.

3 Q Was that --

4 A Is that what you're referring to?

5 Q Yes, that's right. What was the outcome of that
6 review?

7 A There was a report written.

8 Q Was that review conducted because of tensions
9 between those investigation departments?

10 A I wouldn't classify it that way, no. There was
11 a cooperative effort between Mr. Meilleur and
12 myself to try and bring some streamlining and
13 greater, I guess, clarity to each other's
14 investigators' roles. I don't think -- I
15 wouldn't say it came out of conflict, like
16 interpersonal conflict; it came out of a desire
17 to make things more clear for everybody.

18 Q Okay. Did it have that result? Were things
19 more clear after that report?

20 A I think for a short period of time, yes.

21 Q Why only for a short period of time?

22 A Things -- I think things became murky again.
23 There was certain information sharing issues
24 that arose, and I believe Mr. German recommended
25 that we use a third party where we both had

1 different views on particular roles or aspects
2 of things, and that wasn't followed, so ...

3 Q Was one of the issues that gave rise of these
4 tensions between these two organizations
5 differing views about the suspicious currency
6 transactions?

7 A I don't know. Could you be more specific? What
8 differences?

9 Q Were there different views about the suspicious
10 currency transactions and whether those were
11 likely money laundering or not?

12 A Perhaps. I think at BCLC it was the Suspicious
13 Transaction Reports were completed, and they
14 were sent in as they were required and there was
15 a multitude of analysis done around it. I think
16 it's fair to say at the corporation STRs were
17 seen as suspicious, a concern and potential for
18 money laundering. I don't want to speak for
19 GPEB. Maybe they took a slightly stronger view
20 of that, around what -- again, I don't really
21 want to speak for them. They would be best to
22 answer that on how they viewed Suspicious
23 Transaction Reports.

24 Q Okay. I'm just -- I'm asking for your
25 understanding of where the tension in the

1 relationship arose from and whether that was a
2 factor.

3 A No, it was issues driven, in my view.

4 Q What were the issues?

5 A I've talked about the information sharing
6 agreement. There was a disagreement around a
7 particular incident involving a slot player as
8 to whether or not that was money laundering. I
9 can't think of -- I know there were a couple of
10 others. I just can't think of them off the top
11 of my head.

12 Q Okay. You say in your affidavit, paragraph 94,
13 that BCLC had asked GPEB to investigate
14 suspected money laundering and proceeds of crime
15 cases; is that correct?

16 A That's correct, yes.

17 Q Did you understand GPEB investigators to have
18 authority to investigate those types of
19 offences?

20 A I believe they did.

21 Q Do you believe they had authority to -- or did
22 you understand that they had authority to
23 investigate the predicate offences?

24 A If they're related to -- directly related to
25 some aspect of casino gaming, yes.

1 Q Did you understand GPEB investigators to have
2 use of force authority?

3 A I don't know about their authority. I know they
4 had no capability in -- with respect to they
5 didn't have firearms.

6 Q Did you understand that they had authority to
7 use different surveillance techniques?

8 A I'm not aware of anything that would prevent
9 them from doing that. That's just an
10 investigative technique, so if you -- it would
11 seems to me if you had the authority to conduct
12 a criminal investigation, that would be the
13 authority to undertake whatever investigative
14 techniques you needed to undertake.

15 Q Did you understand they had the resources to do
16 that?

17 A I believe that they felt they did not.

18 Q Did -- I'm asking what your view was.

19 A I don't know the ins and outs of their
20 resourcing and what they could draw on or what
21 they couldn't draw on or how many investigators
22 they had, so I couldn't really comment from a
23 position of knowledge.

24 Q You were aware that they had no police vehicles;
25 correct?

1 A I'm not sure if I knew that or not.

2 Q Okay. So when you made this suggestion, was it
3 your view that it was a realistic suggestion?

4 A Well, they did investigate matters, and some of
5 them were criminal, so yes.

6 Q Okay. When you first moved to BCLC,
7 Mr. Alderson advised you that officer Calvin
8 Chrustie of the RCMP FSOC unit had recently
9 provided BCLC with a list of 36 players who
10 police said had received cash from organized
11 crime; correct?

12 A That happened on my first day during our first
13 briefing, yes.

14 Q And you say that was the first time BCLC had
15 obtained information from police that some of
16 the cash entering casinos was linked to
17 organized crime; correct?

18 A To my knowledge. I don't know if they had in
19 other instances.

20 Q Okay. Was that -- the idea that the proceeds of
21 crime was linked to organized crime, was that of
22 some significance to you?

23 A Yes, that was the first confirmation I'd seen
24 where there was this direct link to specific
25 transactions and players.

1 Q Why was that of significance, the link to
2 organized crime?

3 A Well, to be honest, the link to any crime would
4 have been concerning, and it required immediate
5 action.

6 Q Okay. So the idea that it was linked to
7 organized crime didn't raise your level of
8 concern at all?

9 A Well, certainly that would be more concerning,
10 but any level of crime is concerning.

11 Q Okay. You explain in your affidavit some of the
12 additional compliance steps you took on learning
13 that information which included implementing
14 formalized source of funds controls?

15 A That's correct.

16 Q Those controls were implemented where there were
17 any concerns at all over the source of funds;
18 correct?

19 A That's right.

20 Q Why wait for a specific concern in relation to a
21 particular individual rather than implement sort
22 of an across-the-board source of funds
23 requirement for all patrons at this point in
24 time?

25 A Yeah. So the guidance from both FINTRAC and

1 FATF was that the program should be risk based,
2 or that's the preference. In other words, there
3 should be reasonable barriers put up to money
4 laundering, but it shouldn't block legitimate
5 transactions. So on a risk basis, transactions
6 were vetted and where there was any concern
7 detected, then source of funds would be applied.

8 Q Okay. In or around October 2015, BCLC was
9 placing patrons on conditions and conducting
10 interviews of certain patrons; correct?

11 A Yes.

12 Q And at paragraph 104 of your affidavit, it says
13 that some of these players indicated that they
14 had received cash from a money service business
15 or a friend and that at least one player
16 identified Paul King Jin as the friend who
17 provided the cash; correct?

18 A That's correct.

19 Q Was that information of significance to you?

20 A Yes. It's all -- it's data points that help you
21 fine tune your compliance regime.

22 Q What additional compliance steps, if any, did
23 you take on learning about this link to Mr. Jin?

24 A Oh, with respect to Mr. Jin? Well, we --
25 certainly if any player was seen receiving funds

1 from Mr. Jin, the expectation would be that they
2 would be either put on cash conditions or
3 banned.

4 Q Okay. Did those compliance efforts impact the
5 volume of Suspicious Cash Transactions that were
6 observed after that?

7 A I don't know that off the top of my head. I'd
8 have to go back and look at the data. It's
9 possible they did.

10 Q Okay. Do you recall if they impacted revenue?

11 A Oh, I'm sorry, you're asking me if suspicious
12 transactions after we started doing source of
13 funds, if the trend changed?

14 Q Yes.

15 A Yes, it went down. There were fewer suspicious
16 transactions. And, I'm sorry, your next
17 question was ...

18 Q My next question was did it also impact revenue?

19 A Yes, it did.

20 Q And that was at your direction; correct?

21 A Yes. I need to qualify my last answer. I
22 believe that part of the revenue impact that we
23 saw subsequent to source of funds being
24 implemented were as a result. Mr. Commissioner,
25 we can't draw a cause-effect relationship, it's

1 correlational, but I believe it was in large
2 part responsible for the drop in revenue we saw
3 over the next 12 to 14 months.

4 Q GPEB engaged MNP to conduct an audit of certain
5 transactions at the River Rock between the
6 period of September 1, 2013, and August 31,
7 2015; correct?

8 A Yes.

9 Q Did you challenge GPEB's ability to have that
10 audit conducted by MNP?

11 A I don't recall that. I recall issues around
12 information flows and privacy concerns.

13 Q Okay. Were those issues around privacy concerns
14 resolved by a third party?

15 A Yes, they were.

16 Q And what was the outcome of that?

17 A The actual concern was that MNP wanted to do an
18 extraction of personal information from BCLC
19 databases and they wanted to do it without a
20 non-disclosure agreement or security protocols
21 that we were aware of put in place. So the
22 matter -- at the board's direction, the matter I
23 took back to GPEB was that MNP either had to put
24 in an NDA, a non-disclosure agreement, and
25 disclose what the security protocols were, or we

1 needed sign off from the Office of the
2 Information Privacy Commissioner to say that
3 that was okay because we didn't want to be held
4 responsible for any subsequent privacy breach.

5 It ended up being referred to the OIPC and
6 they opined that GPEB would take responsibility
7 for any privacy breach and then the information
8 was transmitted.

9 Q Okay. That report was dated July 26th, 2016;
10 correct?

11 A I believe so, yes.

12 Q And did you challenge the findings of that
13 audit?

14 A One of the findings, yes.

15 Q Do you recall which findings that was? Did you
16 want to tell the Commissioner about that?

17 A Certainly. During the presentation of the
18 findings, Mr. Commissioner, MNP stated that they
19 found that in 356, I believe, or 386 instances
20 of large cash transaction reports, that BCLC had
21 transmitted those to FINTRAC without mandatory
22 data fields being completed. Of course each one
23 of those would have been an offence under the
24 federal legislation.

25 That to me was immediately concerning,

1 first of all, that it might have occurred but
2 also my understanding at the time was it
3 couldn't occur. My understanding was that
4 BCLC's systems, the iTrak system and in
5 particular the FINTRAC module, was configured so
6 that a report which was completed by a -- for
7 LCTs was completed by a casino service provider
8 could not be closed and transmitted to FINTRAC
9 without mandatory data fields being completed.
10 That doesn't mean the information in them
11 couldn't be wrong. You could transpose a
12 driver's licence number or things like that, but
13 the field could not be blank. And I confirmed
14 with MNP at the time when they made this
15 statement that what they found was the fields
16 were blank, not that the information was wrong.

17 I also was informed that the FINTRAC system
18 was configured such that an LCT that was
19 transmitted by a reporting entity could not be
20 accepted by their systems with mandatory data
21 fields left blank. It would result in a batch
22 error. The entire batch would be rejected. It
23 would go back with a notice to the reporting
24 entity. They would have to investigate, correct
25 and resubmit. And I explained this at the

1 meeting, that I was perplexed by their finding
2 given these controls.

3 Q Okay. Were any changes made to the report after
4 you expressed that concern?

5 A No. I then went -- it was left. I then went
6 back and I met with the AML team and I explained
7 this finding, and I asked them to investigate,
8 and they, in conjunction with British Columbia
9 Lottery Corporation's IT department,
10 investigated.

11 They came back and they advised me that in
12 fact those controls were in place and that it
13 appeared that when the data extraction was done
14 to the specifications that MNP asked for, that
15 errors had occurred. This was actually the
16 second time this occurred. There was an initial
17 data extraction and it was corrupted and it
18 appeared that this -- that extraction also
19 suffered a corruption and in this case it was
20 this blanking out of information that was
21 otherwise present.

