

**Commission of Inquiry into  
Money Laundering in British Columbia**

**Public Hearing**

**Commissioner**

The Honourable Justice  
Austin Cullen

**Held at:**

Vancouver, British Columbia  
via video link

Tuesday, May 26, 2020

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1 Vancouver, B.C.

2 May 26, 2020

3  
4 THE REGISTRAR: Good morning, everyone, and thank you  
5 for your patience. The hearing is now resumed.

6 THE COMMISSIONER: Yes, Mr. Martland.

7  
8 STEPHEN SCHNEIDER, a  
9 witness, recalled.

10  
11 MR. MARTLAND: Thank you, Mr. Commissioner. We're  
12 continuing with the examination of Professor  
13 Stephen Schneider, and where we left off  
14 yesterday is page 54 of the literature review.  
15 As we get going, I thought I would canvass two  
16 points, one of them being that, for the sake of  
17 transparency, overnight Professor Schneider sent  
18 an email just to alert me that he had noticed a  
19 few areas where there were typos or one or two  
20 citation things to fix up, and had asked about  
21 having a revised version that would correct those  
22 issues posted, because of course Exhibit 6 is the  
23 literature review.

24 And so what I'm proposing to do -- I don't  
25 think we should try to work our way through  
26 corrections one by one here. But I wonder if I  
27 might pick up with him on that topic later today,  
28 and after the hearing, if there's a set of  
29 revisions to the version, we would circulate that  
30 around to participants and make sure there's no  
31 issues and everyone's clear about any changes of  
32 that nature and raises any issues they have. But  
33 barring any issues with that, that may well be  
34 marked as an exhibit tomorrow.

35 So I simply put that out there equally  
36 knowing that Professor Schneider was wondering  
37 about that and that that would be one way of  
38 approaching it.

39 THE COMMISSIONER: That seems sensible to me as long  
40 as everyone's had chance to weigh in on the  
41 revisions before we do anything with it.

42 A And the revisions were purely typos, that's all.  
43 There's no changes to the substance or formatting  
44 or pagination, so it's more out of my own vanity  
45 to correct those issues than anything else.

46 THE COMMISSIONER: Well, vanity is an important point  
47 to consider, particularly when we're all under

2 Stephen Schneider (for the Commission)  
Examination by Mr. Martland, Counsel for the  
Commission

1 the scrutiny of cameras.

2 A Mm-hmm.

3 MR. MARTLAND: Okay. And the other point I thought  
4 would say for the sake of both the witness and  
5 the people watching and the participants, in  
6 terms of timing and the questions that I have yet  
7 to cover, I'm at page 54 and I'm proposing to go  
8 fairly quickly through pages 54 to about 118, and  
9 so I'll be looking to move along apace, and my  
10 planning is to be done by about halfway through  
11 our time available today so that we're leaving a  
12 good amount of time for any examination from  
13 participants. We do have a schedule of time  
14 allocations and requests from participants to  
15 work our way through.

16  
17 EXAMINATION BY MR. MARTLAND, continuing:

18  
19 Q So having said that, why don't I launch us right  
20 in at page 54. At this portion of the report,  
21 you're moving into a discussion of particular  
22 sectors of the economy that are used for money  
23 laundering. We had some discussion about  
24 financial institutions, deposit institutions,  
25 broadly, and then at page 54 you move to speaking  
26 specifically about British Columbia, and I note  
27 your comment in the middle of that page:

28  
29 The use of banks in B.C. for ML purposes  
30 does not deviate significantly from the  
31 information provided above, with perhaps two  
32 significant exceptions. First, for years  
33 B.C. branches of deposit institutions were  
34 highly vulnerable to the proceeds from the  
35 province's burgeoning marijuana trade.  
36 Second, bank branches in B.C. are much more  
37 exposed to capital flight money from China.

38  
39 Do you have any particular comments that relate  
40 to banks in this province versus the comments  
41 that you made yesterday about financial  
42 institutions?

43 A Not particularly. Again, I don't, as I stated in  
44 the literature review, as least the literature  
45 doesn't indicate any particular divergence of  
46 banks -- bank branches in B.C. relative to the  
47 rest of the country except what I noted, and

1 certainly during the peak of the marijuana grow-  
2 op phase, if I can use that term, back in the  
3 sort of '90s/early 2000s, certainly banks and  
4 deposit institutions were much more exposed to  
5 the proceeds from marijuana grow-ops than the  
6 rest of the country on the assumption that a  
7 disproportionate amount of the grow-ops were in  
8 B.C. And again, as I mentioned, certainly bank  
9 branches in B.C. would be more vulnerable or  
10 susceptible to capital flight as well.

11 So there wasn't -- I didn't find a lot of  
12 information in the literature on -- specifically  
13 on deposit institutions in B.C. except for what I  
14 noted in the lit review, which was a news story  
15 from the *Globe and Mail* on CIBC and how CIBC was  
16 accused of facilitating some of this capital  
17 flight into real estate.

18 But other than that, again, there's sort of  
19 a paucity of literature specific to banks in B.C.  
20 But I guess of particular note to this Commission  
21 would be this article from the *Globe and Mail*  
22 that again makes accusations of CIBC facilitating  
23 some of this capital flight.

24 Q That's the report that you summarize at page 54  
25 of the literature review?

26 A Correct.

27 Q So at page 55, you move into discussing real  
28 estate, and you comment there about since at  
29 least 2011 -- I'm looking under the heading of  
30 "Real Estate" -- an increasing number of news  
31 stories, studies, reports, and police cases that  
32 deal with ML through the real estate market in  
33 Canada.

34 Then in the next paragraph you talk about  
35 how there are particular attributes of the real  
36 estate sector that make it attractive for people  
37 aiming to launder money. Could you please tell  
38 us about that.

39 A Sure. Well, real estate satisfies pretty much --  
40 or can satisfy pretty much all the objectives of  
41 money laundering and all the phases as well.  
42 You're converting cash into an alternative asset,  
43 in this case real property. You can use real  
44 property to conceal a criminal source, and  
45 certainly the literature is replete with  
46 references to beneficial ownership, the ability  
47 to use nominees and beneficial ownership to hide

1 the true criminal source or criminal ownership of  
2 real property. And you can also use a number of  
3 functions to create a seemingly legitimate source  
4 for the funds that were invested in the real  
5 property and you can create a number of revenue  
6 streams using real estate, whether you're  
7 purchasing rental properties or flipping real  
8 estate. So real estate is beneficial for money  
9 laundering because it satisfies some of the basic  
10 objectives.

11 At the same time, you know, it provides a  
12 home for someone to live in. In many cases that  
13 I looked at, the vast majority of real estate  
14 purchased with the proceeds of crime was simply  
15 for a home for somebody to live in, the criminal  
16 offender or family.

17 And in the case of B.C., what's interesting  
18 is -- I'm not sure if you want to move straight  
19 into that, Brock. But --

20 Q Sure.

21 A -- in B.C., it was particularly, you know,  
22 vulnerable to money laundering, not only because  
23 of, you know, it's a hot real estate market which  
24 makes it a very attractive investment, and there  
25 was obviously a very strong disposition of Asian  
26 investors to invest their money in real estate,  
27 not only for a home to live in but as a long-term  
28 investment, somewhere where their wives and their  
29 family and kids can live and go to school.

30 And certainly when you look in the context  
31 of the so-called Vancouver model, there was a  
32 fairly unique twist. We've seen before that the  
33 offenders will use mortgages. Not only will they  
34 finance their home through a mortgage from a bank  
35 or another financial institution, but they'll  
36 also create their own mortgages, so they'll use  
37 the proceeds of crime and they'll use private  
38 mortgages through a shell company or through a  
39 nominee, basically financing their own home  
40 through a fake mortgage or private mortgage. And  
41 this was what really predominated, I found in  
42 reviewing the literature, in Vancouver. The so-  
43 called Vancouver model was -- a fundamental  
44 aspect of this model was basically taking drug  
45 money and lending that drug money as basically  
46 private mortgages, in cash form in many cases, to  
47 buyers. And so this was done not only by the

1 central players in the Vancouver model -- Silver  
2 International and their staff and directors --  
3 but the *Globe and Mail* identified others as well,  
4 including they identified at last seven or eight  
5 people who had a criminal past as well. So...

6 So it's not unusual for criminal offenders,  
7 money launderers, to use drug money to basically  
8 create, you know, a private mortgage, a  
9 fraudulent mortgage, but it seemed to be really  
10 predominant in the Vancouver model and that this  
11 was one way that the central professional money  
12 launderers were laundering the proceeds of drug  
13 trafficking, was basically lending the money out  
14 in cash form as private mortgages for purchase in  
15 the real estate market in Greater Vancouver.

16 Q If I can move to casinos, beginning page 66 of  
17 the literature review and introducing that topic  
18 at page 66 under the heading of 6.2.3:

19  
20 Casinos facilitate the exchange of cash for  
21 another asset, in particular, casino chips  
22 and/or a casino issued cheque, while a  
23 winning lottery ticket purchased from a  
24 lucky winner with the proceeds of crime  
25 provides a launderer with a seemingly  
26 legitimate source [of] funds.

27  
28 I should probably pause to preface this with  
29 the indication, as you probably appreciate, we  
30 have a number of inquiries who have standing,  
31 sorry a number of participants who have standing  
32 in this inquiry who are involved in the gaming  
33 sector. We have a set of hearings in the fall  
34 that focus in particular on casinos and gaming.  
35 And so today we're reviewing some of the context  
36 of the public narrative around casinos, the  
37 available literature, the news reports and the  
38 like, but appreciating that there will be some  
39 specific evidence, there may be areas of factual  
40 disagreement indeed with some of what's appeared  
41 in news reports, as one example. So the  
42 Commission will be looking to original evidence  
43 where we need to do that. So I simply put that  
44 out as we move into this topic.

45 You've described in this section of the  
46 report how casinos can satisfy different money  
47 laundering objectives and the role that they



1 play. I wonder if you could comment on that.  
2 A Sure, just a quick editorial note. This is  
3 actually one area where I've made a slight -- the  
4 original section was on gaming in general, so  
5 casinos and lotteries. And I didn't have a lot  
6 of literature on lotteries so I ended up just  
7 focusing on casinos but obviously forgot to  
8 remove that sentence on lotteries.

9 Lotteries is another aspect of gaming where  
10 money can be laundered, and there has been cases  
11 of that. But considering that casinos seem to  
12 form such an important part of the money  
13 laundering in B.C., I just focused on that. So  
14 that actually has slightly been changed, that  
15 section.

16 Q And it's a given I had to read it out loud to  
17 you, the one --

18 A Yes.

19 Q -- artefact of drafting. There we go.

20 A Yes, thank you for, yes, pointing out my error.

21 Q It's just blind luck. [indiscernible -  
22 overlapping speakers]

23 A Yeah. But specific -- yeah. Specific to  
24 casinos, again, we know that organized crime,  
25 criminal groups have been involved in casinos,  
26 you know, ever since, you know, Las Vegas came  
27 into its own. But certainly as far as money  
28 laundering is concerned, casinos are fairly  
29 limited in what they can do with respect to  
30 laundering the proceeds of crime.

31 But they can satisfy, you know, the goals of  
32 money laundering in two ways. First is they  
33 facilitate the conversion of cash into other  
34 assets, less suspicious assets, so this can  
35 either be a casino chip, but ultimately you want  
36 to convert those casino chips into monetary  
37 instruments. In some cases the casino chips can  
38 actually be used outside a casino to purchase  
39 goods or to use with a conspiring, say, money  
40 service business to purchase a monetary  
41 instrument with casino chips. But traditionally  
42 you're converting cash into casino chips and then  
43 you want to convert those casino chips back into  
44 a less suspicious asset, which could be a  
45 monetary instrument, a casino-issued cheque.

46 So it satisfies the goal of converting cash  
47 into a less suspicious asset and it also

1 satisfies the justification and even  
2 extraction/repatriation goal, which is basically  
3 claiming casino winnings as legitimate revenue.  
4 So you have the cash, you convert it to chips,  
5 you play a few games, you cash out, you get your  
6 cheque, and then you basically claim the cheque  
7 as casino winnings. So you're able to basically  
8 create a seemingly legitimate source of funds  
9 that way.

10 What I've read through the literature as  
11 well, with respect to B.C., is that in some cases  
12 casinos were used almost as quasi financial  
13 institutions so that there was cash deposited in  
14 accounts, and then cheques were drawn against  
15 those accounts. There are some media articles  
16 that accuse some casinos of actually taking  
17 monetary instruments from users -- so these are  
18 players -- so these would be individuals who had  
19 already converted the proceeds of crime into  
20 cheques and then deposited those cheques, say a  
21 cashier's cheque, into a casino account, player  
22 account, and then a casino cheque would be  
23 issued. So that would be a layering technique.

24 So those are the basic techniques. So  
25 casinos can satisfy some of the money laundering  
26 techniques like refining. So there's cases where  
27 you come in with large amounts of, you know, \$20  
28 bills and then you convert that into higher  
29 denominations, so instead of asking for a cheque,  
30 you can ask for higher denomination bills.  
31 They've been used in some cases for currency  
32 exchange, so American cash has been brought in  
33 and exchanged to Canadian cash.

34 Structuring has been used, again, where you  
35 have a number of individuals come in and place  
36 money or cash into accounts under the \$10,000  
37 threshold.

38 So again, you're fairly limited in what you  
39 can do with casinos for money laundering. But  
40 certainly, if you use a casino as sort of a quasi  
41 financial institution, then there are a number of  
42 avenues open to you to be able to launder money  
43 above converting and creating a legitimate source  
44 and layering and other techniques.

45 Q And in your review of the situation in British  
46 Columbia and the available literature, it seems  
47 like there's a bunch of reporting, journalists in

1 particular, Global and the Postmedia Group and  
2 CBC, I think around pages 70 and onwards for some  
3 number of pages, a description of the lay of the  
4 land that really derives from a lot of that work.  
5 Is it fair to say -- and maybe is an easy  
6 contrast -- the paucity of reporting or  
7 information around lottery winnings as compared  
8 to casinos, that there's been a great deal of  
9 activity and focus, in particular by journalists  
10 on, on the casino sector in this province?

11 A Yes, certainly. And perhaps that's justified.  
12 Not simply journalists but -- you know, it's been  
13 documented in police investigations, in FINTRAC  
14 reports, Financial Action Task Force, Peter  
15 German's report, and numerous -- you know. So  
16 certainly there's been a number of news media  
17 articles on this. But again, there's been a  
18 number of other credible sources as well.

19 And I guess, you know, the casino portion of  
20 the so-called Vancouver model is fairly central  
21 to that model. Essentially the accusations are  
22 that drug money is laundered by providing the  
23 cash, mostly in \$20 bills, to gamblers who have  
24 allegedly been recruited from China and from B.C.  
25 and Macau as well. The gamblers are given the  
26 cash, basically lent the money in some instances,  
27 and the gamblers go in and they, again, take the  
28 cash in. They convert the cash into chips. They  
29 play a few games and then they cash out. And so  
30 a lot of certainly the media and other reporting  
31 on this has been focused on the central aspects  
32 of using drug -- laundering drug cash through  
33 casinos by recruiting these so-called, you know,  
34 VIP gamblers or whale gamblers.

35 And, you know, again, the media is certainly  
36 replete with numerous examples or accusations of,  
37 you know, people literally walk in with bags full  
38 of \$20 bills and -- you know, the accuracy,  
39 again, is in question. But certainly at the core  
40 of this, including the police investigation, was  
41 the accusation that much of the proceeds of drug  
42 trafficking that Silver International and those  
43 were doing, were being laundered through casinos.

44 Q And you say the accuracy is in question in the  
45 sense that -- I take it that what you're doing  
46 really is having read through the literature and,  
47 in this area in particular, news reporting on

1 that topic, to the extent you're describing  
2 techniques and methods and things that are said  
3 to have occurred, that really comes out of the  
4 reporting. So to the extent there's an earlier  
5 card that falls down, the cards on top of it  
6 might fall as well if there's something  
7 inaccurate about the reporting, that's the sort  
8 of inaccuracy that you're alerting us to?

9 A Well, I know there certainly have been pushback  
10 by the casinos and B.C. Lottery Corporation on  
11 the veracity of the claims that, you know, hockey  
12 bags full of \$20 bills had been literally dragged  
13 into casinos. And, you know, there's been eye  
14 witness testimony, in the media at least, of  
15 gaming staff that-- or casino staff that have  
16 accused, you know, young men literally coming in  
17 with the whale gamblers and giving them \$20 bills  
18 at the baccarat tables.

19 So again, you know, I think the -- certainly  
20 the casino -- the casinos, I think, have -- and  
21 B.C. Lottery corporation as well, I think -- or  
22 they did commission a study to try to refute the  
23 use of -- or to refute these allegations. But  
24 again, it's certainly not out of the norm for a  
25 large amount of cash to be taken into a casino  
26 for laundering. I mean, that is the basic core  
27 of money laundering through casinos. So the  
28 fundamental allegation is certainly not askew  
29 from what we've seen in the past. I think it's  
30 more of some of the allegations of the amount of  
31 money being laundered through casinos. Certainly  
32 some of the casinos are pushing back on the idea  
33 that player accounts were being used as quasi  
34 financial accounts, cheques were being deposited  
35 and cheques -- or casino cheques were being  
36 issued haphazardly to launderers, and, you know,  
37 compliance was being ignored.

38 So we have a lot of media reporting on this,  
39 and then you've also had at least one study  
40 carried out by the B.C. Lottery Corporation that  
41 tends to refute at least some of these  
42 allegations.