22 So I went back to both GPEB and MNP and I
23 reported what we found and what we believed to
24 be the case was the fact that these reports were
25 in fact submitted with mandatory -- all the

1 mandatory data fields populated. What I
2 suggested was that they not take our word for
3 it, that they either come into BCLC and work in
4 the production database and confirm that for
5 themselves -- they could look at the LCTs -- or
6 they could take the LCT number -- they all have
7 a unique identifier number -- provide that to
8 FINTRAC and ask FINTRAC to verify whether or not
9 the reports were in fact properly completed and
10 submitted at the time. And neither GPEB nor MNP
11 would undertake those actions, and a report was
12 published as it was written initially.

13 Q Okay. You say at paragraph 196 of your
14 affidavit that there was one recommendation you
15 supported, which was the idea that GPEB use its
16 statutory powers to issue a directive limiting
17 the amount of cash a casino could accept from a
18 customer at one time; correct?

19 A Yes. That was BCLC's position, yeah. And we
20 were all waiting for them to set the threshold.

21 MS. LATIMER: Okay. Madam Registrar, may I have
22 exhibit 73 placed before the witness, please.
23 And I'm looking for appendix J of this document,
24 which is at PDF 1006.

25 Q This is the MNP report. And if you look at

1 paragraph 4.2, it provides that:

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

13 Is that the recommendation that you are
14 referring to at paragraph 196 of your affidavit?

15 A I believe so, yes.

16 Q You'll agree with me having reread it that this
17 recommendation as also more -- or squarely
18 focused on a requirement of source of funds;
19 correct?

20 A Yes, it is.

21 Q And you agree that another recommendation in the
22 MNP report is that BCLC could enhance its
23 customer due diligence including confirmation
24 and verification of source of funds; correct?

25 A I'm sorry, could you repeat that one more time.

1 Q Another recommendation in this report is that
2 BCLC could enhance its customer due diligence
3 including confirmation and verification of
4 source of funds; correct?

5 A Perhaps. I don't recall that specifically.

6 MS. LATIMER: Maybe we could go to the next page,
7 Madam Registrar, please.

8 Q And I'm referring here to paragraph 4.7. And
9 here it says:

10 "BCLC's CDD --"

11 Which is customer due diligence.

12 "-- process meets Federal regulatory
13 requirements for standard risk patrons.
14 However, the process could be enhanced
15 from both a risk management and revenue
16 generation perspective with modifications
17 and additional resources to meet Enhanced
18 Due Diligence ("EDD") expectations for
19 high risk patrons. This may include
20 confirmation or verification of key
21 customer data including: source of
22 wealth, source of cash and occupation by
23 the Service Provider or BCLC for higher
24 risk patrons."

25 And so you'll agree with me that that was one of

1 the recommendations in the MNP report?

2 A Yes, it was.

3 Q Did you also agree with that recommendation?

4 A Yes. I believe by that time we were doing that.

5 I think the scope of their review was prior to

6 us putting in formal source of funds

7 requirements.

8 Q So when you read it together, do you agree that

9 MNP recommended that GPEB and BCLC consider

10 whether a bulk cash limit could be reasonably be

11 set for transactions where no source of funds

12 could be determined?

13 A I'm sorry, one more time.

14 Q Do you agree that MNP was recommending that GPEB

15 and BCLC consider whether a bulk cash limit

16 could reasonably be set for transactions where

17 no source of funds could be determined?

18 MR. DELBIGIO: Mr. Commissioner. It's Greg DelBigio.

19 It might not pertain to my client -- I don't

20 know yet -- but it seems to me that this

21 question, which is asking this witness to

22 interpret a document which he did not author, is

23 even by the -- within a commission not a

24 permissible question. His understanding of what

25 was meant in a paragraph written by some other

1 of large cash transactions to determine if
2 a bulk cash limit can be reasonably set
3 for transactions where no source of funds
4 can be determined."

5 Does that refresh your memory as to what the MNP
6 report recommended in terms of a limit on the
7 amount of cash and source of funds?

8 A Yes. I see that there. Yes.

9 Q Thank you. Do you agree that in early 2017 BCLC
10 was expressing concerns or reservations to
11 GPEB's General Manager on any kind of cash
12 limit?

13 A Not that I recall specifically. It's possible.

14 Q Okay. On February 3rd, 2017, did you attend a
15 meeting with Mr. Ackles and Mr. Meilleur at the
16 head office of GPEB in Victoria?

17 A Sorry, February 3rd, 2017? Yes.

18 Q At that meeting did Mr. Meilleur raise to your
19 attention a concern about bank drafts?

20 A He did.

21 Q Could you explain that situation to the
22 Commissioner, please.

23 A Yes. Mr. Commissioner, on that date -- that was
24 a standard meeting Mr. Meilleur and I had. We
25 had periodic meetings, usually once a month.

1 That one happened to be at his office in
2 Victoria.

3 During the course of the meeting
4 Mr. Meilleur explained that he had come into
5 information that showed that 10 of our top
6 players were purchasing bank drafts,
7 specifically bank drafts from TD Bank, that were
8 sourced from proceeds of crime directly. I
9 asked him for the names of those players, and
10 assured him that we would ban them that very
11 day. He declined to provide me the names of the
12 players.

13 Q Did he explain why he would not provide those
14 names?

15 A I don't recall specifically. It may have been
16 something to do with a police investigation.

17 Q What did you do in response to not receiving the
18 names?

19 A When I -- that was on a Friday. The following
20 week I believe I brief Mr. Lightbody, the CEO of
21 British Columbia Lottery Corporation, because
22 this was a very serious concern. I also spoke
23 to the AML team to see if they could see
24 anything that would give us any indication that
25 this was occurring and who was involved. That

1 work was done in May, I believe, of 2017.

2 Mr. Lightbody wrote to Mr. Meilleur. We
3 still didn't have the names. He wrote to
4 Mr. Meilleur, the General Manager and ADM
5 responsible for GPEB, asking if he might be able
6 to acquire and provide the names to us. By, I
7 believe, around the September time frame, we had
8 not received a response.

9 I then met with BCLC's AML team, and I
10 tasked them with pulling every bank draft for a
11 three-year period and looking for the
12 deficiencies that Mr. Meilleur had laid out. He
13 had said that not only was proceeds being used
14 to fuel these bank drafts, but they were -- in
15 some cases there were no name on the bank draft
16 or a name had been crossed out and another name
17 had been written in and other types of
18 deficiencies on the face of the draft like that,
19 things that we likely should have detected and
20 had not.

21 So we initiated a project that ran for
22 approximately six to eight weeks. Every bank
23 draft was acquired from the service provider,
24 because they're actually service provider
25 records, and they were inspected by a member of

1 BCLC's AML team. And the results were
2 documented and a report was eventually written.
3 We were unable to detect any of the deficiencies
4 that were reported to us at that time, and we
5 were largely at a stand-still at that point.

6 We thought a bit more about what other
7 controls we could put in as a result, and so
8 what we then started doing, because we couldn't
9 detect any of the anomalies that had ben
10 reported, was we put in a receipt requirement
11 for bank drafts to show that it -- at least to
12 show which account it came from. It doesn't
13 guarantee that it's the customer's account
14 because we can't get access to that information,
15 but at least it nails it down to an account that
16 it can be traced back to.

17 Q Okay. In June 2017 there was an announcement
18 that a number of people had been arrested as a
19 result of a project called E-Nationalize;
20 correct?

21 A Yes.

22 Q And you were upset that the RCMP and GPEB did
23 not share the names of those individuals who
24 were arrested with BCLC; correct?

25 A No, I wasn't upset. I was surprised.

1 Q Okay. Did you have an understanding of why they
2 hadn't shared those names?

3 A I don't.

4 Q Did they tell you any reason why not?

5 A Eventually I think it was alluded to that,
6 again, a police investigation.

7 Q But what about a police investigation?

8 A Just that there was one.

9 Q Okay. Following -- did BCLC -- following that
10 arrest, did BCLC observe a reduction in unusual
11 financial transactions?

12 A My recollection is there was a dip, yes.

13 Q You say at paragraph 175 of your affidavit that
14 you asked for some analysis of whether there was
15 a corresponding decline in other buy-in methods
16 and whether the change was of general
17 application or focused on certain players. Do
18 you recall what the outcome of that analysis
19 was?

20 A I don't recall it off the top of my head. I
21 recall asking for the work to be done, yes.

22 Q Okay. In June 2017 BCLC entered into an
23 information sharing agreement with the Civil
24 Forfeiture Office; correct?

25 A Yes.

1 Q What's the purpose of that agreement?

2 A Just to simplify the flow of information between
3 BCLC and civil forfeiture in the event that they
4 had cases that they were pursuing that would be
5 beneficial for them to receive information
6 directly from BCLC.

7 Q In other words, is it an agreement to facilitate
8 information from BCLC to the Civil Forfeiture
9 Office or is it -- does the information flow
10 both ways?

11 A Well, it was bilateral, but that was
12 primarily -- the primary function was to go from
13 BCLC to civil forfeiture.

14 Q Was the idea that BCLC could refer cases to the
15 Civil Forfeiture Office?

16 A Not at all, no.

17 Q Okay. So the idea is just for information that
18 relates to ongoing cases; is that correct?

19 A Yes. We didn't do investigations into any form
20 of money laundering at all. I mean, we did
21 customer due diligence inquiries, but those
22 didn't really rise to the level of
23 investigation, I don't think, that would have
24 been the foundation for a civil forfeiture
25 action.

1 Q Okay. And referring to paragraph 162 of your
2 affidavit where you describe a meeting of
3 October 2017 where you and others were present
4 for a briefing of Minister Eby on money
5 laundering controls in casinos. Do you recall
6 that meeting?

7 A I do.

8 Q Could you tell the Commissioner what the purpose
9 of that meeting was?

10 A The purpose of that meeting was for our board
11 chair, Mr. Smith, to brief the Minister on
12 BCLC's anti-money laundering regime and controls
13 in some detail.

14 Q And could you describe the topics of
15 conversation that were discussed there.

16 A With the Minister?

17 Q Yes.

18 A With the Minister, Mr. Smith ran him through
19 essentially all of the controls that we had, how
20 they functioned, what we were doing, referrals
21 to police in terms of information and requests
22 for investigation. We ran a gambit.

23 Q Was the offer made by Mr. Smith at that meeting
24 to remove high-limit table games from casinos?

25 A Yes. Mr. Smith pointed out to the minister and

1 permitted to see. It's up on -- something is up
2 on my screen right now and I bring it to the
3 commission's intention until, unless or in case
4 this is of concern to anyone.

5 THE COMMISSIONER: I think -- Ms. Latimer will
6 correct me if I'm wrong about this,
7 Mr. DelBigio, but I think any document that is
8 exhibited that is not expressly asked to be
9 either redacted or removed from the public live
10 stream is open for you to see.

11 So, Ms. Latimer, correct me if I'm wrong
12 about that.

13 MS. LATIMER: Mr. Commissioner, maybe I'll just pause
14 and see if any of the participants have an
15 objection. Certainly commission counsel doesn't
16 take the position that Mr. DelBigio is precluded
17 from seeing this document.

18 So hearing no objection, I take it it's all
19 right.

20 Q And I'll ask, Mr. Kroeker, if you could, to just
21 walk through the link analysis that you
22 presented to the Minister on this date.

23 MS. WRAY: Sorry, Mr. Commissioner.

24 THE COMMISSIONER: Yes.

25 MS. WRAY: This is BJ Wray with the Attorney General.

1 I'm just having some difficulty getting my video
2 started. There we go.

3 I do have objections to this because, as you
4 know, there is outstanding before you a document
5 disclosure issue related to Mr. Jin that has to
6 do with whether or not him personally or in fact
7 his counsel will be privy to certain documents.

8 I would be far more comfortable if we could
9 have that application dealt with before this
10 document was shown on the screen which would
11 permit Mr. Jin's counsel to see it.

12 MS. LATIMER: Maybe I'll just ask, Madam Registrar,
13 if you could take the document down, please.

14 And my suggestion, subject to a contrary
15 view by my colleague for Canada, is that I
16 believe Mr. Kroeker has a hard copy of the
17 document in front of him, and the Commissioner
18 does, and perhaps we could walk through the
19 analysis that way.

20 MS. WRAY: Yes, that's perfectly acceptable.

21 THE COMMISSIONER: All right. Thank you. Thank you
22 for bringing that up, Mr. DelBigio.

23 MR. DELBIGIO: Yes. And I'll say that I will agree
24 with this procedure right now. But that is not
25 to be taken as a concession of any sort with

1 respect to any upcoming application or the
2 validity of any concerns that any Attorney
3 General or anybody else might express.

4 THE COMMISSIONER: All right. Thank you.

5 Yes, Ms. Latimer.

6 MS. LATIMER:

7 Q Mr. Kroeker, could you walk us through the link
8 analysis that you provided to the minister,
9 please.

10 A Mr. Commissioner, this document is from -- well,
11 three years and a bit ago now. I can't speak to
12 it in the detail I could then. What I can do is
13 give a general description of what I understand
14 it to show.

15 THE COMMISSIONER: All right.

16 THE WITNESS: So the document -- this would be -- was
17 prepared by our intelligence analyst, and it
18 shows linkages between our players and others,
19 including people who we knew to be associated to
20 criminal activity or crime groups, and
21 transactions that look questionable, real estate
22 transactions. For instance, I believe this also
23 shows that there was a lawyer involved in
24 taking -- having his name put on title to
25 various real estate parcels and conducting other

1 transactions for persons known to us to be
2 associated to criminal activity.

3 I can't really go in much more detail than
4 that. But that's what the link analysis shows
5 and that's the type of due diligence we would do
6 when deciding whether or not to put conditions
7 on a player or ban them outright.

8 Q Information in a link analysis like this, does
9 it come from -- where does it come from?

10 A It comes from the multitude of sources. So the
11 analyst would have very restricted access to
12 some police information through the ISA, the
13 information sharing agreement with the police.
14 That would be quite limited. Most of it would
15 be open sources and subscription data. So
16 adverse media, court records, property
17 registries, all of those types of analytical
18 tools that are available to open source
19 analysis.

20 Q What was Minister Eby's reaction to this
21 information?

22 A He seemed largely disinterested in it, and at
23 the conclusion of my explanation, he looked down
24 and he noted that the author was Brad Rudnicki,
25 who was our analyst, and he said to me, what

1 would a guy with a name like Rudnicki know about
2 Chinese money laundering?

3 Q In the first week of December 2017, you met with
4 Mr. Lightbody and Mr. Desmarais and decided to
5 implement a limit of \$25,000 in cash per
6 customer per day by mid-January 2018; is that
7 correct?

8 A That's correct.

9 Q You describe in your affidavit that this
10 decision was communicated to Minister Eby?

11 A That's what I was advised by Mr. Lightbody. I
12 do not have direct knowledge of that.

13 Q You did not make that communication yourself;
14 correct?

15 A That's correct.

16 Q And can we look at paragraph 202 of your
17 affidavit where you describe the Minister's
18 reaction to that information. Am I correct that
19 you were not on the call that is described there
20 with Richard Fyfe?

21 A That's correct. Mr. Lightbody called me to
22 relay that information instructions to me.

23 Q And to the best of your understanding, Mr. Eby
24 was also not on that call?

25 A That is my understanding.

1 Q So what you've described in your affidavit
2 reflects only what Mr. Lightbody told you about
3 what Mr. Fyfe told him about what Mr. Eby told
4 Mr. Fyfe; correct?

5 A That is correct.

6 Q And you describe at paragraph 203 a second
7 telephone call that Mr. Lightbody had with
8 Mr. Fyfe and Mr. Godfrey and Mr. Doug Scott.
9 And again you were not on that call; correct?

10 A That's correct.

11 Q And Minister Eby was not on that call; correct?

12 A That's my understanding.

13 Q And at paragraph 204 you described a telephone
14 call that Mr. Lightbody had with Mr. German, and
15 again you were not a participant to that
16 telephone call; correct?

17 A That's correct.

18 Q If any of the participants in those telephone
19 calls had a different account of what occurred,
20 you'd agree they're better positioned to answer
21 questions about that; correct?

22 A Yes.

23 Q Following those telephone calls, you suspended
24 the implementation of the proposed cash cap;
25 correct?

1 A I did.

2 Q Did you have direct access to iTrak in your role
3 at BCLC?

4 A I did not.

5 Q Could you request information from it?

6 A I could.

7 Q And could you manipulate the information
8 directly?

9 A No.

10 Q In or around 2018 did Mike Hiller ever bring to
11 your attention a 2014 incident report that was
12 stored in iTrak? And reading the description of
13 it, it was in respect of a confidential source
14 who he considered to be a reliable source of
15 information, and you told him that major loan
16 sharks were operating in BC casinos and that the
17 vast majority of VIPs get the money they gamble
18 with in Lower Mainland casinos from loan sharks,
19 and that he was told that these loans plus a
20 commission are repaid in China and that good
21 customers pay a lower commission. Does that
22 ring a bell?

23 A Absolutely. I don't -- I can't recall the date.
24 Mr. Hiller did bring that to my attention. And
25 over the period of our time working together at

1 BCLC, Mr. Hiller and I probably met three or
2 four times, and he brought that to my attention
3 each and every time we met.

4 Q And what actions, if any, did you take in
5 response to that report?

6 A On the first occasion I asked him what had come
7 of his report. He told me, to the best of my
8 recollection, it had been documented in iTrak.
9 I can't recall specifically if it had been the
10 subject of a Suspicious Transaction Report or
11 not, but he told me he had contacted the police
12 and he had provided that information, he had
13 provided it to Mr. Desmarais and he had provided
14 it to GPEB.

15 Q Okay. Did you make any comments on the report
16 in iTrak?

17 A I had no access to iTrak.

18 Q Okay. Did you make any followup to that report?

19 A Yes. I followed up with Mr. Desmarais around
20 his understanding, and Mr. Hiller's reports that
21 this had all been passed on to police and
22 others. And Mr. Desmarais confirmed that that
23 was his understanding as well was that the
24 information had been passed on to the competent
25 authorities.

1 Q Okay. In 2018 there was a planned BCLC
2 directive imposing a limit on the amount of cash
3 that could be paid out from a casino to a patron
4 to \$25,000 a day per 24-hour period; is that
5 correct?

6 A Yes.

7 Q And BCLC sought to implement those changes in or
8 around March 2018; correct?

9 A Yes.

10 Q What was the outcome of that effort?

11 A So it was that control and two other AML
12 controls. There was a suite of them. We
13 received direction from the Attorney General's
14 office to hold off on that until Mr. German's
15 report was issued.

16 Q Okay. So those changes -- that change that we
17 were just discussing was ultimately delayed
18 until August 2018; correct?

19 A Correct. Until after Mr. German's report was
20 released.

21 Q And BCLC withdrew that directive the day after
22 it was issued; correct?

23 A That's correct.

24 Q And what was the basis for that reversal?

25 A We had consulted with GPEB over a period of

1 about six months in the development of those
2 controls and they had, in my view, signed off on
3 them. They had approved then and said that they
4 were appropriate and proper.

5 When we finally moved forward and we
6 implemented it, the first thing that happened
7 was I got a phone call from Ms. Fitzgerald from
8 GPEB and she asked me to pull those controls
9 back. And I said I didn't understand; we had
10 consulted with them and we thought that they
11 were in agreement. And she said they were, but
12 now they wanted a chance to have another look at
13 them, and she directed me to pull them back.

14 Subsequent to that, Mr. McLeod, who was
15 then the General Manager and ADM, made similar
16 phone call to me and stated the same thing. And
17 as a result, we pulled them back.

18 Q What was your reaction to the suggestion in
19 media reports that a player could buy in with
20 cash and leave the casino with a cheque after
21 minimal play?

22 A You mean the first time I saw that major report
23 on that, I'll call that, on September 29th,
24 2017? Yes. I was at home when I saw that, and
25 I -- my immediate reaction was one of three

1 things had occurred: the controls had been
2 compromised and they weren't working the way we
3 thought they were, if that was occurring; or
4 there was corruption that we had staff
5 subverting the controls -- in other words, the
6 controls were appropriate or they worked, but
7 they were being undermined by staff at the
8 casino -- or there was an error. Either way,
9 that was an extremely serious allegation and we
10 had to know which of those three scenarios was
11 accurate.

12 So that evening I phoned the contact I had
13 at Ernst & Young advisory. I laid out the media
14 report and said we had to know, and I wanted to
15 engage them to conduct an audit of every cheque
16 written for the years 2014, 2015, 2016, which
17 was the relevant period based on the media
18 reports, for each of the big five casinos in the
19 Lower Mainland

20 Q And that audit was conducted, and what was the
21 outcome of that?

22 A The outcome -- yes, there was a lot of to and
23 fro and the audit was ultimately completed by
24 January of 2019. And the outcome was that the
25 allegation that bags of money were brought in,

1 the player engaged in little or no play and then
2 subsequently received a cheque, effectively
3 laundering the money, that the did not occur on
4 any systemic level. I believe there was one
5 checkout of 20 -- roughly 2,400 where there were
6 some questions. And there was further questions
7 around approximately 48 other cheques that
8 showed anomalies coming from 29 players.

9 And EY was then asked to do a complete
10 analysis of those players' play histories, and
11 they found that the anomalies had been detected
12 by the controls and had been responded to
13 appropriately.

14 Q And did the EY report address any other money
15 laundering typologies that might occur in
16 casinos?

17 A I don't believe so.

18 Q Okay.

19 A To qualify a little bit, when they looked at the
20 players, the specific 29 players, I think they
21 looked at all money laundering typologies with
22 respect to those, but not with respect to their
23 general work.

24 Q Okay. The EY report findings and conclusions
25 were presented to Minister Eby; correct?

1 A Yes, they were.

2 Q And also present at that meeting -- who else was
3 present at that meeting to the best of your
4 recollection?

5 A The meeting with the Minister at the Minister's
6 office?

7 Q Yes.

8 A There were many people there. So -- of course
9 the Minister was there. I believe Deputy
10 Minister Richard Fyfe was there. Deputy
11 Minister Doug Scott was there. There were two
12 representatives from EY, the lead for British
13 Columbia and the lead who actually did the work.
14 Mr. Lightbody was there. Mr. Kappel, the then
15 board chair of BCLC, was there. And there was a
16 number of political staffers in the room as
17 well. Mr. McLeod was there from GPEB.

18 Q What was Mr. Scott's reaction to the findings
19 and conclusions in that report?

20 A At that meeting?

21 Q Yes.

22 A I don't recall him having any reaction at that
23 meeting. There had been comments from him at
24 two prior BCLC board meetings.