43 Q I'm going to move next to motor vehicles at page  
44 74 of the literature review. And you make a  
45 comment there: "Cars and other vehicles are a  
46 frequent destination for the proceeds of crime."  
47 You go on to comment to the effect that generally

1 the car is for the personal use of the offender,  
2 "although in some cases they are also used as a  
3 conveyance to transport drugs." I don't propose  
4 -- I guess I'll hit the gas on cars a little. I  
5 don't propose to spend a lot of time on the  
6 topic. But do you have any particular comments  
7 about cars or high end luxury cars in particular  
8 in Vancouver and B.C.?

9 A Well, generally speaking, again, cars are very a  
10 popular destination for the proceeds of crime,  
11 just like homes in many respects when you're  
12 investing money into big-ticket items. It's --  
13 from my research, primarily the cars are being  
14 used for personal use but also used for  
15 conveyances, like I said, for transporting drugs.  
16 In the case of Vancouver, there has been  
17 accusations -- through the media, actually  
18 through a doctoral dissertation, and Peter German  
19 spends a lot of time on motor vehicles -- that,  
20 you know, the cars were bought, you know, as kind  
21 of an extension of the ostentatious criminal  
22 lifestyle of some of these gang members and that  
23 really fuelled the luxury car market in  
24 Vancouver. And so this includes not only buying  
25 expensive cars but also fitting these cars with  
26 security as well.

27 So in B.C., it's not that much different  
28 than what we see elsewhere. Much of the purpose  
29 of cars being purchased with proceeds of crime is  
30 for personal use. But there are some limited  
31 laundering techniques you can use with cars, such  
32 as under-invoicing, for example. I think of one  
33 case someone came in and put a cash deposit on a  
34 car and then came back a week later and said he  
35 decided not to buy that car and got a cheque in  
36 return. So that's a laundering technique as  
37 well.

38 So there's a limited number of ways to  
39 launder money through dealerships or through  
40 private car sales. But again, I think I would,  
41 based on my own research, that like homes, much  
42 of the money that goes into purchasing cars is  
43 for personal use.

44 Q So it really is a destination or an end or sort  
45 of an output at the end of the money laundering  
46 process --

47 A Right.

11 Stephen Schneider (for the Commission)  
Examination by Mr. Martland, Counsel for the  
Commission

1 Q -- or whatever it would have been?

2 A And again, it satisfies that core objective,  
3 which is to convert cash into a less suspicious  
4 asset, which in this case can be used for  
5 personal reasons and it satisfies the whole  
6 repatriation phase as well because now this  
7 explicitly allows the launderer or the criminal  
8 offender to enjoy the proceeds of their efforts.

9 Q Okay. Let's shift into discussing MSBs or money  
10 service businesses. At page 78 you offer the  
11 comment:

12  
13 Money service businesses provide currency  
14 transfer and exchange services; that is,  
15 people generally use MSBs to transfer funds,  
16 exchange currency, or to purchase or redeem  
17 negotiable instruments.

18  
19 You talk about the diversity of the almost 1,000  
20 MSBs in this sector in Canada, and then a little  
21 lower on that page, under the heading about how  
22 MSBs satisfy money laundering objectives and the  
23 role they play, you talk a little bit about the  
24 vulnerability, in particular, of MSBs to money  
25 laundering. Could you please address that point?

26 A Sure. Well, first of all, money service business  
27 is a pretty vague term, and it refers to a whole  
28 range of businesses that are generally -- I would  
29 think the core of these businesses are currency  
30 exchange, money transfers and cheque cashing  
31 services as well.

32 Historically in Canada, it's been the  
33 currency exchange companies that have been most  
34 vulnerable to money laundering, based on my  
35 research. And it's also, when the RCMP undertook  
36 their undercover operations, they basically set  
37 up currency exchange -- retail currency exchange  
38 businesses, which, I guess, attest to their  
39 popularity among money launderers.

40 But essentially, you know, the vulnerability  
41 of money service businesses to money laundering  
42 is obvious there. They're in the business of  
43 providing services that are highly conducive to  
44 cleaning dirty money, so they're attractive to  
45 criminal entrepreneurs because they can satisfy  
46 many of the phases of the money laundering  
47 process. First and foremost, they're in the

1 business of accepting cash, whether you're  
2 exchanging denominations or currencies or  
3 transferring money internationally or nationally.  
4 And I think what makes them also popular is that  
5 there is the perception, real or not, that  
6 they're less regulated compared to financial  
7 institutions.

8 So you can do -- again, use MSBs as again  
9 sort of a quasi financial institution and without  
10 the kind of -- the idea that you're not going to  
11 get the same level scrutiny from MSBs, of staff  
12 in MSBs, that you would get at a bank.

13 And what also makes MSBs popular is that  
14 they're -- you can fairly easily incorporate your  
15 own money service business, and so there's  
16 certainly numerous cases we've come across --  
17 well, numerous. Enough cases in the last 30-40  
18 years where money launderers, criminal offenders  
19 have incorporated their own currency exchange  
20 business. There's actually a very recent case  
21 out of Ontario where an individual was basically  
22 charged in North York with laundering money  
23 through a currency exchange company that he  
24 founded. And that's documented in the report,  
25 so...

26 Q That's the case study you have at page 80 of your  
27 report --

28 A Correct.

29 Q -- the North York case?

30 A That's right, exactly.

31 Q Yeah.

32 A Yeah. So yes, MSBs are popular because, again,  
33 they satisfy the fundamental goal of converting  
34 cash, but then once the cash is in, you can do  
35 layering through monetary instruments, through  
36 transfers. You can set up your own currency  
37 exchange. And there's the idea that they're less  
38 regulated and you're going to have less scrutiny  
39 at an MSB than you would, say, at a bank or  
40 another financial institution.

41 Q Good. Let's move to page 83 in securities and  
42 capital markets. Some of your comments yesterday  
43 in addressing areas identified as vulnerabilities  
44 across the country included capital markets.  
45 Would you care to address that, please?

46 A Sure. Again, the capital markets have always  
47 been vulnerable to organized crime, whether it's

1 stock market manipulation, theft of stock  
2 certificates, extortion of brokers. As far as  
3 money laundering is concerned, again, securities  
4 and capital markets can satisfy a number of the  
5 objectives of money laundering, from converting  
6 cash into a less suspicious asset, in this case a  
7 trading account or stocks or bonds or other  
8 equities. It allows the money launderer to  
9 conceal criminal ownership through nominee  
10 accounts. It can also -- you can create a  
11 seemingly legitimate revenue by selling stocks,  
12 for example, and then claiming that as your own  
13 investment revenue.

14 And so really there's, you know, three ways  
15 -- the way I see it, based on the literature,  
16 there's three broad categories of money  
17 laundering securities. The most basic is  
18 purchasing and manipulating investments with the  
19 proceeds of crime, including purchasing -- giving  
20 cash to brokers, there's cases. And that's the  
21 money put into a trading account.

22 The second is an extension of the first but  
23 it's really specific to capital market crime. So  
24 without a doubt, the majority of the proceeds of  
25 crime that are laundered through the securities  
26 industry, the predicate offences are security  
27 offences. So insider trading, market  
28 manipulation. And that is, as I mentioned  
29 yesterday, very challenging because it's often  
30 difficult to differentiate the predicate criminal  
31 offence from the money laundering because the  
32 type of transactions, obfuscating transactions,  
33 are quite similar. And like I mentioned as well,  
34 you don't -- in these cases it's not really cash.  
35 You don't have cash being invested in the  
36 markets. It's already in electronic form and  
37 accounts may be a monetary instrument.

38 And the third strategy is actually the  
39 reverse of the two, where the bad guys actually  
40 form their own company and take it public, issue  
41 shares in that company, and then basically claim  
42 the capital financing as a legitimate source of  
43 revenue. And of course the most famous example  
44 of that, which is documented in the lit review,  
45 is the YBM Magnex case from Ontario, which was a  
46 public company that issued stock through the  
47 Toronto Stock Exchange and basically turned out



1 just to be a huge laundering vehicle for Russian  
2 organized crime. And you may remember the OSC,  
3 Ontario Securities Commission, held years of  
4 inquiries, a commission of inquiry actually into  
5 the YBM Magnex scandal.

6 So you don't see that a lot. I have come  
7 across a few of those cases, but certainly YBM  
8 Magnex was an extreme example of organized  
9 criminals basically laundering money through  
10 founding their own publicly traded company.

11 Q And as I look at page 90, you talk in particular  
12 about methods and techniques. I think some of  
13 this derives from a FINTRAC report, the  
14 discussion that you have there about the  
15 suspected ML methods and techniques for markets  
16 and to do them in a staccato way, deposit of  
17 physical certificates -- so that's the -- not  
18 transferring title but rather the physical share  
19 certificate, I think you're describing --  
20 manipulating securities traded over the counter,  
21 early redemption of securities, proceeds of sale  
22 in the form of negotiable instruments, and  
23 transfers of funds between accounts. You go on  
24 to say those methods generally fall into the  
25 layering phase of the ML process.

26 A Mm-hmm. Yeah. And I think, similar to casinos  
27 or money service businesses, you know, trading  
28 accounts, brokerage firms, are used to some  
29 extent as quasi financial institutions. So it's  
30 -- the intention in some cases is not to trade in  
31 securities. It's to get that cash into a trading  
32 account and then use layering techniques such as  
33 purchasing negotiable instruments, transfers of  
34 funds between accounts, you know, connecting with  
35 banks, for example, transferring that way funds  
36 from a bank account to a trading account.

37 So certainly I -- there's a pattern where,  
38 while banks continue to be the prime destination  
39 proceeds of crime, some of the launderers are  
40 trying to move away from banks and use other  
41 types of financial service providers as banking  
42 institutions basically. And so brokerage firms  
43 certainly are vulnerable to money laundering, not  
44 just through trading of securities but also being  
45 abused as a sort of quasi financial institution.

46 Q I'll move next, please, to criminally-influenced  
47 companies. There's a discussion beginning page

1 91. When you use that term, criminally-  
2 influenced companies, can you please tell us what  
3 that describes.

4 A Sure. Again, this is simply criminal offenders  
5 establishing their own companies, whether it's an  
6 incorporated company or otherwise -- a very  
7 common technique and primarily used in the  
8 layering phases but also it's used to create a  
9 guise of legitimate source -- sorry, a guise of  
10 legitimate source of -- source of legitimate  
11 revenue. But they are -- so they're -- because  
12 there's such diversity in the type of companies  
13 you can form, it also allows the money launderer  
14 access to different laundering vehicles. So  
15 companies are a laundering vehicle in and of  
16 itself, but they also allow access to other ways  
17 to launder money. So if you want to invest money  
18 in real estate and launder money through real  
19 estate, then you can, you know, form a real  
20 estate development company or a construction  
21 company or a mortgage brokerage firm, for  
22 example.

23 But traditionally, when we're talking about  
24 criminally-influenced companies, the type of  
25 companies generally speaking are ones that are  
26 cash intensive, so bars, restaurants, even  
27 currency exchange businesses, for example. And  
28 that way you can intermingle the legitimate cash  
29 from a legitimate business with drug proceeds or  
30 simply claim drug proceeds as legitimate revenue  
31 from a legal business, and then have those funds  
32 deposited in a bank account. So...

33 So first and foremost, it's about cash  
34 intensive businesses, but again, the ability to  
35 use criminally-influenced companies for diverse  
36 ways to launder money is really limited to the  
37 imagination of the launderer. And again, there's  
38 so many different techniques you can use with  
39 criminally-influenced companies, including  
40 setting up shell companies in financial haven  
41 countries as well, which is -- continues to be a  
42 pretty predominant type of laundering mechanism.

43 Q So that category of criminally-influenced  
44 companies includes both operating companies to  
45 cash intensive business but it's sort of -- I'm  
46 thinking of the car wash in *Breaking Bad*, that  
47 sort of example of a lot of money moving through

1 intermingling with some earnings but effectively  
2 laundering criminal earnings --

3 A Right.

4 Q -- but on the other hand also would be a category  
5 that you would include within it, shell  
6 companies? So holdings, offshore holdings  
7 wherever they may be?

8 A Exactly, yes.

9 Q All right. In terms of the techniques for  
10 criminally-influenced companies, around page 95,  
11 you list a number of these different -- I think  
12 you term it as services, products and assets that  
13 are used in ML techniques that appear in this  
14 area: using nominees as owners or directors,  
15 establishing multiple companies, establishing  
16 companies, as you just mentioned, in financial  
17 haven countries, flipping companies, purchasing a  
18 company already owned by the criminal enterprise,  
19 and paying out fictitious salaries.

20 A Right, yeah. Yeah. Again, the range of  
21 different money laundering techniques that you  
22 can use with a company is, again, almost  
23 unlimited. But one aspect I forgot to mention as  
24 well that makes companies attractive is simply  
25 the ability to use nominees and beneficial  
26 ownership to hide the criminal ownership and  
27 criminal source as well. So companies, shell or  
28 real companies, can be quite effective in  
29 concealing criminal ownership of the company  
30 itself as well as the assets purchased with the  
31 proceeds of crime. So nominees can be used as  
32 shareholders, directors, officers, owners, staff.  
33 And also there's been cases as well where  
34 companies can actually legitimize the criminal  
35 offender. So in Montreal during the years of the  
36 Cotroni crime family, they owned numerous  
37 businesses throughout Montreal -- pizza parlours  
38 and ice cream shops -- and they basically used  
39 their, you know, made members to work in these  
40 stores and receive a salary, so they were  
41 laundering funds through salaries -- salary  
42 cheques as well, so.

43 So again, it's very -- companies are really  
44 a central part of a laundering -- a lot of money  
45 laundering operations. And again, the Vancouver  
46 model was purportedly Silver International, which  
47 was basically set up as a money service business,

17 Stephen Schneider (for the Commission)  
Examination by Mr. Martland, Counsel for the  
Commission

1 basically was just a -- you know, it's just a big  
2 money laundering operation allegedly.

3 Q Let's move to gold and diamonds and the like,  
4 please. At page 97 you have a heading of  
5 "Precious Metals and Gems." Please tell us a  
6 little bit -- that may or may not be a more  
7 intuitive area -- about how precious metals and  
8 gems are used in money laundering.

9 A Again, similar to cars, a lot of the research in  
10 police cases indicate that much of the purchases  
11 of gems are for personal use, and from some of  
12 the case studies I included are mostly focused on  
13 a personal use. But again, gems and -- again,  
14 obviously the compactness of gold, of expensive  
15 jewellery is beneficial for transporting value  
16 across borders. So there's a lot of cases  
17 internationally where jewellery has been  
18 purchased with the proceeds of crime and then  
19 smuggled across the border and then sold and that  
20 cash being used to finance further criminal  
21 activity. So there's no shortage -- so while  
22 many of the cases I've seen involve the purchase  
23 of jewellery and precious gems with the proceeds  
24 of crime for personal use, it also can serve a  
25 valuable purpose of being able to transfer value  
26 across borders. And I think I included a case  
27 study on that in the literature review. So both  
28 for money laundering and terrorist financing as  
29 well.

30 Q Mm-hmm?

31 A And again, relatively unregulated industry.  
32 Jewellery stores are relatively unregulated.  
33 There are certainly cases where the bad guys had  
34 set up their own precious gem dealerships and  
35 jewellery stores, and it's, again, relatively  
36 easy to take -- to sell jewellery through the  
37 black markets or even through legal markets once  
38 you've -- if you want to convert it back into  
39 cash.

40 Q I'll move, please, to page 100. You have a  
41 heading "The Internet, Other Virtual Medias, and  
42 Crypto-Currencies." That's quite a broad  
43 collection of things that are described there.  
44 Yesterday you touched on something that you  
45 developed at further length in the discussion  
46 about the online game.

47 A Mm-hmm.

1 Q At the risk of doing it backwards, why don't you  
2 tell us a bit about that as an example, but then  
3 more broadly the Internet, crypto-currencies,  
4 virtual assets, those headings as areas that are  
5 at risk of exploitation of money laundering and  
6 how that could [indiscernible].

7 A Well, certainly we've all heard of the dark web.  
8 The dark web is a place where people can go  
9 online to buy illegal commodities and services,  
10 but they're -- some of these dark websites also  
11 provide money laundering services as well, which  
12 includes bidding on goods, for example, and  
13 actually being able to purchase those goods with  
14 cash or with virtual currencies, crypto-  
15 currencies.

16 But certainly what has seemed to emerge as  
17 one of the more vulnerable aspects of online life  
18 are these, you know, what they call massively  
19 multiplayer online games. I'm not familiar with  
20 online games, quite frankly. I think I'm from  
21 the Tetris generation or the Pong generation.  
22 But these games now basically, if anyone has  
23 kids, know that there is money involved and that  
24 your avatar can purchase goods, can purchase  
25 services to continue in the game, and some of  
26 these games have created their own virtual  
27 currencies. So you would go into a game like  
28 Second Life. You would purchase the Second Life  
29 currency, and then once you have this currency,  
30 you can use that currency for various reasons.  
31 And so this obviously, any kind of virtual  
32 currency now is vulnerable to money laundering.  
33 So once a value is placed on any object, no  
34 matter what that object is, virtual or real, you  
35 know, criminals are going to find a way to abuse  
36 it through fraud or money laundering.

37 So for example, a player in Second Life can  
38 use his or her credit or debit card to purchase  
39 online money and then redeem those credits for  
40 actual money with another player in another  
41 country, which can serve as a money laundering  
42 vehicle. So it's not difficult for a number of  
43 co-conspirators to play a game and to transfer  
44 value, transfer money internationally through a,  
45 you know, multiplayer online game.

46 Q So that's really an illustration that the concept  
47 that really almost wherever you can find some

1 milieu that allows for the transfer of value,  
2 especially if that's coupled with anonymity or  
3 crossing jurisdictions or making it complicated  
4 to trace things along, there's some real prospect  
5 that money launderers will look to make use of  
6 that to transfer and really hide the source of  
7 origin?

8 A Right. I have not come across any specific  
9 cases, case studies, of the using of games, but  
10 there is certainly an emerging body of literature  
11 on the potential for the abuse of these online  
12 games for money laundering. And you can  
13 definitely see in the way they're set up -- and  
14 they're impossible to regulate, these games, as  
15 well, which make it, again, a very attractive  
16 laundering vehicle.