25 Q And what were those?

1 A He -- the preliminary findings were brought
2 forward, I believe, on September 14th, 2018, at
3 a BCLC board meeting, which Mr. Scott was in
4 attendance at. And there was a brief
5 run-through of what the findings were, the ones
6 I've just described, and Mr. Scott indicated
7 that that was going to be problematic for
8 government because it tended to undercut
9 Mr. German's report to the extent that
10 Mr. German found that that activity did happen.

11 Q Were Mr. Scott's concerns focused on a potential
12 public communication challenge arising from the
13 audit in that if it was taken in isolation, it
14 could be reported or interpreted as concluding
15 that there was no money laundering in casinos?

16 A No, he didn't express that view either on
17 September 14th or when the -- there was a
18 subsequent meeting on, I believe, January -- I
19 believe it was January 19th or thereabouts,
20 2019, where the BCLC board was run through the
21 EY audit in detail by BCLC's internal audit
22 group.

23 At that meeting there was a discussion that
24 the report should go to the minister, but it had
25 to go over in a form that would allow the

1 minister to shield it from public release.

2 There was no discussion around -- that that was
3 done because of worries about context.

4 Q The comments that you attribute to Mr. Scott
5 about the problematic nature of the report, was
6 the Minister Eby present when those comments
7 were made?

8 A No, he was not.

9 Q Was the Deputy Minister present when those
10 comments were made?

11 A Mr. Scott was.

12 Q Yes, Mr. Scott was the ADM; correct?

13 A Associate Deputy Minister, yes.

14 Q Right. Was the Deputy Minister present?

15 A Which one? There was no deputy ministers
16 present.

17 Q Okay. When Mr. Scott made the -- when you say
18 Mr. Scott made the comment you've attributed to
19 him about finding a way to shield the report
20 from being conveyed, was the Minister Eby
21 present when that comment was made?

22 A No, he was not.

23 Q Was the Deputy Minister present when that
24 comment was made?

25 A No deputy minister was present, no.

1 Q Okay. What was the minister's reaction to the
2 report?

3 A He -- the meeting, I recall, was about an hour
4 long. Most of it was consumed by the Minister
5 asking questions of EY on the report.

6 Q Did he give any direction on the release of the
7 report?

8 A Not in my presence.

9 Q Okay. In 2018 BCLC concluded that all money
10 service businesses were beyond BCLC's risk
11 tolerance and directed service providers not to
12 accept transactions involving funds from money
13 services business; is that correct?

14 A Yes.

15 Q And at paragraph 218 of your affidavit you
16 describe that you learned from Mr. Lightbody
17 that Minister Eby had given a strong negative
18 reaction to this orally at a board meeting;
19 correct?

20 A No. In a phone call.

21 Q In a phone call. You were not -- you were not a
22 participant in that phone call; correct?

23 A That's correct.

24 Q Did you have any oral conversations with
25 Minister Eby or written conversations with

1 Minister Eby about this issue?

2 A There was a letter from him that I was provided
3 that said we were not to implement in the AML
4 controls. That was the issued, I believe, at
5 the end of January 2019.

6 Q That was the letter from Minister Eby described
7 at paragraph 219 of your affidavit and addressed
8 to Mr. Lightbody; correct?

9 A Yes, correct.

10 Q Was that shared with you at the time?

11 A It was.

12 Q Did that communication from Minister Eby impact
13 the manner of implementation or timing of this
14 proposed policy change?

15 A No. Mr. Lightbody and I discussed the letter.
16 I believe Mr. Lightbody had a followup
17 conversation with Mr. Fyfe, who said that the
18 letter shouldn't be interpreted to apply to the
19 MSB control and that we were good to proceed. I
20 also told Mr. Lightbody that had -- given
21 conversations and direction, I believe I
22 received from FINTRAC, that being told not to
23 proceed with that control would have been
24 significantly problematic not only for BCLC but
25 for me personally.

1 Q You describe a phone call in August 2018 from
2 Minister Eby's ministerial assistant in which
3 BCLC was directed to put a \$60 million decrease
4 in revenue that BCLC had forecast originally in
5 2017 into projections for the current fiscal
6 year; correct?

7 A From his ministerial assistant, yes.

8 Q Was that a phone call that you received
9 directly?

10 A It was not.

11 Q Who was who received that telephone call?

12 A Our chief financial officer said that she
13 received the call and that's what she reported
14 out at a discussion on a budget at a BCLC
15 executive meeting.

16 Q And who is that?

17 A Amanda Hobson.

18 Q And who was Minister's Eby's ministerial
19 assistant at the time?

20 A I believe it was -- it was either Mr. Godfrey or
21 Mr. Harder. I think at that point it was
22 Mr. Harder.

23 Q Your information about the contents of that
24 telephone call to the extent it differs from
25 those people's, we should rely on their

1 information; correct?

2 A Yes.

3 Q Okay. At paragraph 267 of your affidavit, you
4 say that this direction was an attempt to show
5 that the German recommendations had a dramatic
6 impact on casino revenue. What is the basis for
7 that belief?

8 A The discussion at the executive meeting and
9 Mr. Eby's comments in the media that he expected
10 that the AML controls coming out of the German
11 report would have a dramatic financial impact.
12 I should also add in clarification to your last
13 question was I did make contemporaneous notes to
14 each of those telephone conversations with
15 Mr. Lightbody and the information provided by
16 the CFO. Although you're correct, I was not
17 privy to the direct communications themselves.

18 Q Is another explanation for that change in the
19 forecast that the government did not think that
20 BCLC would meet its forecast?

21 A I've never heard that.

22 Q In November 2018 you sought feedback from the
23 government on lowering the trigger for
24 ascertaining customer identity from \$10,000 to
25 \$3,000; correct?

1 A I sought direction from government?

2 Q You got feedback from government about lowering
3 that trigger?

4 A I believe so. I don't -- I can't recall the
5 specifics, but I believe that's correct.

6 Q Okay. Do you recall what the response to that
7 was?

8 A I don't.

9 Q Okay. Dr. German recommended that BCLC provide
10 iTrak access to GPEB and the RCMP in their
11 respective offices. What was your response to
12 that recommendation?

13 A We implemented that immediately. We started
14 putting in -- the iTrak terminals into GPEB and
15 arranging to put one into RCMP headquarters at
16 Green Timbers.

17 Q Did you raise privacy concerns at the time?

18 A Actually, general counsel first raised them, as
19 did the information privacy and security group
20 that reported to me, and I communicated those
21 concerns to Mr. Lightbody.

22 Q Those concerns -- I take it, you implemented the
23 recommendation despite those concerns; is that
24 correct?

25 A Those concerns came up after the implementation

1 had occurred.

2 Q What steps, if any, were taken to address those
3 concerns?

4 A General counsel came to me and expressed that --
5 the view that we were offside -- we being
6 British Columbia Lottery Corporation -- was
7 offside with the provincial *Privacy Act*. This
8 matter had become incredibly sensitive and
9 politically charged, and I was concerned for her
10 if she wrote that opinion and we relied solely
11 on her opinion, her being in-house. So I
12 advised her to get an external opinion on the
13 issue, and she did.

14 Q And the -- ultimately the province ordered the
15 installation of the iTrak terminals in the -- in
16 GPEB and RCMP in their respective offices;
17 correct?

18 A Yes, that's correct.

19 Q In the affidavit you describe increasing
20 involvement from government in BCLC's responses
21 to media requests in 2018 and 2019; is that
22 right?

23 A That was my experience, yes.

24 Q Your conclusion was that this involvement was
25 government's attempt to control the narrative

1 about suspicious cash transactions in casinos;
2 correct?

3 A To some extent, yes.

4 Q What was that conclusion based on?

5 A Normally my experience had been that if there
6 was a media report that was erroneous, that BCLC
7 would provide the media outlet or the reporter
8 with factual and other data that would help set
9 the context and may actually contradict -- the
10 data may actually contradict what had been
11 written.

12 My understanding from conversations with Mr.
13 Lightbody and the VPA of communications was that
14 we were no longer permitted to do that to the
15 extent that it would contradict statements made
16 by government with respect to money laundering.

17 Q You did not discuss that issue directly with the
18 Minister, did you?

19 A No.

20 Q Did you discuss it directly with the Deputy
21 Minister?

22 A Not that I recall, no.

23 Q Did you discuss it directly with anyone in
24 government or is your information from other
25 people at BCLC?

1 A You know, it may have come up in joint meetings
2 that we had with GPEB officials and with the
3 anti-money laundering secretary, but I can't say
4 for certain.

5 Q You don't have a specific recollection of that?

6 A I do not.

7 Q Okay. At paragraph 269 of your affidavit, you
8 describe a conversation you had in March 2019
9 with Dave Boychuk about BCLC's vetting of access
10 to information requests. Do you recall that?

11 A I do.

12 Q You say he directed that BCLC need to find a
13 legal interpretation that better supported what
14 Minister Eby wanted to do, which was to release
15 documents in full; correct?

16 A That's correct.

17 Q You don't suggest that that direction came from
18 Minister Eby, do you?

19 A I don't know where it came from. That's what
20 Mr. Boychuk stated at the meeting.

21 Q Okay. At paragraph 270 you say you received a
22 strange request from Doug Scott in May 2019.
23 And you say he said that the Minister wanted
24 detailed personal information about a specific
25 player. The information was sent to Minister

1 Eby and within a day or two Mr. Cooper wrote a
2 story about the individual containing
3 confidential information on the player from the
4 BCLC files. My question is do you mean to
5 suggest that Minister Eby gave confidential
6 information on a gaming patron to Mr. Cooper?

7 A I don't know if that's what occurred or not.
8 All I'm laying out is what I observed and what I
9 did.

10 Q Another possibility is that Mr. Cooper got the
11 information somewhere else?

12 A Yes, that possibly could have happened.

13 Q Okay. You were terminated from your position
14 with BCLC in July 2019?

15 A I was.

16 Q Were you ever told the reason for that
17 termination?

18 A Not specific reasons, no. But I understand it
19 had nothing to do with the AML file.

20 Q Your understanding is it had nothing to do with
21 the AML file or responses to Dr. German or
22 anything related; correct?

23 A That's correct. And it was without cause.

24 MS. LATIMER: Okay. Thank you. Those are the
25 questions that I have for this witness,

1 Mr. Commissioner.

2 THE COMMISSIONER: Thank you, Ms. Latimer. Sorry, go
3 ahead.

4 MS. LATIMER: I apologize for interjecting, but I
5 believe the province had some scheduling issues,
6 and so if we could move to the next participant
7 on the list, whoever it is that would be ...

8 THE COMMISSIONER: All right. That's fine. We'll
9 commence, then, with Ms. Gardner, who had been
10 allocated 15 minutes on behalf of Canada.

11 MS. GARDNER: Thank you, Mr. Commissioner.

12 **EXAMINATION BY MS. GARDNER:**

13 Q Good afternoon, Mr. Kroeker. Can you hear me
14 okay?

15 A I can.

16 Q Thank you. Mr. Kroeker, I'd like to start by
17 taking you to paragraph 33 of your affidavit, if
18 you have it in front of you.

19 A I'm sorry, 33?

20 Q Paragraph 33.

21 A Yes.

22 Q So in that paragraph you're describing that
23 around this time -- and this is around 2012 --
24 FINTRAC had completed an audit of BC casinos,
25 including those operated by GCGC. And you go on

1 to say that the audit appeared to have gone well
2 and that:

3 "The FINTRAC report did not mention any
4 money laundering transactions having been
5 detected and no major concerns were raised
6 by FINTRAC."

7 Is that -- have I read that accurately?

8 A Yes, that's my understanding.

9 Q Now, when you say that the FINTRAC audit report
10 did not mention any money laundering
11 transactions being detected, what did you mean
12 by that?

13 A I mean they didn't find in their findings that
14 they had detected any money laundering
15 transactions moving through the casino.

16 Q Now, I just want to ensure that the Commissioner
17 is not left with the impression that the role
18 FINTRAC plays in compliance audits would be to
19 identify the reporting entities that money
20 transactions -- money laundering transactions
21 have in fact occurred. In your experience with
22 FINTRAC compliance audits, are you saying that
23 it's your understanding that that is something
24 they would identify in a compliance audit?

25 A My experience has been that when FINTRAC does a

1 compliance audit, they look at thousands, if not
2 tens of thousands, of transactions. They look
3 at STRs particularly closely. And I would
4 assume that if there was evidence of money
5 laundering disclosed as a result of the review,
6 that would find its way into the report as a
7 finding.

8 Q And would it be accurate, then, to say that your
9 understanding is that when FINTRAC is reviewing
10 STRs closely as part of this compliance audit
11 function, that what they're looking at is
12 whether or not certain transactions met a
13 threshold which FINTRAC has set that requires a
14 reporting entity to report the transaction?
15 Would that be accurate?

16 A I think you're asking me what FINTRAC's internal
17 policy is. And I couldn't speak to that.

18 Q Well, as the VP of compliance and someone with
19 experience dealing with and receiving the
20 reports of compliance findings, I'm asking your
21 understanding of what -- maybe it would assist.

22 MS. GARDNER: Madam Registrar, can we turn to
23 exhibit 145 of Mr. Kroeker's affidavit. Or
24 rather, I suppose in light of some of the
25 conversations earlier today, if -- perhaps we

1 won't show that on the screen in retrospect.

2 But if Mr. Kroeker has that before him, perhaps

3 he could turn there.

4 THE WITNESS: I should. Yes, I do. Yes, I have it.

5 MS. GARDNER:

6 Q Thank you. This is a July 14, 2016 letter
7 addressed to you from FINTRAC; is that correct?

8 A Yes.

9 Q And this was a -- this letter, the subject
10 matter of it is "compliance examination
11 findings," and this was a compliance examination
12 that occurred during your tenure at BCLC?

13 A Yes, that's correct.

14 Q So I just want to draw your attention to the
15 first paragraph. Here it sets out that:

16 "The purpose of this letter is to
17 communicate the results of FINTRAC's
18 recent examination."

19 And then I'm going to suggest to you that the
20 rest of the sentence sets out the purpose of
21 that examination, which is:

22 "To assess British Columbia Lottery
23 Corporation's compliance with the
24 requirements under Part 1 and Part 1.1 of
25 the *Proceeds of Crime (Money Laundering)*

1 *and Terrorist Financing Act* and its
2 associated regulations."

3 Have I read that accurately?

4 A Yes, you have.

5 Q So what is your understanding, then, of BCLC's
6 requirements, the requirements for reporting
7 under the *PCMLTFA* and its regulations?

8 A You want me to list everything that BCLC has to
9 do under its compliance plan? Is that what
10 you're asking me to do?

11 Q No, I think that's perhaps unnecessary. But is
12 it your understanding that those -- the
13 provisions of the *PCMLTFA* and regulations, they
14 require BCLC to report certain transactions that
15 include specific indicators that may indicate
16 suspicion or that meet a certain threshold?

17 A Yes.

18 Q And so when you read this 2016 letter from
19 FINTRAC, was it your understanding that FINTRAC
20 was auditing BCLC for compliance with those
21 specific reporting obligations?

22 A Yes.

23 Q And are you aware of what FINTRAC does with the
24 reports it receives through reporting entities?

25 A In terms of analysis? I know they analyze them

1 and where they -- they analyze them for money
2 laundering transactions, and they then will
3 compile disclosures to law enforcement bodies.

4 Q And you're aware, then, that those intelligence
5 disclosures, FINTRAC is limited in their ability
6 to distribute those disclosures?

7 A The formal disclosures, yes.

8 Q And so they -- you're aware that those
9 intelligence disclosures cannot be provided to
10 reporting entities, for example?

11 A Intelligence disclosures, yes.

12 Q So would you agree with me, then, that the --
13 that FINTRAC's audit is assessing compliance
14 with the specific reporting obligations but
15 FINTRAC would not tell BCLC or another reporting
16 entity if it had detected through analysis of
17 intelligence that money laundering actually
18 occurred?

19 A Well, those are two -- no, those are two
20 different things. When they conduct an audit,
21 in my experience, if they come across
22 circumstances that are suspicious that we
23 haven't identified as suspicious, they tell you
24 that that is suspicious; it should have been
25 flagged as such; it looks like money laundering,

1 and you should have reported it. In fact, there
2 were findings to that effect in the last audit
3 that I dealt with.

4 That's a separate issue from whether or not
5 they then compile an intelligence report to spur
6 a police investigation, which isn't shared. I
7 see those as two completely different things.

8 Q So is it accurate, then, to say that when your
9 paragraph 33 states that no money laundering
10 transactions were detected, what you meant was
11 that FINTRAC did not indicate that there were
12 any suspicious transactions with indicators that
13 were suspicious and perhaps indicated money
14 laundering that were detected but not reported?

15 A Well, I wouldn't go -- I wouldn't --

16 Q Detecting an actual money laundering transaction.

17 A I would expect if they came across a transaction
18 that they were -- that they believed to be a
19 money laundering transaction that we failed to
20 detect, they would have brought that to our
21 attention. That was my understand and that's
22 what I would have expected.

23 Q But you would have expected that if there was a
24 transaction that met the level of suspicion that
25 triggered your requirement to report, they would

1 have flagged that in the audit if that had not
2 been reported, but they would not have confirmed
3 an actual money laundering transaction taking
4 place. They're looking at the --

5 MR. DELBIGIO: Mr. Commissioner, it's Greg DelBigio
6 again. I don't know if this one day might bear
7 upon my client, but this -- counsel is asking
8 this witness to simply speculate upon matters
9 that might pertain to her client. But I cannot
10 understand how speculation assists this
11 commission at all.

12 THE COMMISSIONER: Well, maybe I'm not following the
13 questions and answering correctly, but as I
14 understand it, this line of questioning is meant
15 to distinguish between whether FINTRAC
16 identifies through its audit transactions that
17 ought to have been reported but were not versus
18 transactions that were reported which ought to
19 lead to a charge of money laundering and that
20 the former, as I understand it, would be part of
21 the audit, the latter would not. Is that the
22 question essentially, Ms. Gardner?

23 MS. GARDNER: That is, Mr. Commissioner, that's
24 correct, and the degree to which Mr. Kroeker
25 understands that distinction.

1 THE COMMISSIONER: Yeah, I mean, I think that's a
2 fair line of inquiry. Mr. Kroeker, do you
3 understand that to be what you've been asked?

4 THE WITNESS: Yes. Although, Mr. Commissioner, I'm
5 not sure I entirely agree with that. My
6 experience with FINTRAC is if they came across a
7 money laundering transaction during a review,
8 they would tell us about it.

9 THE COMMISSIONER: Okay.

10 MS. GARDNER:

11 Q Okay, Mr. Kroeker. I just want to move on
12 quickly to discuss some of the evidence you gave
13 earlier today in response to Ms. Latimer asking
14 you questions about paragraphs 66 to 68 of your
15 affidavit.

16 A I have those.

17 Q Thank you. So in these paragraphs, I'll just
18 briefly summarize and you can let me know if
19 that's a fair summary, but you discuss a meeting
20 with Detachment Commander Nessel of the Richmond
21 RCMP in early 2015 expressing concerns of not
22 seeing investigation underway. And then a few
23 weeks later -- and I believe you said in
24 testimony today that you think it may have been
25 four to six weeks later -- you met again, and he

1 related to you some conversations with his
2 superiors. And then finally in paragraph 68 you
3 say that you believe no investigation began
4 until Mr. Cal Chrustie, former RCMP
5 superintendent, became involved in 2015. Is
6 that a fair summary?

7 A Sorry, which -- the last point, please, if you
8 could just -- which paragraph are you referring
9 to?

10 Q That's the last portion of paragraph 68:

11 "I believe that no investigation began
12 until Mr. Cal Chrustie, former RCMP
13 superintendent, became involved in 2015."

14 A That's my understanding, yes.

15 Q And so it was your belief that the investigation
16 didn't begin until Cal Chrustie became involved;
17 correct?

18 A The investigation with respect to proceeds being
19 brought in and spent by players. I can't speak
20 to any other investigation that might have been
21 occurring.

22 Q Are you aware that Cal Chrustie became involved
23 as early as February 2015?

24 A No, this is my understanding here.

25 Q Right. I'll just turn you to exhibit 12 in your

1 affidavit. Appreciating that there are many
2 documents here, but I'll just ask you to turn
3 that one up, if you can.

4 A Okay. I have it.

5 Q And I understand that this was an email that
6 you've appended to your affidavit setting out
7 information about various meetings between BCLC
8 and law enforcement 2014/2015. Were you
9 familiar with that?

10 A Yes.

11 Q And you'll see some of the way down the page,
12 approximately halfway, there's a notation for
13 February 12th, 2015?

14 A Yes.

15 Q It appears to relate to a meeting with John
16 Karlovcec; Brad D., who I assume is Brad
17 Desmarais; Kris Gade; FSOC members; two VPD
18 members. And then it says "meeting was at the
19 request of Cal Chrustie." Do you see that?

20 A Yes.

21 Q Does that refresh your memory that Cal Chrustie
22 was involved as early as February 2015?

23 A Well, it looks like there's a conversation but
24 it doesn't make reference to an investigation
25 being underway, so yes.

1 Q Right. And I think you fairly admitted in your
2 testimony earlier today that there were certain
3 indicators that you would have expected to see
4 if an investigation was taking place, but not
5 observing those didn't necessarily confirm in
6 your mind that there was no investigation. Is
7 that a fair summary?

8 A That's right, yes.

9 Q And you'd agree that the RCMP members involved
10 in the investigation would be the ones best
11 positioned to confirm exactly when an
12 investigation may have taken place or began?

13 A Absolutely, yes.

14 MS. GARDNER: Let me just review my notes briefly.

15 Those are all my questions for this
16 witness, Mr. Commissioner.

17 Thank you, Mr. Kroeker.

18 THE COMMISSIONER: Thank you, Ms. Gardner. I'll now
19 call on Mr. Smart on behalf of the BC Lottery
20 Corporation, who's been allocated 20 minutes.

21 MR. SMART: Thank you, Mr. Commissioner. I just want
22 to raise an issue at the beginning, and that's
23 this, is that we're all trying to be careful on
24 how much time we request from the commission to
25 answer questions given the number of witnesses

1 and the time limitations. BCLC has been granted
2 less than it sought; it's been granted
3 20 minutes. Mr. Jin has been granted
4 45 minutes. And so I raise whether Mr. Jin is
5 seeking to testify at the commission, counsel --
6 whether Mr. DelBigio may let us know because
7 that may impact. If he's going to testify or
8 commission counsel is seeking to have him
9 testify, that may impact some of the evidence we
10 will lead from witnesses that directly bear on
11 Mr. Jin.