17 Q And then stepping back to think about the  
18 internet, the dark web, virtual currencies,  
19 virtual assets and the like, do you see this as  
20 sort the future of the direction that, for  
21 example, governments, law enforcement agencies  
22 should be orienting themselves towards?

23 A Well, my understanding is certainly crypto-  
24 currency like bitcoin -- correct me if I'm wrong  
25 -- is going to be covered under the federal money  
26 laundering and suspicious transaction reporting  
27 requirements. So obviously the federal  
28 government sees that as a potential.

29 My own belief is that cash will continue to  
30 be the predominant form of currency in drug  
31 trafficking and the underground markets, and  
32 it'll be a while before any virtual currency or  
33 even value transfer systems replace cash. With  
34 that said, again, for the savvy money launderer,  
35 the technophile, you know, the potential to be  
36 able to use the internet, to use these games, to  
37 use crypto-currency, you know, there's great  
38 potential in that.

39 So again, while there's -- you have to keep  
40 in mind that while there's certainly a great  
41 level of sophistication in some of these criminal  
42 organizations, I mean, most of these are criminal  
43 offenders who are typical criminal offenders.  
44 They're not particularly smart. They're  
45 reactive, they're impulsive, they're not  
46 technically savvy. So they're going to continue  
47 to rely on, you know, cash and more rudimentary

1 forms. It's in many cases easier for them to  
2 smuggle cash because they're already in business  
3 smuggling drugs, so you might as well just use  
4 the same, you know, conveyance to smuggle cash.

5 So my own feeling is that cash will continue  
6 to be the primary source of currency in the drug  
7 market, underground markets. But with that said,  
8 there are cases emerging where crypto-currency is  
9 being used, and simply the potential of the  
10 internet and potential of sort of this virtual  
11 reality or virtual mediums, you know, have great  
12 potential for laundering, especially  
13 internationally. And I think that's where Second  
14 Life shines a light on how that can be used to  
15 transfer value internationally.

16 Q Let's move, please, to page 102, professionals  
17 and occupations that are used for money  
18 laundering activity. You have a discussion in  
19 the second paragraph about broadly two  
20 categories: on the one hand, front-line staff,  
21 in particular retail businesses, people coming  
22 into contact with money launderers, so bank  
23 tellers, real estate agents, automobile dealers,  
24 currency exchange staff, jewellery store  
25 salespeople as examples. And then a second group  
26 being those with specialized skills, expertise,  
27 powers, and resources, and then you go on to  
28 talk about lawyers. You also have a discussion  
29 about accountants. Please tell us a little bit  
30 about this header and this category of  
31 professionals that are used and how they might be  
32 used in money laundering.

33 A Right. Well, I always feel a little  
34 uncomfortable talking about the issue in an  
35 audience of mostly lawyers, but I'll dive in  
36 anyways. The first time I ever presented a paper  
37 on money laundering was at an American Bar  
38 Association conference.

39 But certainly there is no shortage of cases,  
40 of reporting of legal professionals being  
41 involved in money laundering. And based on my  
42 research, again, the majority of them are  
43 involved unwittingly. There's certainly cases of  
44 willful blindness, and there's definitely cases  
45 of lawyers knowing fully well what they're doing  
46 and they are actively engaged in money  
47 laundering. And there's, again, no shortage of

1 cases in Canada of lawyers being involved in  
2 actively laundering money.

3 You know, again, lawyers are particularly  
4 vulnerable or attractive to money launderers not  
5 only because they can be involved in  
6 incorporating companies, they can be involved in  
7 real estate transactions. But certainly, you  
8 know, what's caught the attention of most is,  
9 again, the abuse of legal trust accounts and also  
10 the strict client-solicitor confidentiality.

11 So in my research the money launderers only  
12 gravitated to lawyers because they were involved  
13 in a financial or commercial transaction that  
14 required legal advice or legal intervention, in  
15 particular real estate. So most of the cases  
16 involving lawyers, in my research, they were  
17 involved simply because they were facilitating a  
18 real estate transaction involving the proceeds of  
19 crime. In other cases, again, they were more  
20 actively involved and were explicitly laundering  
21 money.

22 But again, certainly the use of legal trust  
23 accounts is something that's very attractive to  
24 money launderers for obvious reason, because  
25 hiding beneficial ownership -- or criminal  
26 ownership is obviously key to money laundering,  
27 and the best way to do that is probably through a  
28 legal trust account, so... But again, the role  
29 of lawyers in the money laundering process ranges  
30 from a very passive sort of provision of basic  
31 legal services, for example, in a real estate  
32 transaction all the way to cases where lawyers  
33 explicitly were involved in setting up shell  
34 companies and, you know, transporting cash and  
35 many -- many transactions that were clearly  
36 illegal and part of the money laundering process.

37 Q And you also discuss accountants as a profession  
38 that might be engaged for the purpose of money  
39 laundering activity. Please tell us about that.

40 A Well again, if you are someone that's generating  
41 a large amount of cash, a large amount of  
42 revenue, illicit or otherwise, accountants can --  
43 and bookkeepers can be very important in keeping  
44 track of that money. And the one case that I  
45 identified was with the Hells Angels in Quebec,  
46 where they were generating so much cash that they  
47 needed the help of professionals just to keep



1 track of all the cash coming in and going out  
2 through spreadsheets. And so there's a police  
3 wiretap that caught one of the outlaw bikers in  
4 Quebec talking about accountants. They had an  
5 accountant that worked for Vito Rizzuto.

6 But there's not a lot of cases on  
7 accountants. Not that many came up in my study.  
8 Certainly the ones that came up in one of the  
9 case studies documented on page 109, I think,  
10 shows the kind of range of work that an  
11 accountant can do for a client, including not  
12 just accounting but notary work as well, helping  
13 set up companies, advice, financial advice as  
14 well. But not -- I have not come across a large  
15 number of cases that involved accountants.

16 Q Okay. Let's move, please, to 110. You shift out  
17 of the sectors of the economy into talking about  
18 the underground economy. At least I read that as  
19 a shift from one area to a different area. If  
20 you could please introduce that topic when you  
21 talk about the underground economy. What do you  
22 mean by that term?

23 A Well, in this instance I'm really referring to --  
24 I mean, the underground economy, say for in  
25 Canada, is very vast and it includes not just  
26 criminal activity as well but, you know, any type  
27 of commercial/financial transaction that tries to  
28 avoid taxes basically. You know, we know that  
29 the home renovation industry, for example, has a  
30 large underground component to it.

31 But with respect to money laundering, you  
32 know, really what I'm talking about are informal  
33 systems, but also criminal systems as well, that  
34 can be used and abused to facilitate money  
35 laundering.

36 So the way I categorize it is I sort of  
37 group it into four different areas. First and  
38 foremost is this emergence of the money  
39 laundering specialist or the professional money  
40 launderer, and that's at the core of the  
41 Vancouver model. Basically a lot of these -- you  
42 know, Silver International and others were  
43 basically -- their purpose was first and  
44 foremost, if not exclusively, to launder money.  
45 And we've seen that in the past throughout  
46 different countries as well and different cases.

47 Second is the use of corruption and internal

1 conspiracies. And again, if you have someone on  
2 the inside of a bank or a casino that is  
3 complicit in the conspiracy, that is certainly  
4 one of the greatest benefits to a money  
5 launderer, and that is -- it's often difficult to  
6 achieve, but certainly there are cases where  
7 criminals have corrupted lawyers, have corrupted  
8 bankers, have corrupted casino staff, to help  
9 facilitate money laundering.

10 The next is informal value transfer systems.  
11 Again, these are historic systems that go back  
12 centuries in the case of some countries and  
13 regions, whose role is basically to transfer  
14 value across international borders. So you're  
15 not transferring cash per se; you're transferring  
16 value. And we can talk about that in a little  
17 more detail if you want. But again, that was at  
18 the core of the Vancouver model as well, the  
19 value transfer systems.

20 And finally is trade-based money laundering,  
21 which is an extension of an informal value  
22 transfer system but basically uses commercial  
23 trade practices, primarily under-invoicing, to  
24 launder money. I know some of this may sound  
25 vague and I -- if you like, I can get more detail  
26 on the informal value transfer system because  
27 that's really emerged as a key way to not only  
28 launder money internationally but to use to help  
29 facilitate international drug purchases as well.

30 But that was --

31 Q [indiscernible - overlapping speakers]

32 A -- absolutely at the core of the Vancouver model  
33 were these informal value transfer systems.

34 Q So let's do exactly that. And just to ground  
35 some of the discussion, page 114, you quote from  
36 the 2018 Peter German report. He gives a  
37 description about IVTS, informal value transfer  
38 systems, and then describes that as being  
39 "unlicensed operations which rely on political  
40 geographic, family, or close personal  
41 relationships, in order to conduct business."

42 He goes on to write in his report, and you  
43 have the quotation from it, in the middle of page  
44 114, "Their clientele tends to be from a specific  
45 ethnic group." And you go on to describe some of  
46 the terms that are used for these alternate  
47 remittance or value transfer systems: the hawala

1 in India, hundi in Pakistan, the chit and chop  
2 from China, and described that as being something  
3 indeed in the next paragraph you indicate that  
4 many developing world countries which don't have  
5 established banking systems are heavily reliant  
6 on them -- sorry, not you but Dr. German does --  
7 and he goes on to comment that even international  
8 aid organizations will sometimes make use of  
9 those systems to pay their employees, so they  
10 really serve as de facto banking institutions in  
11 some parts of the world.

12 A Right. Right. I mean, we in the West really  
13 became attuned to these informal transfer systems  
14 following 9/11. Amongst all the investigations  
15 was investigations into terrorist financing, and  
16 the accusations were being made that the hawala  
17 systems were being used to transfer funds that  
18 were being used to fund 9/11 and other terrorist  
19 activities, which in fact were wrong. Most of  
20 the funds were being transferred using  
21 conventional banks. But it sort of alerted  
22 authorities, alerted researchers and others to  
23 this informal system and how it can be used to  
24 launder money or a part of terrorist financing.

25 Again, some are quite historic. Some are  
26 very commonly accepted in many countries simply  
27 because they don't have sophisticated banking  
28 systems so the underground systems are what  
29 really are used by many people to transfer value.  
30 It's often used, you know, again with migrant  
31 labour, especially in the U.S. That's, you know,  
32 where they will come work in the U.S. and instead  
33 of using a bank or a formal transfer system will  
34 send money through an informal system.

35 I think the best way to describe an informal  
36 value system is just to give you an example.  
37 First of all, we have to move away from -- we  
38 have to understand the concept of value and --  
39 here you're not transferring physical cash.  
40 You're literally transferring, I mean, value.

41 So an example is this. You have an  
42 individual in China who wants to relocate a  
43 million dollars to Canada. Doesn't want to go  
44 through a bank. Doesn't want to physically  
45 smuggle the cash. So what option does he have?  
46 The option basically is to approach, you know, a  
47 money service business in China who has a

1 corresponding money service business in Canada.  
2 And what they work out is the money service  
3 business in Canada makes that money available to  
4 the individual in Canada, so now that person has  
5 a million dollars in Canada that's basically lent  
6 to him or her from this money service business,  
7 or a professional money launderer in some cases  
8 in Canada.

9 And simply put, once that cash is in Canada,  
10 it's made available to the individual to use  
11 either when he's in Canada or, you know, a family  
12 member or a business associate. But the cash is  
13 now in the destination country where the  
14 individual wants it. And the next step is simply  
15 for the money service business in Canada to  
16 negotiate with the money service business in  
17 China on how the Canadian broker is repaid. And  
18 that's often -- that's done -- can be done  
19 through numerous techniques, but one method to do  
20 that is a trade-based money laundering approach.  
21 And so trade-based money laundering is like  
22 under-invoicing. It's that -- for example, a  
23 company in China will sell the broker in Canada,  
24 you know, a million dollars in goods that are  
25 really worth \$3 million. So now you've  
26 transferred the value of \$2 million to Canada.  
27 Hopefully that makes some sense. But it's a  
28 relatively basic concept in that, you know, you  
29 have two brokers in two different countries.

30 It's primarily used for international funds  
31 transfer, so you have brokers in two countries  
32 and they simply, as long as they have a  
33 sufficient amount of cash on both sides, they can  
34 make the system work.

35 Q That sounds like it's really an analogue to the  
36 sort of bank transfer that might occur where  
37 there's a deposit in one place and a credit in  
38 the other, or a transfer, however that is done  
39 mechanically. But I suppose a few things differ  
40 about it. Number one: it's not -- it's sort of  
41 off-market in the sense that it doesn't leave the  
42 same paper trail. I assume the second feature to  
43 it is that it really is highly dependent on the  
44 trust of the people involved. It's not --  
45 A Right. Yes, absolutely. Yeah. And again, there  
46 is -- you know, whether -- in many developed  
47 countries, including China, you know, these

1 systems have been in place, like I said, for  
2 hundreds of years. At least a hundred years  
3 in -- but it's also important because it's not  
4 simply used to launder money. It's also used to  
5 finance illegal operations. So if it's used to  
6 basically provide money in a source country, a  
7 drug source country money -- source country. So  
8 that's where the danger of -- or the potential of  
9 these informal value transfer systems are so  
10 dangerous and such pose a high risk, is that  
11 they're not used simply for money laundering;  
12 they're used for any kind of international  
13 transfer of funds or value, and that's absolutely  
14 essential to getting cash from the destination  
15 country where drugs are sold back to the source  
16 country.

17 And so that's -- again, the informal value  
18 transfer systems were fundamental to the  
19 Vancouver model so the brokers in Canada, in  
20 Richmond, were basically working with brokers in  
21 China to illegally transfer value from China.  
22 And then that system was intermingled with the  
23 drug trafficking proceeds so the cash in some  
24 cases was used to pay back these loans or first  
25 given to the casino gamblers and they laundered  
26 it, and then the cheques were perhaps provided  
27 back as payment with interest and fees to the  
28 brokers in Canada. And we also see in the  
29 Vancouver model -- and we'll talk about this, I  
30 guess, when we talk about the Vancouver model in  
31 more detail. But the laundered money was  
32 intermingled with drug money as well, and so --  
33 so the danger of the informal -- or the threat  
34 that these informal value systems pose is not  
35 simply for money laundering, but because it's  
36 international transactions, they're very  
37 conducive to financing drug trafficking as well.

38 Q And you touched on TBML or trade-based money  
39 laundering, probably not a totally intuitive  
40 topic for people who haven't read about it. Page  
41 116, you have the FATF, the Financial Action Task  
42 Force, description of how TBML has been defined.  
43 And I'll just read it out:

44  
45 The process of disguising the proceeds of  
46 crime and moving value through the use of  
47 trade transactions in an attempt to

1 legitimize their illegal origins or finance  
2 their activities. In practice, this can be  
3 achieved through the misrepresentation of  
4 the price, quantity or quality of imports or  
5 exports. Moreover, trade-based money  
6 laundering techniques vary in complexity and  
7 are frequently used in combination with  
8 other money laundering techniques to further  
9 obscure the money trail.

10  
11 Reading on from your literature review:

12  
13 The FATF concludes that TBML "represents an  
14 important channel of criminal activity and,  
15 given the growth of world trade, an  
16 increasingly important money laundering and  
17 terrorist financing vulnerability."  
18

19 And you go on to then, reliant on the FATF  
20 report, describe four basic variations of TBML?  
21 A Right. Yeah. TBML is again -- poses a very high  
22 threat for money laundering, primarily because to  
23 use it properly, you really need to operate in  
24 vast sums of money. I mean, you can use it for,  
25 you know, 10,000, 100,000 dollars. But really  
26 it's -- when we look at police cases, it's  
27 typically used by quite sophisticated  
28 transnational crime groups. I mean, the  
29 Colombian cartels used what was called the Black  
30 Market Peso Exchange, and I included details of  
31 that in the report.

32 Again -- so as an extension of the example I  
33 gave earlier, trade-based money laundering can  
34 actually be used to repay money. So now the  
35 broker in Canada has put forth a million dollars  
36 out of his own cash and needs to be repaid. And  
37 so one way to repay that individual without  
38 transferring cash is to have set up an under-  
39 invoicing scheme. So the broker in China sets up  
40 a company, sells, again, \$2 million -- or sells a  
41 million dollars in goods to the broker in Canada,  
42 but the goods are actually worth more than  
43 \$2 million. So now the broker in Canada has that  
44 million dollars repaid to him or her. And so  
45 trade-based money laundering is an extension to  
46 some extent of the informal value transfer system  
47 as well. But that's where the under-invoicing

1 technique is used at a more massive scale. And  
2 this is a technique that was used extensively  
3 with the Colombian cartels.

4 But you know, at an international level when  
5 you're talking about high intensity threats,  
6 large criminal organizations like, you know,  
7 Mexican cartels or the Hells Angels or whatever,  
8 trade-based money laundering is a very effective  
9 way to transfer value or funds internationally,  
10 and we're seeing in cases it being used. And all  
11 the literature from FATF to the RCMP, to FINTRAC,  
12 have flagged this as a particularly important  
13 technique that law enforcement needs to -- and  
14 government regulation needs to focus on more,  
15 again because it's international in scope and it  
16 tends to be used on a very large scale by very  
17 high intensity organized crime threats.

18 Q And you've on a number of occasions talked about  
19 the Vancouver model and told us a bit about it.  
20 But let's move right into that discussion in your  
21 report, page 118 of the report.

22 And let me start with just an obvious  
23 question. When you use that term "Vancouver  
24 model" -- I don't need you to repeat ground  
25 you've already covered. But how do you use that  
26 term? What do you describe with that moniker?