12 So before I begin, I appreciate I am raising
13 this, but I didn't know until this morning that
14 Mr. DelBigio was granted 45 minutes. And I note
15 that other than one concern raised by counsel
16 for Canada, Mr. DelBigio is the one who's been
17 objecting to evidence. So I'm just wondering
18 what Mr. Jin's participation is going to be
19 having been granted 45 minutes, whether he is
20 going to be testifying at this inquiry or
21 seeking to testify at this inquiry or not.

22 MR. DELBIGIO: Yes, Mr. Commissioner, with respect to
23 my objections. Again, I do understand this is a
24 commission, but nonetheless some rules of
25 evidence apply, and it's important that any

1 findings of fact be based upon proper evidence.
2 And so simply as a lawyer who is concerned with
3 rules of evidence, I make objections and it is
4 fully within my prerogative to do so. And if
5 other lawyers are content to have hearsay and
6 guesswork and the rumour and gossip be admitted
7 as evidence, that is also their prerogative on
8 behalf of their clients.

9 Whether or not Mr. Jin might one day through
10 any means be a witness is irrelevant to the time
11 allocation. I asked for an amount of time; I
12 was given that amount of time. I'm not sure how
13 time gets allocated, but Mr. Smart has been
14 participating on behalf of his client for some
15 time, and his complaint, as I understand it, is
16 that he has potentially -- I'm not sure if his
17 complaint is that his time allocation does not
18 allow him to do his job or if his complaint is
19 simply an imbalance perceived on some basis.

20 And if Mr. Smart requires more time to
21 conduct a cross-examination that he feels is
22 appropriate, then I submit the appropriate
23 remedy is for him to make an application or
24 request or whatever it's called. It will be
25 considered and if more is allocated based upon

1 that, then his concern is addressed. But it is
2 not correct that his concerns with respect to
3 time should in any way be addressed or connected
4 to who might testify in the future. I mean,
5 that's just not a -- I say with respect to
6 Mr. Smart, a real connection. He might be
7 curious with respect to who might testify, and
8 as I understand it, the commission is providing
9 lists of people who are on their witness list.
10 And in that way Mr. Smart is in the same
11 position as everybody.

12 THE COMMISSIONER: Well, all right. I don't think
13 that really addresses your question, Mr. Smart,
14 but I don't think I have yet turned down anyone
15 who seeks more time to examine. We're certainly
16 not where a basis is laid for it.

17 As to Mr. DelBigio's and Mr. Jin's
18 involvement in this, it's very much in its
19 infancy and where it goes from here is yet to be
20 seen. But I can't at this stage make any
21 rulings one way or the other. All I can do,
22 Mr. Smart, is invite you to conduct your
23 examination, and if you require more time, I'll
24 certainly consider that.

25 MR. SMART: Thank you, Mr. Commissioner. I was just

1 drawing a comparison. I was looking at the
2 amount of time, which is more than most of the
3 participants, and I was wondering whether that
4 allotment was because Mr. Jin was going to be
5 testifying and that may impact questions we ask
6 witnesses. But Mr. DelBigio has told you that
7 he may or may not testify. That will be
8 something down the road, so I will proceed on
9 that basis. Thank you.

10 THE COMMISSIONER: That may or may not be up to
11 Mr. DelBigio, but time will tell.

12 MR. SMART: Yes. Thank you.

13 **EXAMINATION BY MR. SMART:**

14 Q Mr. Kroeker, how many years in policing did you
15 have in your background?

16 A Approximately 12.

17 Q And during that time did you deal with drug
18 traffickers?

19 A I did.

20 Q And you received a law degree as well?

21 A I did, yes.

22 Q Where did you go to law school?

23 A University of Victoria.

24 Q Okay. Did -- I assume like most law schools
25 that includes courses on criminal law?

1 A It does.

2 Q Any particular focus on the areas of law that
3 pertain to the commission here you're testifying
4 at?

5 A At the time -- the proceeds legislation in
6 Canada was new in 1991, and as part of our
7 course of studies we had to do at least one term
8 that was directed studies, and I focused on the
9 new legislation proceeds of crime law in Canada
10 and that was a six-month course of study.

11 Q You've testified that you were the executive
12 director of the BC Office of Civil Forfeiture
13 for six or seven years?

14 A Just under seven, yes.

15 Q Okay. Did you take courses on money laundering
16 in particular or do research to prepare for that
17 responsibility?

18 A I did not take formal courses. I did
19 considerable research both in the Canadian, UK,
20 Australian and US context. And I was assisted
21 greatly by my colleague in Ontario who had gone
22 first and set up their Civil Forfeiture Office.

23 Q Okay. And I noted describing your work with the
24 Civil Forfeiture Office, and I'll just read this
25 to you. At paragraphs 10 you say you "worked

1 extensively on money laundering and proceeds of
2 crime matters with police and other enforcement
3 agencies across BC as well as officials from the
4 United States who collaborated with BC law
5 enforcement."

6 Did that assist you in gaining more
7 knowledge about money laundering and techniques
8 for money laundering?

9 A Yes. Virtually every case we had either
10 involved money laundering or proceeds and, in
11 some case, instruments.

12 Q And you also say in that paragraph that you were
13 "responsible for the conduct of more than
14 1,200 money laundering, proceeds of crime, and
15 instruments of crime civil cases, resulting in
16 the recovery of over \$30 million in laundered
17 proceeds."

18 Did that experience assist you in gaining a
19 greater understanding of money laundering and
20 how criminals attempt to launder the proceeds of
21 their crimes?

22 A As most of the cases were in British Columbia,
23 it gave me great insight into the types of cases
24 that were being investigated, the methodologies
25 and the strategies used by crime figures to

1 laundry and spent proceeds and the police
2 response.

3 Q You've written articles and papers on money
4 laundering?

5 A A few, yes.

6 Q Okay. You've lectured on that subject?

7 A I have.

8 Q You've attended courses and conferences as a
9 registrant where that subject was discussed and
10 lectured on?

11 A That's true.

12 Q And you've co-authored a book dealing with money
13 laundering?

14 A Yes.

15 Q But when did you -- when was that published?

16 A In 2017.

17 Q And your experience after working the Office of
18 Civil Forfeiture is you spent approximately
19 three years as Vice President of Compliance and
20 Legal with Great Canadian?

21 A Yes.

22 Q And I think as you put in your affidavit and
23 testified, I'll just use the term AML was a
24 significant part of your responsibilities?

25 A It was.

1 Q Okay. During that time there was an increasing
2 number of large cash transactions that were
3 occurring?

4 A In British Columbia, yes. We had properties
5 elsewhere.

6 Q And for almost four years you were Vice
7 President and Chief Legal Officer at the British
8 Columbia Lottery Corporation?

9 A That's correct.

10 Q And again you were directly involved with
11 dealing with money laundering and AML strategies
12 to deal with money that was being laundered?

13 A I was.

14 Q Given that background and your experience over
15 these years, how would you compare the Canadian
16 casino industry's knowledge today of money
17 laundering methods and techniques with what the
18 Canadian casino industry knew a decade ago?

19 A In my view it's evolved substantially. When you
20 go back to 2010, 2011, the focus was on simply
21 getting the system set up, making sure customers
22 were properly identified, so there was great
23 emphasis put on ascertainment of identification,
24 making sure occupation justified spend, those
25 types of things.

1 As risk was better appreciated and as it
2 changed and increased, more and more controls
3 came into the casino sector.

4 Q It would be fair to say that the AML processes
5 in the Canadian casino industry are night and
6 day different than they were a decade ago?

7 A There's been substantial evolution, yes, I would
8 agree.

9 Q Over the past decade has the BC casino industry
10 been behind, ahead or in step with the rest of
11 the casino industry in North America in
12 combatting money laundering? Have we been with
13 it, ahead of it or behind it? Are you able to
14 comment on that?

15 A So I'd like to rephrase it slightly -- my answer
16 slightly differently. It's not really a matter
17 of BC being ahead or behind but different. The
18 risk profile here is different than -- in
19 particular. The other extreme would be the
20 Maritimes. So you'll see far more controls in
21 British Columbia than you would see in other
22 jurisdictions because of its risk profile and
23 what it's controlling for. That doesn't mean BC
24 is better. It just means that it's keeping up
25 to its risk profile and responding

1 appropriately. Controls that make sense here
2 may make no sense in other jurisdictions where
3 the risk is much lower or they may not -- or in
4 a jurisdiction where they're much higher, they
5 may have tighter controls. I would say that BC
6 is well positioned, as is the Canadian industry
7 generally.

8 Q During your time with either Great Canadian or
9 BCLC did you ever get feedback from FINTRAC or
10 from other -- casinos in other provinces,
11 regulators, about BCLC and its AML efforts?

12 A In the -- well, FINTRAC provides you two types
13 of results when they do a review. There is an
14 in-person verbal debriefing and then there's
15 their formal letter. And in the verbal
16 debriefing, for obvious reasons, they're a bit
17 more forthcoming and they -- despite problems
18 from time to time -- no one's perfect -- there
19 were observations and findings. They did
20 frequently tell us that our program had more
21 controls than most other jurisdictions and that
22 we were leading in that regard. And again
23 that's not to say we were better than others.
24 It just meant that we're facing a different risk
25 profile that's perhaps higher and that was

1 resulting in us bringing in more controls than
2 others were.

3 Q All right. One document I want to ask you about
4 is your 2011 report, your summary review,
5 "Anti-Money Laundering Measures at BC Gaming
6 Facilities." And that's exhibit 141. I want to
7 refer you to portions of that.

8 MR. SMART: I hope Madam Registrar can find that
9 reasonably -- if I give you a number, whether
10 that assists, Madam Registrar.

11 THE REGISTRAR: Just give me 30 seconds. Thank you.

12 MR. SMART: Thank you. Thank you.

13 Q And at the first -- page 2 of that you set out
14 that -- at the very beginning that media
15 stories -- sorry.

16 "In early January 2011, a series of news
17 reports ran on cash transactions occurring
18 at gaming facilities in British Columbia.
19 Media stories focused on a number of large
20 cash transactions involving small
21 denomination Canadian currency, typically
22 \$20 bills, that occurred over the summer
23 of 2010."

24 And just before I carry on with this, let me
25 just -- because that raises the issue of these

1 large cash transactions. Mr. Kroeker, those --
2 did you notice an increase in the number of
3 large cash transactions when you were working at
4 Great Canadian during that period of time, 2012
5 to 2015?

6 A Yes, I did.

7 Q Did you -- these were suspicious, obviously?

8 A Some were. Some weren't. Yes.

9 Q A number of witnesses have been asked questions
10 to the effect -- essentially -- well, let me put
11 it this way. That how could this be anything
12 other than the proceeds of crime given the --
13 some of these transactions were hundreds of
14 thousands of dollars, they were in \$20 bills,
15 they were wrapped in elastic bands, and often
16 brought into casinos in paper bags or other
17 kinds of duffel bags, et cetera?

18 Did you conclude that these large suspicious
19 cash transactions were clearly the proceeds of
20 crime?

21 A There was a concern that some of it may be
22 funded through proceeds. However, there were
23 some legitimate sources for sure around large
24 amounts of cash. Players would go to a regular
25 ATM and they would take out large sums of money,

1 and at that point in time ATMs dispensed nothing
2 but \$20 bills. There's also a service called
3 Global Cash. This is like an ATM, although it's
4 funded with a card that has no limit. And a
5 high-wealth person would use these, and take out
6 a chit for whatever, 20,000, 30,000, 50,000 or
7 more dollars. Those weren't allowed at that
8 time to be on the casino floor. They had to be
9 elsewhere on the property. And so then they
10 would get the chit. They would go to a kiosk on
11 the property and they would be given the amount
12 of money that the chit represented. And so they
13 would then enter the casino with this tens of
14 thousands of dollars and go up to the cage and
15 that would present obviously as money off the
16 street to the cage people because they wouldn't
17 have seen the transaction at Global Cash.

18 Another source, because the industry
19 unfortunately got off on the foot of accepting
20 nothing but cash -- in my view would have been
21 better if it had been the other way around and
22 there had been no cash and other forms of
23 transactions -- where a person was paid out not
24 in winnings, return of funds, for instance, in a
25 large amount, they would leave the casino with

1 that money and then come back with it a few days
2 later when they continued their play. So that
3 would also be a source of a large cash
4 transaction.

5 Give that approximately 7 to \$8 billion a
6 year flowed in and out at that time all in cash,
7 it presented a considerable difficulty to trying
8 to identify which was good cash and which
9 wasn't.

10 Q Mr. Vander Graaf, who you knew, testified that
11 GPEB couldn't establish even on a balance of
12 probabilities that any particular large
13 suspicious cash transaction was in fact the
14 proceeds of crime, not even on a balance of
15 probabilities. Do you agree with that
16 assessment?

17 A Yes. I mean, you'd have to conduct an
18 investigation. And many of these transactions
19 were very suspicious, and that's why they were
20 reported. They were reported to GPEB, they were
21 reported to FINTRAC and they were -- I believe
22 we are the only jurisdiction that reported
23 suspicious transactions directly to the police
24 and didn't wait for them to transit through
25 FINTRAC.

1 Q All right. Thank you. So I'll just go back to
2 the second page. The fourth paragraph you
3 state:

4 "The review found that BCLC and its
5 operators, with oversight and guidance
6 from GPEB, employ standard and appropriate
7 anti-money laundering strategies.
8 Notwithstanding these measures,
9 opportunities to further strengthen
10 anti-money laundering efforts were
11 identified."

12 So as of the early 2011, you -- your assessment
13 was that BCLC was employing standard and
14 appropriate anti-money laundering strategies.
15 What did you base that on?

16 A That was based on the research I'd done and some
17 notable sources would include the Financial
18 Action Task Force reports on risk-based
19 compliance programs and requirements. They also
20 had specific guidance to the casino sector.
21 FINTRAC had specific guidance on risk-based
22 anti-money laundering regimes and specific
23 guidance for the casino sector. And that was
24 largely my measure for whether or not BCLC was
25 meeting those expectations.

1 Q And I'll just take you to page 7, please. Under
2 "Method" you set out there that you -- again,
3 some of the sources of some of your information.
4 You say:

5 "Interviews were conducted with selected
6 executive members and staff at BCLC."

7 Do you remember -- do you recall who you
8 interviewed or spoke with?

9 A I can't recall everyone. I know -- I recall
10 meetings with Mr. Graydon and Mr. Towns and some
11 of the more senior anti-money laundering staff
12 there.

13 Q Okay. And you interviewed, I see in the third
14 line, senior government officials from GPEB.
15 Third paragraph:

16 "Senior members of the RCMP responsible
17 for investigations involving money
18 laundering, terrorist financing and other
19 financial crimes were interviewed."

20 Do you recall any of the names of who you
21 interviewed?

22 A With respect to GPEB it would have been
23 Mr. Vander Graaf for sure. Others and -- Sue
24 Birge, Ms. Birge, who was then the acting
25 General Manager and ADM. She had been the

1 executive director of the policy branch within
2 GPEB, which gave her a cross-organization
3 perspective, which was very helpful.

4 With respect to the RCMP, I believe that was
5 Mr. Baxter. And it might have included a
6 discussion -- I can't say for sure, so I won't.
7 But Mr. Baxter for sure.

8 Q Okay. And the fourth line of that paragraph:

9 "Input was sought from an official from
10 FINTRAC."

11 That's somebody you spoke with from FINTRAC, a
12 senior person there?

13 A Yes. And we're going back a decade now, and I
14 don't have access to my working papers of course
15 because they deal with government and they're
16 likely now well beyond the retention period. I
17 can't recall exactly who I spoke with.

18 Q Okay.

19 "An interview was conducted with an
20 independent consultant with expertise in
21 anti-money laundering compliance and
22 forensic auditing in both the Canadian and
23 international financial services sectors."

24 Is that a name you can disclose?

25 A It's not a person I can recall off the top of my

1 head. I knew a number of individuals at that
2 time and had been working with them at civil
3 forfeiture, so it could have been -- it would
4 have been one of a number of people.

5 MR. SMART: Okay. And just scroll up a little bit,
6 Madam Registrar, the next paragraph, please.

7 Q "Literature on anti-money laundering
8 strategies was reviewed as were the
9 proceedings from a recent Canadian
10 symposium on money laundering and the
11 relatively recent reports prepared by the
12 ombudsman and Deloitte & Touche LLP on the
13 B.C. lottery system."

14 Those are -- again, that was all material that
15 you reviewed in preparing this report?

16 A That's correct.

17 Q Then I'll take you over to page 10, please.
18 Under "Reporting Obligations." I should just
19 ask you this: you were working for the Office
20 of Civil Forfeiture at the time you prepared
21 this report?

22 A I was.

23 Q You had no connection with BCLC or Great
24 Canadian; you were independent of those or any
25 other service provider. You were independent of

1 those -- I'm sorry. Let me say it again. You
2 had no connection with BCLC, GPEB or any of the
3 service providers when you prepared this report?

4 A That's correct. I'd never worked with any of
5 them.

6 Q Okay. You state at the first paragraph:

7 "BCLC's obligation is primarily a duty to
8 report. These reporting obligations do
9 not extend to a duty to investigate and
10 confirm the exact provenance of cash used
11 to buy-in. Detailed inquiries and
12 investigation into legitimate or
13 illegitimate sources of cash appropriately
14 fall to various law enforcement and
15 regulatory authorities."

16 What did you base that -- those statements on,
17 Mr. Kroeker?

18 A Looking at the authorities of the police, GPEB
19 and BCLC and the requirements of BCLC under
20 proceeds law. Their role was to make sure that
21 they had an appropriate regime in place that put
22 up barriers to money laundering but also that
23 detected attempts for money laundering --
24 suspected money laundering, and all of that was
25 appropriately reported. To go beyond that, you

1 require a police or a law enforcement
2 investigation or regulatory investigation.

3 Q Did that reflect the state of what was expected
4 in the Canadian casino industry at that point in
5 time?

6 A It did. And I would concede that the extent of
7 due diligence has increased and the
8 expectations, for sure.

9 Q Yes. And in the --

10 MR. DELBIGIO: Sorry, Mr. Smart, I do apologize. I
11 raised earlier the issue of whether I should be
12 looking at a document. And there's a document
13 on the screen in front of me, and again I raise
14 whether this is a document that I should be
15 seeing.

16 THE COMMISSIONER: I think this is already marked and
17 on the website of the commission, is it not,
18 Mr. Smart?

19 MR. SMART: I think it is. Maybe Ms. Latimer can
20 assist whether there's any redactions. I don't
21 think there are, but I may be wrong. I
22 appreciate Mr. DelBigio raising that.

23 THE COMMISSIONER: Yes, as do I.

24 MR. DELBIGIO: Thank you. And I do apologize for
25 interrupting.

1 THE COMMISSIONER: Ms. Latimer, can you help us with
2 that?

3 MS. LATIMER: I'm just pulling it up on the website.
4 But it appears to me that this is an exhibit
5 that would be on the website and wouldn't have
6 any redactions to this report. I'll
7 double-check, but it will just take me a minute.

8 THE COMMISSIONER: All right. Thank you.

9 MS. WRAY: Mr. Commissioner, it's BJ Wray again from
10 the Attorney General of Canada.

11 THE COMMISSIONER: Yes.

12 MS. WRAY: Hi. I think this is going to be an
13 ongoing issue, so this is why -- I was thinking
14 maybe we should figure out a way forward,
15 practically speaking. There are obviously going
16 to be a number of counsel who are
17 cross-examining who will want to show certain
18 documents on the screen. They could be exhibits
19 that are attached to the affidavit or they could
20 be other documents that they want to put to
21 them, so I'm -- I was thinking of taking this on
22 kind of a case-by-case basis, that is a
23 document-by-document basis.

24 This kind of a document, for example, even
25 if it's not already a commission exhibit, is the

1 type of document which we would not have
2 concerns with. There are certain documents that
3 contain very sensitive information related to
4 police investigations or BCLC investigations
5 that may involve Mr. Jin, and it's those types
6 of documents that we would have concerns with.

7 So I wanted to in some ways clarify my
8 earlier statement just to say I don't think
9 we're advocating a blanket prohibition on
10 documents being shown on the Zoom feed, but I do
11 think we have to be sensitive and careful going
12 forward until the application is resolved.

13 THE COMMISSIONER: Yes. All right. Thank you,
14 Ms. Wray. I think that's helpful. My focus at
15 this point is on those documents which have
16 already been marked and in fact are available to
17 anyone on our website, which I think this
18 document falls into that category. Clearly if
19 there are documents not already marked as
20 exhibits, which may have sensitivities, then I
21 think they will need to be identified. And I'm
22 assuming that counsel have given notice of which
23 documents they propose to put to the witness in
24 the course of their examination of Mr. Kroeker.
25 So certainly insofar as those are concerned, it

1 ultimate legitimacy of cash should only be
2 made where there is detailed, independent
3 information verifying the source of the
4 funds and should only be made by the
5 enforcement agencies with a mandate to
6 conduct these types of inquiries."

7 Can I just ask you to explain why you came to
8 that conclusion.

9 A Well, I mean, that's really the way the regime
10 is set up. So reporting entities are tasked
11 with observing, detecting and reporting, and
12 doing a level of due diligence, but beyond that
13 they have no vision into the banking sector or
14 other areas where funds may come from. And to
15 be effective that's going to have to rely to
16 enforcement agencies that compel -- have
17 processes to compel production like search
18 warrants and production orders.

19 Q I think my last question, given the time
20 constraints, is this, is that between the time
21 you started at Great Canadian at the end of 2012
22 until you left BCLC in 2019, what's your
23 assessment -- given your background in proceeds
24 and money laundering, what's your assessment of
25 BCLC's efforts to address money laundering over

1 certification. It's something that you have to
2 maintain on an ongoing basis annually.

3 Q Okay. Did you ever have any -- when you were at
4 BCLC any AML programs or processes that you
5 wanted to implement rejected for cost reasons?

6 A From the corporation, no.

7 Q Yeah. Were you ever told to -- was the issue of
8 revenue something that was raised with you, that
9 is you can't implement an AML -- particular AML
10 measure because it may impact revenue? Were you
11 ever told that?