27 A Okay. Well, the term was originally used by  
28 Professor John Langdale, who is an Australian  
29 professor, and he was making a presentation about  
30 the different criminal alliances from China that  
31 posed a threat to Australia, and he had about  
32 five or six case studies, all revolving around  
33 how Chinese criminal groups work with other  
34 criminal groups to launder money as well as other  
35 criminal activities.

36 So his fourth case study was what he called  
37 the Vancouver, Canada, Model. And in each of the  
38 case studies, he tried to make a case that they  
39 were quite unique in their goals and purposes and  
40 strategies. And certainly the Vancouver model,  
41 you know, was unique. I had not come across  
42 something like that, the techniques that were  
43 being used and how so many different techniques  
44 were being amalgamated into a kind of a very  
45 long-running and to some extent sophisticated  
46 money laundering model.

47 So in his presentation he really only had

1 one slide in his PowerPoint presentation  
2 dedicated to this conceptual Vancouver model, so  
3 it's pretty skeletal. But through the literature  
4 -- whether it's the news media. Peter German  
5 talked about it a bit. FATF talks about it  
6 somewhat. FINTRAC has some reporting on it. And  
7 looking at some of the theoretical literature on  
8 informal value transfer systems -- and some of  
9 the pieces have come together. So in my overview  
10 or details of the Vancouver model, it's based on  
11 a sort of skeletal model that Langdale proposes  
12 and then filled in with some detail from the  
13 literature.

14 Again, I think there's probably more  
15 questions raised than answered in this. The  
16 Vancouver model also overlaps with the RCMP  
17 investigations, E-Pirate and E-National or  
18 E-Nationalize. So based on my understanding of  
19 the literature, really at the core of the  
20 Vancouver model was Silver International,  
21 although, again, there's a number of other  
22 individuals that were involved in similar  
23 laundering, you know, making loans through real  
24 estate, that may have been connected with Silver  
25 International or it may have been operating  
26 independently.

27 So I think the Vancouver model explains more  
28 in sort of generic terms how this laundering  
29 process works, but certainly this is not a  
30 theoretical model. He based this model clearly  
31 on what was going on in Vancouver, and really  
32 what gave rise to this Commission, in my opinion.

33 So by way of summary, this is how I  
34 understand the Vancouver model and the different  
35 facets of it. The first was -- involved  
36 facilitating capital flight from China to Canada  
37 via an informal value transfer system. This  
38 would -- including the capital flight from  
39 wealthy Chinese but also government officials and  
40 even some financial crime offenders.

41 Silver International and Jin were also  
42 involved in collecting cash proceeds of drug  
43 trafficking from other criminal organizations.  
44 So now they've established themselves basically  
45 as an underground money laundering service. Jin  
46 basically and Silver International were basically  
47 a professional money laundering organization.



1 So what they did was they -- and this was  
2 where the criminal alliance portion comes in, is  
3 that they connected with a number of other  
4 different criminal groups, most of them in Canada  
5 but also some connections to Mexican cartels, to  
6 Chinese organized crime. And basically what  
7 Silver International did was launder the cash  
8 proceeds of crime from these other criminal  
9 organizations. And in the literature and the  
10 news media, in Peter German's report, there's  
11 accusations that bags of cash were literally  
12 dropped off in the parking lot of Silver  
13 International by couriers. And it wasn't just  
14 cash from criminal organizations; also cash from  
15 debtors to some of the loan sharks that were  
16 involved with Silver International. But the  
17 majority of the money came from drug trafficking  
18 groups. And basically Silver International was  
19 laundering the money for these criminal  
20 organizations.

21 And basically what they would do was they  
22 would use the drug monies provided to them in  
23 Canada, and that drug money would be given to  
24 gamblers and it would be laundered through  
25 casinos, but it would also be lent out as private  
26 mortgages. And so you had drug cash being  
27 laundered through casinos, drug cash being  
28 laundered through real estate primarily, but  
29 banks were also used, other legitimate money  
30 service businesses as I understand it. But the  
31 two main laundering vehicles seemed to be casinos  
32 and real estate, according to the literature.

33 And then basically once the money was  
34 laundered, that money was provided as the capital  
35 to the Chinese -- the wealthy Chinese that were  
36 trying to relocate their funds in Canada. So  
37 that's how the capital flight was connected to  
38 the drug money.

39 So the final stage of this process was  
40 basically transferring illicit funds and value to  
41 and from China to other countries, including  
42 Mexico and Colombia, not only to settle the  
43 accounts that were involved in the international  
44 value transfer systems but also to finance the  
45 purchase of drugs in source countries. So  
46 apparently there was, you know, dozens if not  
47 hundreds of underground bank accounts in China to

1 which this money was finally transferred, and  
2 that money was supposedly used to finance  
3 fentanyl production and trafficking in Canada.

4 So it's, again, at this point more  
5 speculative and anecdotal than empirical. Like I  
6 said, I have probably more questions to ask than  
7 answered. But certainly based on the literature,  
8 it was a fairly complicated wide-ranging model or  
9 operation that ultimately was there to benefit  
10 the wealthy Chinese transferring the money to  
11 Canada. It was primarily to benefit the criminal  
12 organizations that were laundering drug money.  
13 And also it benefitted people who wanted to  
14 purchase houses because a lot of this drug money  
15 was being lent out as private mortgages. And the  
16 accusations were that these mortgages were being  
17 literally provided in cash to property developers  
18 as well as home buyers. So hopefully --

19 Q And you've really taken -- no, that's very  
20 useful. You've taken some care in your report  
21 and then through answering questions here to use  
22 words like "accusation" and "allegedly." The  
23 sources, just to be clear about it here, when you  
24 described that that really derives from, am I  
25 right to say primarily news reports and perhaps  
26 some other reports you've looked at?

27 A Well, certainly the -- again, the basic  
28 conceptual model, if you can call it that,  
29 originated with Langdale.

30 Q Right.

31 A He kind of put the parts together, but at the  
32 same time it was -- Peter German went into some  
33 detail describing it. The Financial Task Force  
34 had, in a report they had on professional money  
35 laundering, talked about the system as well  
36 because Silver International is considered  
37 basically a professional money launderer. But  
38 certainly fleshing out the details, the media was  
39 -- the news media was of some value, definitely,  
40 yeah.

41 Q And I suppose in terms of, were one to move it  
42 from alleged to proved, we would probably need a  
43 court judgment. There never was one on the  
44 merits of this case.

45 A Right.

46 Q That, I think, probably takes us to page 126.  
47 And just as we get into that, there was one

1 correction which had been drawn to both of our  
2 attention by counsel for Canada, and we're  
3 grateful for them pointing it out. I take it  
4 that there were references there to a media  
5 release by the RCMP that with Canada's assistance  
6 you've since determined in fact the media release  
7 relates to a different investigation to  
8 E-Nationalize rather than E-Pirate, E-Pirate  
9 being the Silver International case.

10 A Right. But I think the important point was that  
11 there was considerable overlap between the  
12 criminal activities and the suspects targeted in  
13 both E-Nationalize and E-Pirate with the  
14 Vancouver model. I mean, my argument is that  
15 Silver International really was at the core of  
16 this criminal alliance. Now, there certainly  
17 were many others involved, both in laundering and  
18 certainly there was the criminal alliances with  
19 the other organized crime groups that were  
20 providing the drug money to be laundered.

21 My interpretation is that you wouldn't have  
22 the Vancouver model without Silver International  
23 and their directors and Mr. Jin, who is, you  
24 know, at the centre. So there's considerable  
25 overlap between what the RCMP were targeting or  
26 what police were targeting in their  
27 investigations and what Langdale and others were  
28 purporting to be -- to make up this Vancouver  
29 model.

30 And yes, you're correct that the charges  
31 against Silver International, its directors and  
32 Jin were stayed, although I understand that the  
33 Civil Forfeiture Office is -- launched several  
34 suits against Silver International, Jin, some of  
35 Jin's relatives, his wife, to force the  
36 forfeiture of assets that they argue were the  
37 proceeds of crime.

38 But again, the RCMP and the Combined Forces  
39 Unit and all the police agencies involved in  
40 these investigations have released very little  
41 information that I have seen publicly, very few  
42 press releases on this. So there's not a lot of  
43 information on this. But my inference is that,  
44 given that Silver International and Jin were the,  
45 you know, the focus of E-Pirate investigation,  
46 they also, in my opinion, are the core of the  
47 whole Vancouver model. I mean, they were the

1 glue. They were the central professional money  
2 launderer that really was the, you know, vortex  
3 around which all of these different transactions,  
4 whether it's capital flight, casino money  
5 laundering, real estate money laundering, they  
6 were really the orchestrators of this, I would  
7 argue. But again, that's based on a shortage of  
8 the literature and an over-reliance on the news  
9 media.

10 Q I take from your last answer you haven't seen the  
11 police report on E-Pirate?

12 A No, I have not.

13 Q And I guess one other small point to cover off,  
14 the reference on page 126 to the CFSEU having led  
15 the E-Pirate investigation from the information  
16 that counsel for the federal government gave us,  
17 you understand that's not the case now? They  
18 didn't?

19 A Yeah.

20 Q Am I right about that? Okay.

21 A Correct, yeah. And that's one of the issues  
22 being addressed in this revised -- but yes. It's  
23 -- it's fairly complicated. It is unique. I've  
24 never seen a system like this before. But it's  
25 sophisticated at the same time. Obviously like a  
26 lot of other criminal operations of money  
27 laundering, you know, they set themselves up to  
28 be eventually detected because so much has been  
29 laundered through casinos allegedly. So much has  
30 been laundered through real estate -- in a very  
31 confined area, Greater Vancouver. I mean, the  
32 majority of this money laundering took place in  
33 Vancouver.

34 So on the one hand it was quite  
35 sophisticated; on the other hand, you know, it  
36 was inevitable that they were going to get caught  
37 simply because of the scope of the laundering  
38 operation that was ongoing.

39 Q And we'll, I'm sure, return to the Vancouver  
40 model in moving to more of the analysis section  
41 of your literature review. I propose to go to  
42 page 128. You have a discussion about the  
43 effects of money laundering. And what you -- one  
44 of the points that you address there, as you call  
45 it, "A Critical Analysis of the Dominant  
46 Narratives on the Effects of Money Laundering."  
47 So I'd welcome you to address that as you'd like

1 to, but I'd be interested in hearing your  
2 comments about the effects of money laundering.  
3 A Sure. Well, certainly there has been no shortage  
4 of literature and arguments that money laundering  
5 has a significant effect on not only organized  
6 crime, contributes to organized crime, but also  
7 has a significant effect on the economies and  
8 societies of certain countries. I tend to be  
9 sceptical of a lot of these arguments of the  
10 wide-ranging pernicious effects of money  
11 laundering, a) because we've really never had any  
12 rigorous study that truly documents the impact of  
13 money laundering on financial markets, on  
14 economies, on companies, on society as a whole.  
15 You know, certainly in some extreme cases, like  
16 Colombia in the 1980s where the cocaine  
17 trafficking became, you know, such a huge part of  
18 their economy. You know, the narco econ -- you  
19 know, we refer to it as the narco economy -- did  
20 have an impact on the Colombian economy. You  
21 don't see that in Mexico, for example, because  
22 the economy there is too large, even as large as  
23 the cocaine trafficking is out of there.

24 So I'm sceptical of the arguments that money  
25 laundering has any significant effects on a macro  
26 economy. I would argue that it's -- you know,  
27 relative to the size the Canadian economy, it's a  
28 very small proportion of it, very tiny, and  
29 really doesn't have an impact.

30 As far as the impact on organized crime is  
31 concerned, again the argument is made that money  
32 laundering is sort of an essential aspect of  
33 organized crime. It perpetuates organized crime.  
34 It perpetuates organized crimes.

35 Again, I'm sceptical of that because really  
36 money laundering is -- really what it's about is  
37 just basically allowing the offenders to enjoy  
38 the benefits of their activities. When you look  
39 at consensual crimes, like drug trafficking or  
40 bookmaking or prostitution or people-smuggling,  
41 and there's one factor overall that drives these  
42 criminal activities, and that's demand. If you  
43 have demand for drugs, you'll have supply. If  
44 you have demand for gambling, there'll be a  
45 supply.

46 So you know, the laws of supply -- economic  
47 laws of supply and demand are equally applicable

1 to the underground criminal economy. Money  
2 laundering has no impact on demand whatsoever, so  
3 I always argue that it really doesn't influence  
4 supply because it doesn't influence demand.

5 Now, with that said, one of the questions I  
6 wanted to pursue is, you know, if this was at a  
7 microlevel, if the money laundering and the  
8 proceeds of crime was significant enough that it  
9 was concentrated in a particular jurisdiction and  
10 concentrated in a particular industry, then it  
11 could have an impact. And certainly the Expert  
12 Panel on Real Estate makes the argument that  
13 money laundering did inflate housing prices.  
14 Again, their model -- I'm not an expert in  
15 modelling -- the problem with doing this kind of  
16 modelling is that you have to first estimate the  
17 scope, which is, you know, a crap shoot. And  
18 then based on that tenuous foundation, you have  
19 to estimate the impact so you have sort of a  
20 tenuous modelling based on an even more tenuous  
21 model. Again, not to criticize their report,  
22 although even they acknowledged the limitations.

23 But certainly the argument can be made is  
24 that, you know, there was enough drug money being  
25 circulated through the Vancouver real estate  
26 market that it in fact did have an impact and  
27 could have increased the inflationary aspect of  
28 the real estate market in Greater Vancouver.

29 The last point I make in the literature  
30 review is that the -- that the Vancouver model,  
31 the techniques that were used, the strategy used,  
32 actually did contribute to drug trafficking  
33 because the funds that were being laundered were  
34 being transferred back to drug source countries  
35 through the informal value transfer system. So  
36 that is a specific example where money laundering  
37 can contribute to the further (sic) of a criminal  
38 activity.

39 But again, it's how you define money  
40 laundering. Just because you're transferring  
41 money internationally doesn't necessarily mean  
42 that's money laundering. I mean, what drug  
43 traffickers want to do most of all is being able  
44 to move their money internationally from the  
45 destination country where drugs are sold to the  
46 source country.

47 But, with that said, central to the

1 Vancouver model is -- that the literature  
2 proposes is that before that value was being  
3 transferred back to China or Asia to purchase  
4 fentanyl, it was being laundered through casinos  
5 and through real estate. And the same  
6 international value system needed to launder  
7 money was used to transfer value for drug  
8 purchases.

9 So with respect to Vancouver, while I'm  
10 generally sceptical about the sort of hysteria  
11 around the effects of money laundering, certainly  
12 I think an argument can be made that the  
13 Vancouver model, the money laundering did  
14 contribute to drug trafficking and furthering  
15 drug trafficking, and certainly the argument has  
16 been made that the money laundering did have a  
17 negative impact or an impact on the housing  
18 market, the real estate market in Vancouver.

19 Q In terms of those who have identified there being  
20 sometimes described as very serious consequences  
21 from money laundering activity, I'm just going to  
22 turn to a section of your report where you  
23 address some of that. So page 129, you refer to  
24 the Criminal Intelligence Service of Canada and  
25 language they've used about the laundering of  
26 money can undermine the legitimate economy,  
27 giving illegitimate businesses unfair advantages,  
28 having an effect on the integrity of financial  
29 institutions and the loss of investor and public  
30 confidence. You refer equally to McDowell and  
31 Novis stating that "money laundering has  
32 potentially devastating economic, security, and  
33 social consequences." Left unchecked, it can  
34 "erode the integrity of a nation's financial  
35 institutions." They go on to say it can  
36 "adversely affect currencies and interest rates."  
37 And then you have a number of specific negative  
38 effects that those authors identify as  
39 consequences that can come from money laundering.

40 I wonder if I can ask you this question. Is  
41 there a sense in which there's maybe two  
42 different things that don't admit of easy  
43 comparison in this sense. On the one hand, you  
44 express some scepticism about assertions that  
45 measure the effects on the economy. And I took  
46 you as making the point that there surely have  
47 not been verifiable measurements that establish

1 the proposition that the economy has been  
2 seriously negatively affected. So on the one  
3 hand, measuring the effects, I guess in dollar  
4 values, on the economy, and, on a different  
5 level, really a disagreement of principle, which  
6 is to say whether one puts a dollar -- whatever  
7 dollar figure is put on it at the level of  
8 principle, there's a fundamental disagreement. I  
9 don't know if I'm making that point very clearly.  
10 But do you see a little dissonance between those  
11 two or a distinction between those two?

12 A Yeah, I'm not sure if I understand the question,  
13 Brock. I mean, certainly, you know, my  
14 scepticism perhaps derives from two foundations.  
15 The first is that, as you inferred, you know, a  
16 lot of these arguments are made, but yet very  
17 little evidence is provided to back them up. I  
18 have seen very little evidence of national  
19 economies, even, you know, provincial economies,  
20 that have been seriously affected by money  
21 laundering.

22 So it's -- as a scholar, you know, we want  
23 to have -- if you're going to make an argument,  
24 you need to have rigorous -- especially an  
25 argument like this where you're trying to  
26 establish a cause and effect, you would need some  
27 fairly rigorous evidence. And again, the Expert  
28 Panel on Real Estate, you know, attempted to do  
29 so by developing a fairly rigorous model. But  
30 even as rigorous as the models are, they're based  
31 on broad estimates. We simply don't know in any  
32 accurate way how much drug money is being  
33 circulated through the economy.

34 So again, lack of rigorous studies. And I  
35 just, having looked, you know, at this for years  
36 and years and years, you see the same arguments  
37 being recycled without any kind of evidence that  
38 supports them.

39 My second area of scepticism is that, again,  
40 the argument of the devastating effects of money  
41 laundering are generally advocated most by  
42 government agencies and law enforcement agencies  
43 who have a clear vested interest in -- I don't  
44 want to say inflating the scope of the problem or  
45 the effect of the problem, but obviously drawing  
46 attention to the high -- the threat level of a  
47 particular problem.



1 And so money laundering, there's been a lot  
2 of, I think, sort of a momentum of hysteria  
3 around how -- the impact it has. And certainly  
4 the greatest, you know, advocates of the  
5 devastating impact of money laundering has been  
6 agencies like the Drug Enforcement Administration  
7 and the Bureau for International Narcotics  
8 Affairs and United Nations, you know, Office of  
9 Drugs. You know, it really emanates from the  
10 United States. I mean, the United States has  
11 been trying to impose their anti-money laundering  
12 system, their sort of RICO approach to organized  
13 crime, for years, and they've influenced numerous  
14 international agencies. And they even -- you  
15 know, blacklist countries that don't have certain  
16 American style enforcement measures in place. So  
17 I'm an eternal -- I'm someone who works  
18 extensively with law enforcement, both Canadian  
19 and American, and I've seen it firsthand, the  
20 attempt to sort of inflate the scope of the  
21 problem.

22 But again, so I'm sceptical generally but  
23 I -- again, I think there's some credible  
24 evidence with Vancouver that there has been  
25 effects on both drug trafficking and on the  
26 housing market.

27 Q I understand. And I think you're right to say  
28 the Expert Panel -- Professors Maloney,  
29 Somerville and Unger -- in their Expert Panel  
30 report on the real estate sector and money  
31 laundering, express a number of cautions around  
32 their use of what they call the gravity model, in  
33 an effort to understand the magnitude and extent  
34 of money laundering activity. Do you have views  
35 about -- appreciating the challenges involved in  
36 finding the right barometer to use to measure the  
37 extent of that activity, do you have views about  
38 whether that's even achievable?

39 A I've always argued no. And I've been approached  
40 on numerous occasions by the federal government  
41 to undertake some kind of modelling to not only  
42 estimate the scope of money laundering but its  
43 effects, and I have simply said no. And it's  
44 very rare for me to turn down a contract, so that  
45 says something right there.

46 But it simply --

47 Q That's[indiscernible - overlapping speakers]

1 fodder for your cross-examination --

2 A Well, exactly. That's right, yeah.

3 Q Okay.

4 A But it's just, again, your -- it's the, you know,  
5 the ultimate conundrum of criminology and doing  
6 organized crime research is that you're dealing  
7 with such -- you know, so many estimates that  
8 it's really difficult, even with the most  
9 rigorous model, to be able to build something  
10 reliable with these estimates. Some models are  
11 more rigorous than others. But again, the fact  
12 is, you know, even the experts that have built a  
13 whole career around estimating the scope and  
14 effects of money laundering have sort of  
15 acknowledged that their work has to be subject to  
16 a lot of scrutiny because of sort of the tenuous  
17 nature of the data that they're working with.

18 Q Well, by definition, I take it, we're talking  
19 here about deliberately secretive conduct and  
20 transactions, about in many instances activity  
21 that spans across not only different sectors of  
22 the economy and different professions and  
23 different typologies, but across borders, around  
24 the world and what have you. So I take it, by  
25 definition, something that's very difficult if  
26 not impossible to measure with any precision.

27 A Right. Right. I'll just --

28 Q But in the face of that, though -- I mean, I  
29 guess I want to ask you this question. In the  
30 face of that, in the face of it being perhaps  
31 ultimately unknowable with precision, does one  
32 throw up their hands and say it's unknowable so  
33 we stand by, or let it roll or --

34 A Well, no. I mean, again, you don't necessarily  
35 need to, you know, understand the scope and  
36 nature of a problem to address that problem. We  
37 know that. I mean, again, it gets back to the  
38 underlying argument of the importance of  
39 targeting the proceeds of crime in combatting  
40 organized crime or serious and financial crimes.

41 This, again, was -- you know, this idea of  
42 targeting the proceeds of crime sort of emerged  
43 in the '80s and it became kind of a flavour of  
44 the day then. And it was held out as this was  
45 the ultimate, most effective approach to target  
46 organized crime and drug trafficking and other  
47 consensual crimes because you're going after the

1 money, and that's what drives organized crime and  
2 drug traffickers is the money.

3 But again, you have to look carefully at,  
4 you know, what role does money laundering  
5 actually play in contributing to the continuity  
6 of sophisticated criminal organizations, of  
7 sophisticated transnational crimes? Again, I  
8 argue that, in my opinion, money laundering  
9 really doesn't contribute that significantly to  
10 the operations of a high intensity organized  
11 crime group.

12 Instead, you know, what we should be  
13 focusing on in many cases is the international  
14 transfer of funds. I've always argued that  
15 that's the greatest vulnerability of the large-  
16 scale transnational crime groups. Like I  
17 mentioned, their greatest goal or what they're  
18 most focused on is moving that money around  
19 internationally to continue their criminal  
20 operations. And again, that's not necessarily  
21 money laundering. It's international transfer.  
22 That's why trade-based money laundering has  
23 emerged as so important. That's why informal  
24 value transfer systems, cash smuggling, are such  
25 important, vulnerable aspects to focus on.

26 So I'm rather, again, sceptical of the whole  
27 proceeds of crime approach. Focusing on money  
28 laundering -- is it a particularly -- is this the  
29 best use of law enforcement resources or -- you  
30 know, there's a whole range of problems that  
31 confront focusing on the proceeds of crime.

32 Again, it's certainly a complementary  
33 strategy along with all the other interdiction  
34 approaches. The question is, you know, does it  
35 actually -- by targeting proceeds of crime  
36 actually do any harm to these criminal  
37 organizations? And by extension, does money  
38 laundering really contribute to perpetuation of  
39 organized crime and criminal activity? So...

40 MR. MARTLAND: Mr. Commissioner, I'm going to suggest  
41 this might be a useful point for us to take a  
42 brief break and then reconvene. Oh, and I don't  
43 think -- I can see your lips moving but not hear  
44 the audio so I think we've --

45 A I think he's muted.

46 MR. MARTLAND: Well, he showed as unmuted there a  
47 moment ago and we didn't hear the audio line.

41 Stephen Schneider (for the Commission)  
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Commission

1 This is going to very presumptuous, but Mr.  
2 Commissioner, if you could nod to signal a  
3 10-minute adjournment, that would mean we're back  
4 at about 11:15, on my clock.

5 THE COMMISSIONER: All right.

6 MR. MARTLAND: I'm happy that worked. We'll be back  
7 in 10 minutes.

8

9

(WITNESS STOOD DOWN)

10

11 THE REGISTRAR: This hearing is adjourned for a  
12 10-minute recess until 11:10 a.m. Please mute  
13 yourself and turn off your video. Thank you.

14

(PROCEEDINGS ADJOURNED)

15

(PROCEEDINGS RECONVENED)

16

17

18 THE REGISTRAR: The hearing is now resumed. Please  
19 ensure you are muted unless you are speaking.

20

21

STEPHEN SCHNEIDER, a  
witness, recalled.

22

23

24 THE COMMISSIONER: Thank you. I understand that my  
25 microphone was not functioning just at the end  
26 before the break, but I understand now people can  
27 hear me. Is that so?

28

MR. MARTLAND: Yes indeed.

29

THE COMMISSIONER: All right. Thank you, Mr.  
30 Martland. Please carry on.

31

32

EXAMINATION BY MR. MARTLAND, continuing:

33

34

MR. MARTLAND: Thank you.

35

Q Professor Schneider, I'm nearing the conclusion  
36 of my questions for you. I'm sure you'll be  
37 relieved to hear that. I'm going to now take us  
38 to page 135 of your literature review. You have  
39 a section entitled "Discussion and Analysis:  
40 Factors that put Canada and B.C. at Risk of Money  
41 Laundering."

42

Through the course of the evidence you've  
43 given thus far, I think you've touched on a great  
44 many topics, so it may be that some of these are  
45 points that you've made. But I'd welcome you to  
46 lead us as you'd like through this discussion and  
47 through the discussion in your literature review.

1 A Certainly. Well, one of the issues that I was  
2 asked to address in the literature review is what  
3 the literature says and my analysis of literature  
4 on whether or not Canada and B.C. in particular  
5 are particularly vulnerable to money laundering.  
6 Are they particularly -- is B.C. unique?  
7 Particularly what has transpired in the last  
8 five-ten years?

9 Certainly Canada, you know again, has always  
10 been flagged as sort of punching above its weight  
11 as far as organized crime and money laundering is  
12 concerned. But you know, quite frankly any  
13 country and every country in the -- every  
14 developed country is highly vulnerable to money  
15 laundering. If you look at the United States,  
16 they put out a report every year from the  
17 Department of State that kind of assesses, you  
18 know, whether a country is a major money  
19 laundering vehicle, and pretty much every  
20 developed country is included in that list.  
21 So...

22 But, with that said, you know, there is  
23 certain aspects of Canada that makes it  
24 particularly vulnerable to organized crime and to  
25 money laundering. I mean, certainly we do tend  
26 to punch above our weight as far as organized  
27 crime is concerned. We have -- for years, you  
28 know, the Rizutto crime family in Montreal was  
29 considered -- emerged as one of the most powerful  
30 Mafia groups in the world. We have more Hells  
31 Angels members per capita than any other country  
32 in the world.

33 So we have a very vibrant drug trade in this  
34 industry, a very high level of economic,  
35 commercial crime, fraud, counterfeiting, you  
36 know. We're now -- we're not just a drug-  
37 consuming country; we're a drug source country.  
38 We produce marijuana. We produce synthetic  
39 drugs. We're a transit country for cocaine.

40 So we're vulnerable to money laundering  
41 because we're vulnerable to organized crime.  
42 Every country in the world is vulnerable to  
43 organized crime and drug trafficking. Canada's  
44 no different.

45 But again, you can argue that our location  
46 next to the United States obviously makes us very  
47 unique. The United States is one of the biggest

1 consumers of illegal drugs and contraband in the  
2 world. You know, we have the longest unguarded  
3 border. Much of our population lives within a  
4 hundred-mile radius of the United States border.  
5 You know, certainly our relationship with China  
6 as well, British Columbia's in particular --  
7 China may certainly have now surpassed the United  
8 States as the biggest producer of contraband in  
9 the world.

10 So there's certainly a number of factors,  
11 you know. And with respect to money laundering  
12 in particular, the argument's been made that we  
13 have a very sophisticated banking system that  
14 attracts dirty money. We have a very stable  
15 economy, a stable political situation. You know,  
16 we're a very multicultural society; therefore we  
17 attract criminal operations and groups from all  
18 different ethnicities and nationalities. Of  
19 course crime is never concentrated in one  
20 ethnicity or nationality. And people have also  
21 made the argument that our criminal justice  
22 policies are weak and that, you know, they don't  
23 serve -- they're not punitive enough and they  
24 don't serve to deter bad guys. I've never bought  
25 into that argument.

26 Certainly the argument that we have a very  
27 strong *Charter of Rights and Freedoms*, and if  
28 you're a bad guy, you're going to get, you know,  
29 far less time, prison time, if you're a drug  
30 trafficker in Canada than the United States, that  
31 certainly would be true.

32 So to some extent you can argue that there  
33 are some unique features about Canada that make  
34 it more vulnerable or susceptible to money  
35 laundering.

36 You know, with B.C. in particular, again,  
37 being a province of Canada, everything that makes  
38 Canada susceptible to money laundering applies to  
39 B.C. And again, there's some unique aspects of  
40 B.C. as well. Obviously, you know, the  
41 relationship -- being a Pacific Rim country and  
42 having such important ties to China, commercial  
43 ties, immigration -- that obviously has influence  
44 on organized crime and money laundering in  
45 Canada. Especially with the drug trade, the  
46 whole emergence of fentanyl.

47 Peter German actually notes some unique

1 characteristics of Vancouver. You know, a large  
2 international airport which is extremely  
3 vulnerable to cash smuggling. We have a marine  
4 port -- a number of marine ports up and down the  
5 west coast which are very vulnerable to drug  
6 smuggling, contraband, a whole range of smuggled  
7 goods from not just China and Asia but also from  
8 the United States and Latin America.

9 You know, again, the close proximity to the  
10 United States, the fact that Mexico now is the  
11 major supplier of cocaine, and you have --  
12 basically a tractor-trailer can get on a highway  
13 in Mexico and pretty much drive straight through  
14 the U.S. to British Columbia. As I mentioned  
15 earlier, cocaine fetches a far higher price in  
16 Canada, which has made it quite attractive to the  
17 Mexican cartels.

18 Again, high tech sector. We have one of the  
19 largest addict populations in the country on a  
20 per capita basis. And again, British Columbia  
21 was very open to, as German notes, the crypto-  
22 currency. Not that I think that's a significant  
23 factor.

24 So Greater Vancouver has always had a long  
25 and very vibrant underground -- illegal  
26 underground economy. Probably many people don't  
27 know that the precedent for our marijuana trade  
28 was actually opium production. We were the  
29 biggest opium producers in the 1920s and '30s  
30 when opium and morphine and heroin were really  
31 becoming popular throughout North America. Now,  
32 as I mentioned, we're both a -- B.C. is a centre  
33 for both marijuana production and synthetic drugs  
34 as well.

35 And we have two of the -- you know, the  
36 Hells Angels and some of these Chinese criminal  
37 networks including the triads and Big Circle  
38 Boys. B.C. is a very lucrative venue for not  
39 only criminal activities but also is sort of a  
40 means of a headquarters and a base for  
41 international operations.

42 So to some extent I would agree that -- I  
43 don't want to carry this too far, but I think  
44 certainly B.C. has some characteristics that make  
45 it vulnerable to not just organized crime and  
46 illegal drugs but also to money laundering as  
47 well.

1 But you know, what really, again, in my  
2 opinion, the underlying factor that really  
3 precipitated the Commission, the inquiry, all the  
4 inflation in housing prices of that effect and  
5 all the reporting and police investigations into  
6 money laundering really revolved around the  
7 Vancouver model. There's some very extensive,  
8 ongoing and very ambitious -- perhaps over-  
9 ambitious -- attempt to launder money. I mean,  
10 everything sort of -- you've always had money  
11 laundering here. There's always been money  
12 laundering through real estate in Vancouver. But  
13 certainly the kind of intensity and the scope of  
14 the laundering and the amount of drug money that  
15 was being laundered through Vancouver in the last  
16 10 years is really unprecedented, in my opinion.  
17 I've never seen anything this scope in this short  
18 a period of time concentrated locally.

19 So we've had professional money laundering  
20 organizations like the Caruana-Cuntrera group  
21 that was linked with the Rizutto family. But  
22 they laundered their money internationally. It  
23 wasn't just -- and all over the country. But  
24 I've never seen as big a laundering operation, if  
25 in fact the evidence is true, that is so  
26 geographically confined. And not just  
27 geographically confined, but really focused on  
28 two major sectors: casinos and real estate. And  
29 that was their Achilles' heel, in my opinion, was  
30 that they focused too much on laundering in  
31 particular industries in a sort of concentrated  
32 geographical area. But...

33 So to me that -- you know, this really  
34 massive sort of ongoing money laundering  
35 conspiracy is, in my opinion, an outlier. We've  
36 never seen anything like this in Canada and  
37 probably really won't see anything like this  
38 anytime soon. To me, it was very unprecedented.

39 Now, with that said, there were certain  
40 characteristics of Vancouver, B.C., that  
41 attracted the dirty money here and that was  
42 attractive to Silver International and the  
43 accused to conduct operations in Vancouver. So  
44 there were certain factors in Vancouver that made  
45 it an attractive hub or location or headquarters  
46 for this particular criminal conspiracy.

47 Q When you say, just to clarify one point you make,



1 that Canada punches above its weight, just to be  
2 clear I have your meaning in that phraseology. I  
3 took you to say that organized crime, or money  
4 laundering maybe, maybe both, those -- it's the  
5 organized crime in Canada that punches above its  
6 weight as opposed to the response to it? Do I  
7 have that right or do I have that --

8 A I say that for a relatively small country  
9 population-wise -- I mean, we are, you know, one  
10 of the seven biggest economies in the world. But  
11 certainly I would say there's a disproportionate  
12 amount of organized crime and organized criminal  
13 activity in this country relative to its  
14 population size and its -- you know. And again,  
15 I think the best -- you know, I use this all the  
16 time, again. You know, the Hells Angels here  
17 have more members per capita in Canada than  
18 anywhere else in the world, and that was on  
19 purpose. They located here and they grew here  
20 because they saw Canada as not only a good  
21 domestic market to conduct their criminal  
22 activities but also a good base for their  
23 international -- and the Hells Angels in Canada  
24 have become a real hub for Hells Angels chapters  
25 throughout the world.

26 So what I mean by punching above its weight  
27 is, you know, that the organized crime problem  
28 seems to be more disproportionate to Canada than,  
29 say, to other countries, including the U.S. But  
30 again, that is more not based on any strong  
31 empirical evidence, more of just sort of my  
32 musings and anecdotal observations over the  
33 years.

34 Q And then would you go to the next level with this  
35 province and say that within Canada or among  
36 provinces that B.C. -- to carry on that language  
37 -- punches above its weight?

38 A To some extent. I mean, again, it's no  
39 coincidence that the three hubs for organized  
40 crime money in Canada are Montreal, Toronto and  
41 Vancouver. I mean, that's -- you know, they are  
42 the three biggest --

43 Q Three biggest cities?

44 A Yeah. But again, what's -- there's a number  
45 of -- you know, I always get back to the marine  
46 ports. We tend to ignore how crucial the west  
47 coast marine ports are to organized crime and

1 drug trafficking. Again, it's no -- you know,  
2 marine ports are absolutely essential to  
3 organized crime and drug trafficking in  
4 particular. So in Montreal -- you know, for  
5 decades Montreal was the major conduit for  
6 southwestern heroin into North America. The  
7 American mafia groups basically established  
8 Montreal as the major conduit.