12 A No. I mean, revenue -- I don't want to be
13 misleading. Revenue is always important because
14 BCLC had an ongoing obligation to update
15 government on their fiscal plan on a quarterly
16 basis, and that ran through treasury board. So
17 any time you made a policy decision, pulled a
18 policy lever, whether it impacted revenue
19 positively or negatively in a material way, that
20 had to be ascertained and reported. But it was
21 not something that would drive a decision around
22 AML controls.

23 Q Is revenue generated by BCLC -- from your
24 experience, is that important to the citizens of
25 this province?

1 A My understanding is it is. I believe this
2 province is somewhat unique in that it has
3 dedicated a very large portion of net gaming
4 revenue to health care and education, so it
5 would seem to be.

6 MR. SMART: All right. Those are my questions.
7 Thank you, Mr. Commissioner.

8 THE COMMISSIONER: Thank you, Mr. Smart.

9 I'll now call on Ms. Bevan for Gateway
10 Casinos & Entertainment Ltd., who has been
11 allocated 10 minutes.

12 MS. BEVAN: Thank you, Mr. Commissioner.

13 **EXAMINATION BY MS. BEVAN:**

14 Q Mr. Kroeker, can you hear me?

15 A I can.

16 Q I'm going to ask you to turn to paragraph 86 of
17 your affidavit.

18 A I have that here.

19 Q In the last sentence of paragraph 86 you refer
20 to your experience and perception, and I
21 understand from the context of this paragraph
22 that you're referring to your experience and
23 perception while you were employed at GCGC; is
24 that right?

25 A Yes.

1 Q And your experience and perception were that
2 GPEB investigations preferred their
3 communications to be with and flow through BCLC
4 rather than communicating directly with service
5 providers. What caused you to form this view?

6 A Well, the lack of communication between us and
7 those two units and GPEB. And I did make some
8 initial attempts to set up periodic fixed
9 meetings with those groups, but there wasn't
10 interest in doing that.

11 Q While you were at GCGC did you have an
12 understanding of why GPEB investigations
13 preferred not to communicate directly with
14 service providers?

15 A No, I didn't.

16 Q And did you have a view when you were at GCGC on
17 whether this strategy had any effect on service
18 providers, compliance or AML programs?

19 A I can't see it having -- well, it would have
20 been nice to have received any type of direction
21 or advice directly from GPEB. That would've
22 been beneficial. It's not critical. It's fine
23 if it flows through the corporation, but that
24 doesn't -- didn't seem to be to me the most
25 effective way to do things.

1 Q Did you observe GPEB investigations process in
2 this regard change while you were at BCLC?

3 A I really didn't have insight into that, so I
4 couldn't really say. I don't know to what
5 extent investigations and audit were
6 communicating directly with service provider
7 management at that time.

8 Q If you can move ahead to paragraph 104.

9 A I have that.

10 Q You refer to some interviews that were being
11 conducted by BCLC.

12 A Yes.

13 Q You were aware that service providers were not
14 present during these interviews; is that right?

15 A Yes. Yes.

16 Q And are you aware of whether or not the
17 information procured at these interviews was
18 shared with service providers after the
19 interview?

20 A I can say in my case some -- when I was at Great
21 Canadian, some information was provided to me by
22 BCLC where it would help us become aware and
23 watch for certain persons.

24 Q I'm going to ask you about exhibit 57, which is
25 at the PDF page 463 of the affidavit.

1 A Sorry, I'm just trying to get it. Okay.

2 Exhibit 57 to my affidavit. I have that.

3 Q Yes. This is an email exchange between yourself
4 and Mr. Meilleur in respect of some
5 communications about service providers'
6 obligations to report under Section 86(1) of the
7 *Gaming Control Act*?

8 A Yes.

9 Q Do you see that?

10 A Yes, I do.

11 Q In the email that is dated September 29, 2016,
12 11:19 a.m. Do you have that?

13 A I do.

14 Q Mr. Meilleur says to you that what has caused
15 him to become involved in this correspondence
16 was staff escalating this to him over a concern
17 about gaming service providers becoming
18 conflicted on both their ability and requirement
19 to release information upon demand under
20 Section 86(1), and he refers to possible
21 confusion about what level of detail needs to be
22 provided in Section 86(2) reporting.

23 As you note in your affidavit and as
24 Mr. Meilleur says in this email, there are no
25 specific instances at issue here. Is that your

1 recollection?

2 A I'm sorry, I don't follow your question.

3 Q Mr. Meilleur confirms for you that he's not
4 asking about a conflict arising in any specific
5 situation; he's expressing a general concern; is
6 that right?

7 A Yes, I would agree with that. Yes.

8 Q Okay. Mr. Meilleur refers to in the second
9 paragraph Mr. -- Ross, who I understand to be
10 Mr. Alderson. Is that right?

11 A That's my understanding, yes.

12 Q Mr. Alderson was providing some direction as to
13 BCLC's expectation of what information will/can
14 be shared by them to GPEB.

15 My question for you is is this another
16 example of a situation that could have
17 contributed to the perception that you refer to
18 at paragraph 153 of your affidavit -- and you
19 can feel free to go there now, if it would
20 assist you. At paragraph 153 of your affidavit
21 you refer to a perception that GPEB and BCLC
22 were prone to providing confusing and
23 contradictory directions to service providers?

24 A I think this is slightly different. As I
25 understand the issue in the email that

1 Mr. Alderson was dealing with, this was GPEB
2 asking service providers to access BCLC systems
3 and turn over BCLC data to GPEB through the
4 service provider. I think that's slightly
5 different than what I'm referring to here. This
6 is program direction. And my understanding was
7 the first issue, the access to BCLC systems
8 through service providers, that was resolved
9 between Ms. Fitzgerald and Mr. Alderson.

10 Q And what about the second issue? How was that
11 resolved? Do you recall?

12 A I don't know that it was. It's just an example
13 of how -- I could see how service providers
14 would become confused by being told to implement
15 something and then a day later being told to
16 pull it back. It does not look terribly
17 coordinated.

18 Q At paragraph 191 of your affidavit you refer to
19 an audit, another EY cheque audit at Grand Villa
20 Casino, and you had referred earlier today to
21 one in respect of River Rock Casino. Do you
22 recall that?

23 A I do.

24 Q This report that you've exhibited at exhibit 99
25 was completed after your departure from BCLC,

1 but I take it that you've reviewed it in
2 connection with your affidavit material?

3 A Yes.

4 Q And are you aware that this audit report is
5 available on BCLC's website?

6 A I am.

7 Q I'm going to ask you to turn to exhibit 99, if
8 you can. Specifically it's PDF page 759. It's
9 page 4 of the audit itself that -- sorry, I
10 think it's -- it's numbered page 1, it's the
11 executive summary of the audit.

12 A Okay. I have that in front of me. I'm sorry,
13 which page do you want to take me to.

14 Q The executive summary page. I think it's page 1
15 of the document on the lower right hand. It's
16 also page 4 of BCLC document 12929.

17 A Okay. I've got the executive summary in front
18 of me, yes.

19 Q So there's a table on that page, and in the
20 middle of the table is a summary of
21 observations?

22 A Yes.

23 Q In that summary E&Y notes that three cheques out
24 of a total of 658 analyzed met their criteria
25 for review?

1 A Yes.

2 Q And if you go to the next page.

3 A Yes.

4 Q In that table under number 1, E&Y found that

5 from the population of 658 cheques observed,

6 there were zero cases where a patron walked into

7 Grand Villa with cash and received a cheque

8 without any casino play?

9 A Sorry, that's -- under "all cheques" number 1

10 from the population of cheques analyzed?

11 Q Yes, that's right.

12 A Yes.

13 Q There were zero instances of that?

14 A That's correct.

15 Q Under number 2, there were two instances out of

16 658 where a patron received a verified win

17 cheque for an amount not supported by or that

18 didn't reconcile to a player table tracking

19 form. Do you see that?

20 A I do.

21 Q And the total unsupported amount for those two

22 cheques was \$1,100?

23 A That's correct.

24 Q Number 3, out of 658 cheques, there were zero

25 instances where a patron removed funds from a

1 PGF account and received a verified win cheque
2 without any casino play?

3 A Correct.

4 Q And similarly, out of 658 cheques there were
5 zero instanced where a PGF patron deposited
6 funds and subsequently received a return of
7 funds cheque with no gaming activity?

8 A Yes.

9 Q And out of 658 cheques, there was a single
10 instance where a patron received a convenience
11 check for an amount greater than \$10,000. Do
12 you see that? In number 5?

13 A Yes, that's the way I read it.

14 Q So I'm going to ask you to go a couple pages
15 ahead to section 4.2. It's page number 11 in
16 the bottom right-hand corner.

17 A Okay. I have that.

18 Q Now, this is in relation to the two cheques
19 where there was a total unsupported amount of
20 \$1,100, do you see that?

21 A I do.

22 Q So EY notes that incident reports in the
23 explanation they have were filed in iTrak for
24 both cheques at issue. Do you see that?

25 A Yes. Yes.

1 Q And in one case the buy-in was as a result of --
2 the error was a rounding error. Do you see that
3 explanation there?

4 A I do.

5 Q And the second instance referred to one omitted
6 single buy-in?

7 A Yes.

8 Q And then if you turn to two pages ahead to the
9 section 4.4, "Convenience Cheques"?

10 A Yes.

11 Q You see that EY explains that in fact there were
12 no convenience cheques written for over \$10,000
13 but one return of funds cheque had been written
14 on the convenience cheque -- convenience cash
15 account, which did include a description "Return
16 of Funds - Not Gaming Winnings"?

17 A Yes.

18 Q And this issue was identified by Grand Villa at
19 the time?

20 A That's what it says, yes.

21 Q Okay. So will you agree from your review of
22 this material that the audit found no signs of
23 money laundering activities at Grand Villa
24 arising from convenience cheques?

25 A Yes. In relation to cheques being -- cash being

1 brought in and laundered by receiving cheques, I
2 would agree with that assessment.

3 Q And did this conclusion assign with your
4 expectations given the knowledge of the controls
5 in place related to convenience cheques while
6 you were at BCLC?

7 A Yes. Unless those controls had been
8 compromised, this is what I would have expected.

9 Q And you're not aware of any instance at Grand
10 Villa where those controls had been compromised?

11 A I am aware of none.

12 Q As you had already departed BCLC when this
13 report was completed, are you aware of how this
14 report was presented to the Minister and BCLC's
15 board, if at all?

16 A I am not.

17 MS. BEVAN: Thank you. Mr. Commissioner, those are
18 my questions.

19 THE COMMISSIONER: Thank you, Ms. Bevan.

20 Ms. Latimer, I think we're at a stage now
21 where the time allocations left give us time to
22 deal with it all tomorrow. I take it
23 Mr. Kroeker is set for the full day tomorrow; is
24 that correct?

25 MS. LATIMER: We also have Mr. Skrine available, but

1 I'm told that Mr. Skrine is available tomorrow
2 and on the 27th, and we can finish him on the
3 27th if we don't get to him tomorrow.

4 THE COMMISSIONER: All right. Well, I think what
5 we'll do, then, is adjourn at this point until
6 tomorrow morning at 9:30 to resume the
7 examination of Mr. Kroeker. All right. Thank
8 you.

9 THE REGISTRAR: The hearing is adjourned until
10 January 26th, 2021, at 9:30. Thank you.

11 **(WITNESS STOOD DOWN)**

12 **(PROCEEDINGS ADJOURNED AT 2:04 P.M. TO JANUARY 26,**
13 **2021)**

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