9 Halifax punches way above its weight because  
10 it's a marine port city. It has a very vibrant  
11 marine port and we get a lot of hashish, a lot of  
12 cocaine, synthetic drugs through the Halifax  
13 port. Halifax punches way above its weight just  
14 because of the marine port.

15 And then Vancouver as well. And Vancouver  
16 has a lot more factors than, say, Halifax. But  
17 it has the marine port. And so if you want to  
18 talk about drug trafficking, especially now that  
19 -- you have heroin, you've got fentanyl,  
20 carfentanyl, coming in from Asia. It makes the  
21 Port of Vancouver even more significant as sort  
22 of a grounding or a foundation for organized  
23 crime in the province.

24 Q The fentanyl flow, does that -- I don't want to  
25 guess too much. I'm assuming both China and  
26 Mexico would be conduits of the drug into this  
27 country?

28 A China overwhelmingly. And not just China now.  
29 It's expanding into regions that traditionally  
30 are heroin sources like Myanmar and Laos and  
31 Thailand. So now we're seeing some of the  
32 production -- and again, fentanyl is a synthetic  
33 drug so it can be easily produced anywhere. But  
34 now -- so the majority is coming in from Asia.  
35 Mexico is the primary fentanyl supplier to the  
36 United States. But now we're beginning to see --  
37 now that the Mexican drug cartels are more active  
38 in Canada, we're starting to see not just  
39 fentanyl from Latin America in Canada but also  
40 synthetic drugs like crystal meth that's being  
41 produced in Mexico. And this is, again, fairly  
42 recent now that, again like I said, the Mexican  
43 drug cartels are more active in Canada. So we  
44 are going to start seeing more fentanyl and  
45 synthetic drugs and more cocaine in Canada from  
46 Mexico and other South American sources.

47 Q I'd like to ask you a question that draws on the

1 comment on page 140 of your report. So if you  
2 have that at hand, and then under the heading of  
3 "Conclusion," the latter part of that paragraph.  
4 You say:  
5

6 Despite its underworld connotations, the ML  
7 process itself is not an economic  
8 aberration; for the most part, it thrives on  
9 the very same commercial and financial  
10 transactions that are conducted by most  
11 Canadian citizens and companies. Indeed, a  
12 fundamental tenet of money laundering is to  
13 ensure that the transactions used to cleanse  
14 the criminal proceeds appear as legitimate  
15 as possible.  
16

17 Is there a side of perhaps the stability, the  
18 rule of law, some of the features of Canada that  
19 in turn -- and the legitimacy of in the main  
20 financial institutions and such, that are indeed  
21 factors that give rise to it being attractive to  
22 money launderers?

23 A Are you asking, is our financial institutions or  
24 our financial system, banking system in Canada  
25 particularly attractive to money laundering?

26 Is --

27 Q Yes.

28 A -- what you're asking? I would say so. Again,  
29 you know, money launderers are going to be  
30 attracted on one extreme to informal systems,  
31 especially in developing countries but not  
32 exclusively to them. At the same time they're  
33 very much attracted to very sophisticated  
34 systems. They seem to want to go to the extreme.  
35 Informal systems obviously because they can  
36 operate under the radar. More sophisticated  
37 systems like in Canada, simply because those  
38 systems have the services, the assets, the  
39 products, the -- you know, that are conducive to  
40 money laundering.

41 But as far as the argument that money  
42 laundering is not an economic aberration, again,  
43 if you look at the vast majority of money  
44 laundering, it not only takes place in the  
45 legitimate economy but it capitalizes on  
46 legitimate financial and commercial transactions.  
47 I mean, certainly there are specific money

1 laundering techniques that can be -- and methods  
2 that can be used, but those basically abuse  
3 legitimate transactions.

4 Q Professor Schneider, you spend a lot of time in  
5 this field, and I wonder if you'd have a  
6 perspective on the extent to which the prominence  
7 or the profile of in particular the money  
8 laundering topic has changed over time and if you  
9 observed it to be something that ebbs and flows  
10 over time. Do you have a comment about where we  
11 stand right now?

12 A I guess this is where I invoke my sort of  
13 pessimistic outlook on things. The one thing I  
14 know, in studying this for over 30 years, is, you  
15 know, the first thing that comes to mind is no  
16 matter what you do to combat the bad guys,  
17 they're going to find a way to get around that.  
18 No matter what measures you put in place, whether  
19 it's law enforcement, legislation, criminal  
20 penalties, you know, the regulatory measures  
21 deputizing a private sector, they're going to  
22 find a way around it. And I think that's what  
23 history teaches us is that it's -- money  
24 laundering and organized crime is extremely  
25 resilient. As long as you're going to have  
26 demand, you're going to have supply, period.  
27 It's resilient. It's flexible. They always --  
28 they're very adaptive, and they are going to --  
29 you know, whatever you put in place, as long as  
30 there's a buck to be made, they're going to find  
31 a way around that.

32 So as far as money laundering is concerned,  
33 you know -- you know, there was a prediction back  
34 in the -- you know, the late '80s, early '90s,  
35 that now that the Canadian banks and deposit  
36 institutions, you know, really ramped up their  
37 anti-money laundering compliance measures, that,  
38 you know, you would see money starting to, you  
39 know, reach other sectors. And we really haven't  
40 seen that.

41 I haven't, in the last 30 years -- you know,  
42 when we issued our first report in 1989, or 1990,  
43 I really -- you know, the predominant sectors,  
44 the predominant methods, really haven't changed  
45 that much. Banks, real estates, you know, the  
46 financial services sector in general,  
47 incorporating companies, trying to, you know,

1 corrupt lawyers and others, it really hasn't  
2 changed that much. Certainly -- and we've always  
3 had informal value transfer systems. We only  
4 really became aware of them in post-911. The  
5 trade-based money laundering has been around  
6 since the 1980s. You know, obviously the one  
7 significant change has been the rise of the  
8 internet and the virtual gaming community and  
9 cryptocurrencies. But, again, I would argue that  
10 these are still a fairly minor part of money  
11 laundering as far as the scope of money  
12 laundering is concerned.

13 So, in a way, you know, I -- that is really  
14 the only significant change that I have perhaps  
15 seen in the last 30 years. We had professional  
16 money launderers in the '70s and '80s and, you  
17 know, Canada was laundering money from -- drug  
18 money from the U.S., you know, as far as the  
19 1940s. And, you know, the old saying, the more  
20 things change, the more they stay the same. You  
21 know, if you look at the history of organized  
22 crime, it really is -- you know, again, like I  
23 said, you can find, you know, B.C. is  
24 [indiscernible] for, you know, manufacturing  
25 illegal drugs since the 1920s. And even, you  
26 know, the mafia has been laundering money here  
27 since the 1940s. And Vancouver, Halifax and  
28 Montreal have been, you know, international drug  
29 conduits since the 1930s.

30 So the products may change and the groups  
31 may change, but really not much, in my opinion,  
32 changes over the years, quite frankly.

33 MR. MARTLAND: Mr. Schneider, I think that concludes  
34 my questions for you. Mr. Commissioner, I had  
35 noted earlier the point about Professor Schneider  
36 wanting to make a few editorial corrections to  
37 the literature review. I'm proposing to follow  
38 up with him on that. Were we in a trial, of  
39 course I would seek the court's approval and make  
40 it clear that I wanted to speak with the witness  
41 who is moving under cross-examination. We're not  
42 exactly in a trial setting, but I did want to be  
43 perfectly transparent about that request and make  
44 the request that I might be able to speak with  
45 him this evening, specifically and only to deal  
46 with edits and corrections to the report. My  
47 hope there would be that assuming we have a

51 Stephen Schneider (for the Commission)  
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Commission

1 revised version with those edits, we would  
2 circulate that to participants, maybe with the  
3 document setting out the changes so it's very  
4 clear, and then see if that raises any concerns  
5 or issues.

6 THE COMMISSIONER: Yeah, I -- I don't see any problem  
7 with that, Mr. Martland, and certainly unless any  
8 of the participants raise an objection, we can  
9 deal with that. But I don't see a flurry of  
10 activity on the -- on the screen before me, so I  
11 think you're safe. Safe to say you can go ahead  
12 and proceed on that footing. Thank you.

13 MR. MARTLAND: Thank you. So, Professor Schneider, we  
14 now move into a phase of our hearing process  
15 where not all of the participants have asked to  
16 examine you, to ask questions of you. Of those  
17 that have, we have time requests and time  
18 allocations. For the benefit of participants, we  
19 may be a little more police-like or timekeepers,  
20 I suppose, in terms of following what the time  
21 allocations are, especially where we have a  
22 witness where we only have a limited period. The  
23 way the time requests line up here, we're able to  
24 give everyone their requested time. So what I'll  
25 do is, among the counsel who have sought to ask  
26 questions of you, I'll be sort of interjecting to  
27 work our way down the list. And subject to  
28 either the Province or Canada -- and I'll just  
29 speak slowly, to give them a moment to unmute if  
30 they have anything to add, but subject to them  
31 seeking to ask you questions, I don't understand  
32 there to be questions from the Province or  
33 Canada. And I have the Law Society of B.C. with  
34 a 30-minute time allocation as the first  
35 participant with questions.

36 MS. HUGHES: Brock, it's Jacqueline Hughes, speaking  
37 on behalf of the Province. We do have questions  
38 for this witness, and I understand we're  
39 scheduled to cross further down the list,  
40 tomorrow --

41 MR. MARTLAND: Oh, I'm sorry.

42 MS. HUGHES: -- shortly before BCLC.

43 MR. MARTLAND: That's quite right, and I managed to  
44 not look down my list very far. So the Province  
45 is on the list, and that's right, and that will  
46 be timed up for tomorrow. I appreciate that  
47 clarification, Ms. Hughes.

52 Stephen Schneider (for Commission)  
Examination by Ms. Herbst, Counsel for the Law  
Society of B.C.

1 MS. HUGHES: Thank you.

2 MR. MARTLAND: You're quite right about that. So I  
3 have Ms. Herbst, for the Law Society.

4 MS. HERBST: Thank you, Mr. Martland. Thank you, Mr.  
5 Commissioner.

6

7 EXAMINATION BY MS. HERBST:

8

9 Q So, Professor Schneider, as you'll have just  
10 heard, my name is Ludmila Herbst. I'm counsel  
11 for the Law Society of B.C., and I have, of  
12 course, had a chance to read your literature  
13 review and hear Mr. Martland's questions, so I  
14 have some follow-up items in relation to that.  
15 And I have quite document-intensive sort of  
16 questions, with apologies to those who will be  
17 following along, and the document that I would  
18 like to start with is, no doubt, one you've still  
19 got handy, Professor Schneider, it's Exhibit 6,  
20 your literature review. And yesterday, Mr.  
21 Martland -- and, of course, continuing on today  
22 -- took you to various parts of the literature  
23 review. And I'd like to take you, just for  
24 reference, to a page that's quite early on in the  
25 literature review, and it's page 11, following  
26 the numbering at the bottom right. And if you  
27 could turn to that page, and just to situate  
28 ourselves, you had answered some questions  
29 further up on that page before. Where I'd like  
30 you to turn now is the footnote, the top footnote  
31 in the list, footnote 12. And the footnote  
32 refers to "Schneider, S. (2004). *Money*  
33 *laundering in Canada: An analysis of RCMP cases.*  
34 Toronto: Nathanson Centre for the Study of  
35 Organized Crime and Corruption," and so on. And  
36 there was some discussion yesterday, as well as a  
37 2004 study that you had prepared. Is this a  
38 reference to that 2004 study that we've heard  
39 somewhat about?

40 A Yes.

41 Q Okay. Now, I would ask the hearing officer if  
42 it's possible to pull up a document that I had  
43 provided to Commission counsel and Mr. Martland  
44 had circulated to participants on Friday,  
45 entitled "*Money Laundering in Canada - An*  
46 *Analysis of RCMP cases.*" And perhaps if we could  
47 go to the first page of that just to situate

1 ourselves. Now, Professor Schneider, you may  
2 have, either on your screen or you may have, in  
3 preparation for this session, have a printout or  
4 another reference separately. And you'll see a  
5 document, it's headed "Nathanson Centre for the  
6 Study of Organized Crime and Corruption, *Money*  
7 *Laundering in Canada: An Analysis of RCMP cases.*"  
8 Professor Schneider, is that the document that's  
9 referred to that we were just talking about? So,  
10 for example, the document referred to at footnote  
11 12 on page 11 of your literature review?

12 A I believe so, yes.

13 Q Okay, and is there any hesitation? Do you need  
14 to turn to some more pages to verify that?

15 A No, no.

16 Q Okay.

17 A Sorry, your question was?

18 Q Is this the document that is the same document  
19 referred to at footnote 12 --

20 A Yes.

21 Q -- on page 11?

22 A Yes.

23 Q Yes, it is, okay.

24 A Yeah.

25 Q And I see, of course, your name at the bottom of  
26 the first page. Is this a study that you  
27 prepared?

28 A It is, yes.

29 Q Okay. Now, I'd like to have that marked as the  
30 next exhibit, please, Mr. Commissioner.

31 THE COMMISSIONER: Very well, that will be Exhibit 7.

32 MS. HERBST: Right, Exhibit 7, thank you.

33

34 EXHIBIT 7: Document entitled "Money Laundering  
35 in Canada: An Analysis of RCMP Cases"

36

37 MS. HERBST:

38 Q And I'll have a few questions about this document  
39 a little bit further on, but just for the moment,  
40 if we could briefly return to your literature  
41 review, Professor Schneider, and back down to --  
42 back down to page 11 of that literature review.  
43 You'll see again, we had touched on footnote 12  
44 being "Schneider, S. (2004). Money laundering in  
45 Canada." And I just wanted to check. So,  
46 Schneider -- the abbreviation "Schneider, 2004"  
47 appears quite frequently in your reports. If you



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1 could turn to footnote 16, I believe it is, at  
2 the bottom of page 11 of your literature review,  
3 and it says "Schneider, 2004." Could you confirm  
4 for us, Professor Schneider, that when you use  
5 that abbreviation in your review, you're  
6 referring to that 2004 study that was just marked  
7 as Exhibit 7?

8 A That's correct.

9 Q Okay, thank you very much. And so we -- of  
10 course Mr. Martland took us through various pages  
11 of your literature review yesterday and this  
12 morning, but if, for example, you turn on -- so,  
13 just some pages we were skimming through this  
14 morning on professionals, for example, at page  
15 105 and page 106 of your literature review you'll  
16 see footnotes 318, 319, 320, and then over the  
17 page to 107, footnotes 321 and 322 are -- are  
18 "Schneider, (2004)." Those are references,  
19 again, to your 2004 study?

20 A Correct, yeah, yes.

21 Q Okay, perfect.

22 A Yeah.

23 MS. HERBST: Now, I've got some questions specifically  
24 on portions of that 2004 study. Professor  
25 Schneider, if you've got that handy, and if the  
26 Commissioner and Mr. Martland do, we can probably  
27 proceed without it onscreen, but otherwise, if  
28 it's more convenient for participants, then I'd  
29 ask if the hearing officer could pull that back  
30 up. And then I perhaps would look to Mr.  
31 Martland for some guidance, or if Mr.  
32 Commissioner would have a preference?

33 MR. MARTLAND: I'm very slow to direct my learned  
34 friend. I really think -- I do expect everyone  
35 one will or should have access to that with a few  
36 clicks of their mouse, so maybe if the witness  
37 has it, as I did in my questions, and you don't  
38 need to have it onscreen, that'll do the trick.  
39 Otherwise -- but I think you should feel free to  
40 do as you please. Frankly, I think either one,  
41 from a convenience point of view, either can be  
42 done.

43 MS. HERBST: All right. Well, I see -- I see the  
44 hearing officer has very kindly pulled the  
45 document back up onscreen. Maybe we'll proceed  
46 with that for the moment, and if it becomes  
47 cumbersome, of course just let me know.

55 Stephen Schneider (for Commission)  
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1 Q So, Professor Schneider, if you could turn to  
2 page 1 of the 2004 analysis, using the bottom  
3 right-hand number, you'll see a heading called  
4 "Executive Summary." And in the third paragraph  
5 on that page -- or, yeah, it's the third  
6 paragraph on that page, there's a statement:

7  
8 The exclusive source of primary data for this  
9 study was Royal Canadian Mounted Police  
10 proceeds of crime (POC) case files.

11  
12 That's an accurate statement, Professor  
13 Schneider?

14 A Yes.

15 Q Okay, and the next statement in that paragraph  
16 is:

17  
18 The final number of cases included in the  
19 sample totalled 149.

20  
21 That's also, I take it, an accurate statement,  
22 Professor Schneider?

23 A Yes.

24 Q Okay. Now, turning a few pages on to the page  
25 number 7, at the bottom right, there is a --  
26 sorry, one page before then -- there are -- the  
27 last couple of sentences in that paragraph, I  
28 would just like to turn to briefly, and they say:

29  
30 The findings and analyses include both a  
31 quantitative component (a statistical  
32 analysis of data gleaned from the case files)  
33 and a qualitative component (in-depth  
34 narratives of the money laundering  
35 operations). In most of the narratives, the  
36 names of the accused and other parties have  
37 been changed or omitted for privacy reasons.

38  
39 Now, that's also an accurate statement of the  
40 nature of the study and what you've done for  
41 privacy reasons, Professor Schneider?

42 A Yes. Pseudonyms were used for some accused. In  
43 some cases where the information was already  
44 public, in the public venue, the names weren't  
45 changed. But I would say when I relied  
46 exclusively on an RCMP case file without any  
47 public supportive data, then -- then pseudonyms

1 were used.

2 Q Okay, and maybe just to take an example of that.  
3 If we could turn to page 26, at the bottom right,  
4 and -- and I have to -- I have to thank my  
5 colleague, Ms. George, for giving me the cultural  
6 reference, which I had missed, not being -- not  
7 having watched this show before, but where you --  
8 in the blue shaded part, you refer to:

9

10 Maude Flaunders used her relatives as  
11 nominees for bank accounts...

12

13 I understand that's a pseudonym drawn from *The*  
14 *Simpsons*?

15 A That's correct.

16 Q Okay, and if you turn a few pages beyond that to  
17 page 32 of the -- of the 2004 study and go to --  
18 and, again, at the bottom right-hand page 32,  
19 you'll see a reference to a case involving Anna  
20 Karenina and the Vronsky's, and I take it,  
21 Professor Schneider, you're drawing on the  
22 Tolstoy-- novel of a similar character name?

23 A Yes, correct.

24 Q All right. Now, just to give us a sense of the  
25 documents that are available or that are put  
26 forward to the Commission to draw upon, were the  
27 case files that the descriptions were drawn from  
28 something that you provided to Commission  
29 counsel?

30 A No. The raw data, no. The raw data was  
31 destroyed after five years after the study.

32 Q Okay, and so -- so at this point you're relying  
33 on your -- the descriptions that are captured  
34 within your 2004 study?

35 A Correct, yes.

36 Q Okay. Now, just turning back a few pages within  
37 your 2004 study, back to page 9, I believe, and  
38 -- and you noted the privacy considerations in  
39 some cases that pertain to the -- to the  
40 information that was being extended, and if you  
41 go to the paragraph at the middle of the page,  
42 starting with, "The researchers were instructed  
43 to examine all relevant documents," if you turn  
44 to the second sentence in that paragraph, it  
45 says:

46

47 This data generally came from documents

1 prepared to obtain judicial authorization to  
2 execute certain police powers, such as an  
3 "Information to Obtain a Search Warrant,"...  
4  
5 -- and so on, and -- and I think certainly for  
6 many of the people listening here, they -- they  
7 are attuned to the privacy considerations that  
8 sometimes attach to that. Is that, too, an  
9 accurate statement of where the data generally  
10 came from, Professor Schneider?  
11 A Generally speaking, yes, yeah.  
12 Q Okay, and it's fair to say -- and you've  
13 certainly not suggested otherwise, but I just  
14 wanted to confirm, you don't have any personal  
15 knowledge of the truth or falsity of the content  
16 of the police files? You're relying on the  
17 information that was set out there?  
18 A Correct, yes, yeah.  
19 Q Okay, and I think, more generally for the purpose  
20 of your literature review -- and Mr. Martland  
21 very fairly noted yesterday that the Commission  
22 counsel weren't planning to rely on your review  
23 for any specific factual assertions, but to the  
24 extent you're detailing case studies there and so  
25 on, you don't have personal knowledge of the  
26 truth or falsity of the episodes that are  
27 described?  
28 A Well, all of these cases were closed, and so  
29 either they were plea bargained or they were  
30 criminal convictions. That was -- we explicitly  
31 used closed cases so that we had the same  
32 standard of proof that a criminal court would  
33 use.  
34 Q I see.  
35 A So I'm not sure if that answers your question or  
36 not.  
37 Q Okay. You weren't, for example, an investigator  
38 on any of these?  
39 A Oh, no. No, no, no, no.  
40 Q I see.  
41 A I was a researcher that was granted access to  
42 these case files as part of this research. Yeah.  
43 Q Okay.  
44 A No, I was not involved in any -- any of these  
45 files from an investigative or analytical or any  
46 perspective.  
47 Q Okay, and -- and I note that sometimes you're --

1 you're using terms like "accused" and "alleged"  
2 and "suspected" and so you're being quite careful  
3 to -- to detach yourself from a conclusion where  
4 it's not otherwise publicly available?

5 A Correct.

6 Q All right. Now, if you could turn a little bit  
7 before in the study to page 8. I just wanted to  
8 touch on a few date references there. And there  
9 are a couple of bullet points, and one of them I  
10 think cross-references to a point that you just  
11 made about closure following forfeiture of assets  
12 from either a conviction or a plea bargain. And  
13 there's also a reference in the first of those  
14 bullet points to some dates. And so there's a  
15 statement that to qualify for your study, the  
16 file --

17  
18 ... the file was successfully closed between  
19 1993 and 1998...

20  
21 And then there's a footnote right at the bottom  
22 of the page saying:

23  
24 While most POC cases examined for this study  
25 were concluded by 1998, some investigations  
26 were concluded in 2000.

27  
28 And so just to situate ourselves, Professor  
29 Schneider. I take it from this that closures of  
30 the files occurred in the 1993 to 1998 period.  
31 In some cases it may be that some investigative  
32 steps were still lingering and wrapped up by  
33 2000; is that correct?

34 A Right, exactly, yeah.

35 Q Okay. Now, I take it from the reference that  
36 closures, starting 1993 and extending to 1998,  
37 that some of the actual events that might have  
38 precipitated the police investigations could have  
39 predated 1993?

40 A Right, correct, yes.

41 Q Okay, thanks. Now, if you could turn to -- and  
42 I'm almost at the end of questions on your 2004  
43 study, but thank you for -- thank you for walking  
44 through it with me. If you could turn to page 10  
45 of your 2004 study. I see it includes a figure,  
46 Figure 1, called "Distribution of survey cases  
47 across Canada."

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1 A Mm-hmm.

2 Q And so, again, we saw the total here, some bars,  
3 and I see at the very left-hand side there is a  
4 reference to B.C., and there's an 18 above  
5 that -- above that block?

6 A Mm-hmm.

7 Q Professor Schneider, does that mean that there  
8 were -- that 149 cases in your sample, 18 of them  
9 were from British Columbia?

10 A Correct, yes.

11 Q Okay, and then if we could turn to page 11 of  
12 your 2004 study, pages -- or starting on page 11,  
13 anyway. You very fairly included here a Section  
14 3.5 called "Limitations." And in your -- in your  
15 second sentence there you -- in the first  
16 paragraph under that heading, second sentence,  
17 saying:

18  
19 These limitations are the result of the  
20 inherently secretive nature of money  
21 laundering, the reliance on law enforcement  
22 cases as the primary source of data, and  
23 problems encountered in selecting a random  
24 sample.

25  
26 And that's a fair characterization of the  
27 limitations you'd like readers to take away with  
28 them as a bit of a caution here?

29 A Absolutely, yeah.

30 Q Okay. So the next document I'd like to ask you  
31 about -- and, again, I'm holding true to the  
32 document-intensive warning I issued at the  
33 beginning -- is an annotated bibliography that  
34 was submitted to the Commission, and -- and I'd  
35 ask if the hearing officer would kindly pull that  
36 up, as well, and it's -- it's dated April 17 of  
37 2020 and it's entitled "Money Laundering in  
38 British Columbia: An Annotated Bibliography."  
39 Thank you. Thank you very much, indeed.

40 Professor Schneider, is this an annotated  
41 bibliography that you submitted to the Commission  
42 in April of 2020?

43 A It is.

44 MS. HERBST: All right. Now, Mr. Commissioner, I'd  
45 like to have this document marked as the next  
46 exhibit, if possible.

47 THE COMMISSIONER: Very well, that will be Exhibit 8.

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1 THE REGISTRAR: Exhibit 8.

2

3 EXHIBIT 8: Document entitled "Money Laundering  
4 in British Columbia; An Annotated Bibliography"

5

6 MS. HERBST: Thank you.

7 Q So, Professor Schneider, just to clarify a little  
8 bit. On the first page of this document, I see  
9 under your name "Stephen Schneider" with two  
10 other names. Are they individuals who helped you  
11 put together the annotated bibliography?

12 A Yes.

13 Q And was their role to help assemble some of the -  
14 - some of the literature that was included in the  
15 bibliography?

16 A Yes.

17 Q Okay. Now, did they assist you as well in  
18 preparing the literature review or simply in  
19 gathering sources for it?

20 A Just gathering sources.

21 Q Okay. Now, a small point, just for my own  
22 understanding. If we could turn to page 27 of  
23 the annotated bibliography. Thank you. There --  
24 at the very top of the page there is a statement,  
25 "No abstract available," and it refers back to --  
26 there's a source that's cited, or a document  
27 that's cited on page 26, I believe, at the very  
28 bottom of the page, that is:

29

30 Canadian Imperial Bank of Commerce, &  
31 Financial Transactions and Reports Analysis  
32 Centre of Canada.

33

34 And so on.

35

36 Money laundering and terrorist financing  
37 typologies...

38

39 Just for clarification, Professor Schneider, when  
40 it says "No abstract available," what is -- what  
41 does that mean, or where would abstracts usually  
42 come from?

43 A That's a good question. This document was  
44 available through the St. Mary's Library only in  
45 a physical form, and because of COVID-19, we  
46 weren't allowed onto campus. I was not able to  
47 get my hands on that actual document, so I wasn't

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1 able to get the abstract.

2 Q I see, and --

3 A Or the contents generally.

4 Q I see, and -- and for abstracts generally, there  
5 are some references in here, not very often, to  
6 book jackets and so on.

7 A Mm-hmm.

8 Q Are the abstracts something that you or those  
9 assisting you prepared or were they drawn from  
10 publisher's material?

11 A Some were drawn from publisher material, yes. I  
12 try not to rely too much exclusively on published  
13 -- publisher material, but in some cases, I could  
14 not get my hands on the actual document or book,  
15 and had to rely on the publisher abstract.

16 Q Okay. Now, I see that not all of the items that  
17 are -- that are set out in your annotated  
18 bibliography or in your reference list in your  
19 literature review are actually footnoted in your  
20 -- in the literature review itself. Would you  
21 say that the remaining materials that are cited  
22 in your bibliography are still useful, but  
23 simply not -- you didn't find them as pertinent  
24 to your particular point?

25 A Yes, exactly, yeah.

26 Q Okay. Now, if we could turn to page 2 of the  
27 annotated bibliography, so reversing a little  
28 bit. I just wanted to ask you a question about  
29 one description -- one description within that --  
30 within that. And you helpfully set out what  
31 you're doing in the annotated bibliography, and  
32 so on. And at the very bottom, in the last  
33 paragraph, the paragraph starting with "In  
34 general," the second sentence of that, you say --  
35 or you and your co-preparers say:

36  
37 Sources that concentrate on money laundering  
38 control (enforcement, law and legislation,  
39 compliance, etc.) were not included, except  
40 for those that also provide sufficient detail  
41 on the nature and characteristics of money  
42 laundering.

43

44 And so that's clear. I just wanted to confirm,  
45 for the purpose of your literature review, as  
46 well, you set out at various portions of it,  
47 topics you are covering. Is it fair to say that,



1 likewise in your literature review, you weren't  
2 focusing specifically on money laundering  
3 control?

4 A Exactly, yes, I did, yeah.

5 Q Okay. Now, I think that -- I'm just taking a  
6 quick look down at my questions, and thank you  
7 for bearing with me. This is an unusual setup of  
8 looking at many -- at many places at once, so I  
9 appreciate -- I appreciate that. But I believe  
10 those are my questions, and thank you. Thank you  
11 very much.

12 A Thank you.

13 THE COMMISSIONER: Thank you, Ms. Herbst.

14 MS. HERBST: Thank you.

15 MR. MARTLAND: Thank you. Mr. Commissioner, next I  
16 have counsel for Great Canadian Gaming  
17 Corporation and Gateway Casinos, a 30-minute  
18 allocation, is the next participant.

19 THE COMMISSIONER: Yes, thank you. Is that Mr.  
20 Skwarok?

21 MR. SKWAROK: Sorry, I think I was on mute  
22 accidentally.

23 THE COMMISSIONER: Thank you.

24 MR. MARTLAND: We hear you now.

25 MR. SKWAROK: Thank you.

26

27 EXAMINATION BY MR. SKWAROK:

28

29 Q Professor Schneider, my name is Mark Skwarok.  
30 I'm representing Great Canadian Gaming  
31 Corporation, and with me is Ms. Melanie Harmer.  
32 Good afternoon.

33 A Good afternoon.

34 Q In your literature report, you -- and in your  
35 testimony -- you indicated that you rely  
36 exclusively on public sources, including the  
37 media, and as a result, you very fairly  
38 acknowledge there are limitations to the accuracy  
39 and completeness of the report's filing fees, and  
40 that there may be factual errors in it. Do you  
41 agree?

42 A I agree.

43 Q You've said pages 8 and 9 -- I won't quote from  
44 it -- but you say that a literature review is a  
45 summary of what's been written, and it's meant to  
46 give the reader a complete understanding of the  
47 issue. Is that an accurate paraphrasing of what

1 you said?

2 A Yes, yeah.

3 Q You'll agree with me, if the literature is  
4 inaccurate, then the reader will not have a  
5 complete understanding of the issue, will they?

6 A Certainly in the -- if the collective literature  
7 is consistently inaccurate, then, yes, then the  
8 reader will get an inaccurate view, yes.

9 Q Get an inaccurate view, did you say?

10 A Yes. If the -- if the literature is consistently  
11 inaccurate on a particular issue, then yes, but  
12 again, there's great diversity in the literature.  
13 Some may be accurate, some may be inaccurate, so  
14 -- so in the totality, if the literature is  
15 inaccurate, then it'll give an inaccurate view.

16 Q And I take it, sir, you didn't undertake to any  
17 type of personal investigation of any money  
18 laundering at any casinos, correct?

19 A Correct.

20 THE COMMISSIONER: I think we're having some  
21 difficulties. Mr. Skwarok, I'm sorry. I don't  
22 know if you asked a question recently, but for a  
23 moment your screen froze and we heard nothing  
24 from you. So, if you would just back up to the  
25 question that you may have asked after asking  
26 about any personal investigation, if there was a  
27 subsequent one.

28 MR. SKWAROK: I think I dealt with it adequately, and  
29 I apologize for the internet connection  
30 apparently.

31 Q At the bottom of page 9 of your report, you say  
32 that:

33

34 Among other sources, this review relies on  
35 the news media for descriptive case study  
36 information on money laundering... This  
37 dependence is due to the widespread coverage  
38 and timely reporting of pertinent issues,  
39 events, and developments by the news media  
40 collectively. The reader is exhorted,  
41 however, to critically analyze journalistic  
42 accounts of organized crime and money  
43 laundering.

44

45 I believe you testified yesterday that your  
46 report contains more references to media articles  
47 than in the normal literature review. Is that

1 right?

2 A To some extent. Again, the nature of the  
3 subjects I look at, organized crime, money  
4 laundering, whether I'm writing a book or a  
5 literature review, tends to rely a lot on the  
6 news media, simply, again, because it's, you  
7 know, a timely source and these issues are not  
8 well-covered by scholarly sources. So, relative  
9 to my other books or sources that I've written, I  
10 tend to use the news media rather extensively,  
11 certainly not at the expense of other sources,  
12 but, again, given the nature of the topic, I tend  
13 to rely on the news media quite a bit in my  
14 research; as far as public sources are concerned.

15 Q And in particular, in your work on casinos, you  
16 rely very heavily on media articles, correct?

17 A Yeah, media articles, yes. Certainly there are  
18 also reports from FINTRAC on casinos, as well. I  
19 think Peter German's report, I rely on, as well.  
20 But certainly, yes, there is a number of news  
21 media sources in the section on casinos.

22 Q You don't have very independent knowledge of the  
23 truth or lack thereof of the assertions in those  
24 various reports?

25 A Not specific details. Again, what I try to do,  
26 as a researcher, is to triangulate my data, so if  
27 there's, you know, a particular argument that has  
28 been consistently made, or evidence that's been  
29 introduced that is consistent from other sources  
30 or consistent with the theoretical literature or  
31 other research or police case studies, you know,  
32 that -- that is the information that I'll  
33 emphasize. If there's, again, information in  
34 there that I deem to perhaps be just erroneous,  
35 based on my knowledge or expertise, or is an  
36 outlier among other information, then, you know,  
37 it won't be excluded. But if -- if the  
38 information is, again, consistent with what other  
39 information has been presented, then, you know, I  
40 will include it in the literature review. But,  
41 no, I have no independent source of verification  
42 of the actual, you know, evidence or facts I  
43 presented in one particular article or book or  
44 other source.

45 Q You stated in your report that a literature  
46 review must ensure all sources or subject to a  
47 critical analysis. This is especially true of --

1 you list a couple of things. And then, "as well  
2 as the news media." Do you recall that in your  
3 report?

4 A Yes.

5 Q You're saying that when you look at media  
6 articles, you have to be particularly careful in  
7 analyzing them?

8 A Correct.

9 Q All right. You agree with me, sir, that media  
10 articles are subject to a number of frailties?  
11 For example, journalists aren't scholars and  
12 newspaper articles are not scholarly sources,  
13 right?

14 A That's correct, yes, but that doesn't necessarily  
15 undermine their factual accuracy or methodology  
16 or veracity of what they're reporting. Certainly  
17 I'd say it's a different type of --

18 Q So it isn't true [indiscernible]?

19 A Right, exactly. No. Yeah, I mean, all sources,  
20 I try, again, to be able to draw from all sources  
21 and then triangulate my data from those sources.  
22 So I try to make sure that -- if, for example, we  
23 talk about, you know, cash being laundered at  
24 casinos, that it's not exclusively from the news  
25 media, that I have theoretical literature or  
26 police cases or scholarly studies that establish  
27 that, yes, this is a common, you know, laundering  
28 technique. And even in this particular  
29 literature review, I'll try not to rely  
30 exclusively on one source or one, you know, genre  
31 or sources to establish a point.

32 Q And since they're not scholarly articles, and  
33 since they're not peer-reviewed, they may be  
34 wrong?

35 A Sure, but scholarly -- scholarly reports can be  
36 wrong, as well. Reports can be wrong. I mean,  
37 all of these sources have the potential to be  
38 inaccurate or wrong, and -- you know, certainly  
39 the media is -- the news media because some of  
40 these articles, they have to meet certain  
41 deadlines and there is certain, you know,  
42 sensationalization of the news media, but at the  
43 same time, I would -- you know, my opinion is  
44 that there's been some very good reporting by the  
45 local media in Vancouver and B.C. on this issue.  
46 Again, I'm not discounting that there's  
47 inaccuracies and distortions and factual

1 mistakes, but many of the journalists that  
2 breathe behind these articles are credible, and  
3 there's some good analysis, and -- and the media  
4 has some methodologies and advantages that  
5 scholars don't have in reporting, as well. So,  
6 you know, there's strengths and weaknesses of all  
7 the sources in this literature review.

8 Q So you're not suggesting that media articles  
9 carry the same degree of import as, say, a peer  
10 review university article?

11 A Well, again, they're different animals, their  
12 purpose is different. Again, you know, the media  
13 has -- doesn't have the advantage of, you know,  
14 being able to work over, you know, a period of a  
15 year or two years to finish an article and do  
16 rigorous research. They often have to report,  
17 you know, by a deadline. That's, you know,  
18 hours, if not years. So, again, the -- you know,  
19 the media, the news media has certain strengths  
20 and weaknesses. The scholarly -- you know,  
21 scholars, scholarly articles, peer-reviewed  
22 articles, have strengths and weaknesses, as well.  
23 And, again, each of them are -- the purpose of  
24 each is to make their own unique contributions to  
25 this literature review. Journalistic articles  
26 have certain unique contributions and strengths,  
27 and scholars' articles do, and consultant  
28 reports. So, but certainly, you know, as far as  
29 perhaps accuracy is concerned, facts, getting  
30 facts straight, you know, scholars have a little  
31 more room to work with on that, more methodology  
32 and longer time periods. But, you know, I  
33 certainly excluded media articles that I thought  
34 -- and references and facts they point out that I  
35 thought were erroneous, based on my experience,  
36 based on other sources. I've tried to include  
37 articles and journalists that I thought were  
38 credible. But with that said, I certainly cannot  
39 guarantee that all the facts reported were  
40 accurate or -- or there were exaggerations,  
41 perhaps, problems with sources. You know, that's  
42 why I include the disclaimer up front, you know,  
43 to look at these sources with, you know, a  
44 critical eye.

45 Q I'm going to suggest to you, sir, that you have  
46 no reason to believe that newspaper articles  
47 generally are evidence of anything except a

1 reporter's opinion?  
2 A Well, I wouldn't agree with that, no.  
3 Q All right. In your section on casinos, which  
4 starts at page 66, you talk about a number of  
5 issues with casinos, and you go to page 66 to 74,  
6 and by my count, there were 31 footnotes and  
7 around only nine didn't reference media. Do you  
8 have any reason to take issue with my counting?  
9 A I haven't counted it myself, but I'll rely on  
10 your mathematical skills.  
11 Q That's -- it's close enough. The majority of the  
12 references in your section on casinos are  
13 about --  
14 A Mm-hmm.  
15 Q -- based on news articles. You also have a  
16 number of references, and there's five of them, I  
17 believe, to the FINTRAC report that you mentioned  
18 earlier, right?  
19 A Right, correct.  
20 Q And that FINTRAC report is dated 2009; isn't that  
21 right?  
22 A There's two FINTRAC reports, one from 2009 and  
23 one from 2019.  
24 Q Right, but the majority of your references --  
25 A Yes. Yes, you're right. Correct.  
26 Q 2009 was a long time ago. You're aware, there's  
27 been a lot of changes in the anti-money  
28 laundering procedures since then?  
29 A I'm not -- I confess that I'm not up to date on  
30 all the anti-money laundering procedures that  
31 have been enacted since 2009.  
32 Q Well, you're aware there's been an evolution of  
33 changes, aren't you?  
34 A I'm aware of them. I'm not aware of the specific  
35 changes themselves, no.  
36 Q When you're saying that you need to critically  
37 analyze things, would it not be incumbent upon  
38 you to determine whether these older articles are  
39 accurate?  
40 A Well, again, it's -- I argue that it's the source  
41 that's most important, and that in this case  
42 FINTRAC is a very credible agency. Their data  
43 they've obtained is data that many researchers  
44 would not be able to obtain this, because their  
45 data's primarily from suspicious transaction  
46 reporting. Having studied organized crime, you  
47 know, over a hundred, 200 years, it's not

1 necessarily how old a document is or how old a  
2 study is, it really comes down to the credibility  
3 of a source, of the methodology. You know, I'll  
4 take a 2002 study that is rigorously conducted  
5 over a 2019 study that was perhaps sloppily put  
6 together. But, with that said, certainly I try  
7 to rely on more recent documents. But, again, as  
8 I state in my caveats, the public literature, you  
9 know, on the subject was fairly limited. So it  
10 was maybe sometimes had to rely on older  
11 documents. But, again, I think within the  
12 context of money laundering, organized crime, 10  
13 years is not necessarily a long period of time as  
14 far as examining the techniques, the nature and  
15 -- the techniques that are used to launder money,  
16 which is really what this FINTRAC study was  
17 about, was looking at different methods of  
18 laundering money in casinos. And I would argue  
19 that what they point out in that 2009 report are  
20 still relevant today.

21 Q You have no personal knowledge of that at all, do  
22 you?

23 A Of their report?

24 Q Of what their goal was?

25 A Well, again, I apply my expertise. I triangulate  
26 the data from FINTRAC with other sources,  
27 including the news media, including other  
28 reports, and I -- you know, if I found there was  
29 a -- you know, a method in that report that was  
30 completely irrelevant today, I may not have  
31 included. But the point here is that this is a  
32 literature review. My job is to cover the  
33 literature review and report on the literature.  
34 It's not necessarily to make a judgment of  
35 whether or not the date has any, you know, effect  
36 to the accuracy. You know, again, I have to look  
37 at the results and, again, compare and contrast  
38 it with other sources. And, again, the -- what I  
39 found in that report, relative to my knowledge,  
40 my experience, my expertise, my own research,  
41 other sources, is still valid, in my opinion.

42 Q Well, we'll have evidence later on to suggest  
43 that's not quite right.

44 A Well, I'm --

45 Q You don't have --

46 A Again, I say quite clearly up front that this is  
47 a literature review based solely on public

1 sources. I don't have access to any internal  
2 documents that you may have, that the government  
3 may have. And so, again, you know, it's stated  
4 right up front that there may very well be other  
5 documents out there that I don't have access to  
6 that contradict what's in here. I don't refute  
7 that at all.

8 Q And you don't refute the suggestion that things  
9 may have changed substantially since 2009, right?

10 A Not with respect to what FINTRAC has necessarily  
11 laid out here. I still feel that, again, a lot  
12 of the methods, techniques, suspicious  
13 transactions that they flagged, are still being  
14 used.

15 Q All right. I'm going to suggest to you, sir,  
16 that Great Canadian has a very strong robust  
17 compliance department. It takes anti-money  
18 laundering measures exceptionally seriously and  
19 the propriety of its actions are the forefront of  
20 what the company stands for. Do you have any  
21 reason to disagree with that assertion?

22 A No, I don't, no.

23 Q All right. Can I take you please, sir, to page  
24 38 of your report? I'm not sure if you have a  
25 hardcopy handy.

26 A I have my electronic -- but 38, yes.

27 Q And I'm going to take you to the top paragraph,  
28 halfway down where it starts off with the word  
29 "Launderers." Do you see that?

30 A I'm sorry, what page? 38?

31 Q Page 38.

32 A Yeah, sorry.

33 Q Halfway down that paragraph, and there's a  
34 sentence that starts with, "Launderers may open  
35 accounts." Do you have that?

36 A Let me just find that page. Give me a minute.  
37 Okay, 38. Yes, go ahead.

38 Q And you write:

39

40 Launderers may open accounts at other non-  
41 bank entities, such as... even a casino,  
42 which are then exploited for their quasi-  
43 banking services. For example, there is  
44 evidence that in B.C., the cash proceeds of  
45 drug trafficking were deposited into casino  
46 patron accounts and then eventually  
47 "withdrawn" via a casino-issued cheque.



1  
2 What's your reference to that proposition?  
3 A That would have been the *Vancouver Sun*.  
4 Q All right. Do you agree with me, that's a very  
5 significant statement?  
6 A It is, yes, yes.  
7 Q And you've formed your assertion based on a  
8 newspaper article, right?  
9 A Well, there's other -- as you go through that  
10 section on casinos, there's other sources that  
11 substantiate that, as well. But again, yeah, it  
12 was consistent with other evidence that I've seen  
13 from other sources. And, again, it's -- it might  
14 have been a heavily reliance on one particular  
15 source in that sentence. But the -- again, the  
16 broader context is other evidence that I have  
17 seen would support that argument.  
18 Q What evidence?  
19 A From other reports, as well, and that I think are  
20 documented there. I may have drawn that simply  
21 from that one article. I'd have to look through.  
22 But, again, it's -- it's an article that I saw as  
23 credible and -- and so I included it.  
24 Q All right.  
25 A Regardless of, you know, how, you know, extreme  
26 you might have seen it or against your policies  
27 that you perceived it to be.  
28 Q I'm not saying so much that it's against  
29 policies. What I'm suggesting to you, sir, is  
30 that a tenuous form of evidence to support such a  
31 dramatic proposition. Do you agree?  
32 A Not necessarily. Again, you know -- you know, I  
33 don't think we need to engage in bashing the news  
34 media. The *Vancouver Sun*, they had dedicated  
35 reporters working on this issue and, you know,  
36 again, they're a credible news media outlet. You  
37 know, I'm sure they wouldn't have made that  
38 allegation without sufficient evidence. I have  
39 to, at times, trust my sources, as well, and even  
40 with respect to critically analyzing it. But,  
41 again, I had limited sources to be able to draw  
42 these conclusions and that I thought was a  
43 credible accusation and consistent with other  
44 techniques used at casinos, and certainly the  
45 potential to use this technique at a casino. So  
46 I deemed it to be credible, and I included it.  
47 Q Just to be clear, sir, I'm not bashing the media

1 at all. My questions are aimed at your reliance  
2 on the media.

3 A Right, okay. Well, my reliance is based on the  
4 credibility of the source and the fact that it's  
5 consistent with what I understand to be the  
6 broader issues, my understanding of money  
7 laundering through casinos, the potential, and  
8 techniques that can and -- can potentially be  
9 used, and have been used.

10 Q All right. If I could take you to page 66,  
11 please.

12 A Mm-hmm.

13 Q Bottom paragraph:

14  
15 Most of the laundering at casinos satisfy the  
16 placement and extraction/repatriation stages;  
17 casinos are commonly used to place the cash  
18 proceeds of crime into the legitimate  
19 economy...

20  
21 We'll omit the next few words.

22  
23 The minimal layering that can be accomplished  
24 through a casino includes cashing in chips  
25 for a casino-issued cheque...

26  
27 And I'll leave the next few words out.

28  
29 Casinos can satisfy the justification  
30 function  
31 by claiming the proceeds of crime to be the  
32 winnings from gambling while the  
33 extraction/repatriation phase is accomplished  
34 when the launderer is able to cash in chips  
35 for cash...

36  
37 I read that fairly accurately, right?

38 A I'm trying -- sorry, I'm just trying -- that's  
39 page 66?

40 Q Yes, sir, at the bottom.

41 A The final paragraph?

42 Q Yes.

43 A Yes. Yeah, I have it.

44 Q All right. Now, again, this is, in my -- well,  
45 my question and view -- you would agree that that  
46 is a fairly important dramatic statement?

47 A Yeah. Again, it's consistent with what I

1 understand money laundering at casinos to be and  
2 consistent with what the literature has stated on  
3 in that regard.

4 Q I'm suggesting to you, sir, that the literature  
5 that you refer to on casinos consist of media  
6 articles, a few references to an 11-year-old  
7 FINTRAC report, and a couple of other minor  
8 references. So when you say you're relying on  
9 literature, it's really the media, primarily,  
10 right?

11 A Yeah, to some extent. Certainly in these -- the  
12 news media was a very prominent source for my  
13 reporting of casinos, yeah. And, again, if you  
14 feel that -- if you believe that the media, these  
15 particular sources, the *Vancouver Sun*, is an  
16 unreliable source of news, then -- then, yes, you  
17 can question those results. I, again, thought  
18 their reporting was credible. It was consistent  
19 with what other outlets have been reporting,  
20 whether news media, or my understanding from my  
21 own research in the area, understanding on the  
22 theoretical literature, on the scholarly. So,  
23 again, I felt that the statements are consistent  
24 with what's understood about laundering in  
25 casinos.

26 Q Well, to be fair, sir, in that whole section,  
27 you're making reference to media articles and  
28 FINTRAC, not to your own personal knowledge, not  
29 to other external sources?

30 Are you aware about what the policies are at  
31 Great Canadian and other casinos regarding what  
32 can be suggested to be cash for cheques?

33 A No, I'm not intimately familiar with their  
34 policies. And, again, my -- my literature review  
35 wasn't about the policies, it was about looking  
36 at, regardless of policies, how money laundering  
37 was enacted. And that doesn't -- you may have  
38 policies, it doesn't necessarily mean your  
39 policies are always being followed. Or, that the  
40 launderer may find a way around a policy. There  
41 might be a corruption in a casino. There might  
42 be internal conspiracy. So, just because you  
43 have a policy doesn't mean that somehow that is  
44 going to eradicate a particular money laundering  
45 technique.

46 Q All right. You're aware, or you're -- I suppose  
47 you're not aware that if a patron or a gambler

1 wagers a very minimal amount, let's say not a  
2 *bona fide* play, they don't get cheques back, they  
3 get cash, in the same denomination that they  
4 bought in. Were you aware of that?

5 A I'm not aware specific of your policy. But,  
6 again, the -- generally speaking, that's the  
7 policy of Great Canadian Game Corporation. It  
8 may not necessarily be the policy of other  
9 corporations that run casinos. Or, again, there  
10 is instances where launderers can find a way  
11 around that policy. There could be, again,  
12 corruption in a casino that somehow works with  
13 the launderer to get around that policy, so --

14 Q But you don't have any personal knowledge of any  
15 of those things, do you?

16 A Only, again, what the literature reports on  
17 suspected cases of internal conspiracies and  
18 corruption. Not just the casinos, but in other  
19 sectors, as well. But, no, I don't have any  
20 personal knowledge of whether the policies at  
21 your company have been enforced consistently.

22 Q If you go to page 69. This is another theme that  
23 you repeat in your report. It's under the  
24 heading "Front Money Accounts." Do you see that?

25 A 69, yes.

26 Q

27 A front money account at a casino allows  
28 customers to deposit money with the casino,  
29 which they can then draw upon for gaming  
30 purposes.

31  
32 I'll leave out the next sentence.

33  
34 To use a front money account to launder the  
35 proceeds of crime a casino patron will  
36 deposit cash, a cheque, or a bank draft...

37  
38 And the cite for that is the 2009 FINTRAC report  
39 that was talked about, right?

40 A Correct.

41 Q Are you aware, sir, that since then the rules are  
42 that only a bank draft can go into a patron  
43 gaming account?

44 A I'm not familiar with that.

45 Q The bank draft has to come from a recognized  
46 financial institution?

47 A That's a policy of your corporation.

74 Stephen Schneider (for the Commission)  
Examination by Mr. Skwarok, Counsel for Great  
Canadian Gaming Corporation

1 Q You're not -- you're not aware that you can't put  
2 cash into a patron gaming fund?

3 A Is that just for your corporation or is that in  
4 general for all casinos?

5 Q That's for in British Columbia, as I understand  
6 it, but certainly for Great Canadian.

7 A Yeah. Well, again, this was a report of FINTRAC.  
8 They were responding to suspicious transaction  
9 reports from all over the country, from different  
10 jurisdictions, from different casinos, so there  
11 would be obviously different policies in  
12 different provinces and different corporations,  
13 so --

14 Q I'll take you to page 72, please.

15 A Mm-hmm. Yeah, 72.

16 Q In the first full paragraph:

17  
18 By 2015, an RCMP investigation called Project  
19 E-Pirate...

20

21 Do you see that?

22 A Yes.

23 Q And you're aware, sir, that that investigation  
24 came to a conclusion with all charges being  
25 withdrawn?

26 A That's correct.

27 Q And so there really isn't any evidence in any  
28 judicial forum that the facts underlying the  
29 investigation were actually true, correct?

30 A Not in a -- certainly in a judicial form, no.  
31 Those -- that evidence was not corroborated in a  
32 judicial forum. You're correct.

33 Q In the next paragraph you refer to a *Vancouver*  
34 *Sun* article as giving:

35

36 ... speculation that laundering through  
37 casinos in B.C. involved the deposit of  
38 large-value cheques into a casino's "non-cash  
39 patron gaming fund accounts." The patron  
40 then requests a cash-out by cheque without  
41 "an expected level" of gambling.

42

43 We've talked about that before. Your source for  
44 this proposition, again, is a newspaper article,  
45 and you don't have any other supporting  
46 information there, right?

47 A Correct, yeah.

1 Q If you go to page 122, the bottom paragraph:  
2  
3 The casinos in...  
4  
5 Sorry, do you have that?  
6 A Just give me a minute here. 122, okay, go ahead.  
7 Q And that bottom few lines, there's discussions  
8 about events that are happening in casinos,  
9 including -- and this is the penultimate line:  
10  
11 ... setting up patron accounts and allowing  
12 gamblers to use the accounts under suspicious  
13 circumstances.  
14  
15 And the cite for that is another media article.  
16 I see that you actually, in that footnote,  
17 consistently make reference to Dr. German, but I  
18 advise you that that particular proposition was  
19 not contained in that part of the --  
20 A I'm sorry, which footnote?  
21 Q Oh, the footnote is 226.  
22 A Oh, I'm on the wrong page, obviously. Sorry,  
23 what page are you referring to?  
24 Q 122.  
25 A And what's the footnote number?  
26 Q I beg your pardon, sir. That's my mistake, my  
27 computer glitch. I beg your pardon. 73, which  
28 is --  
29 A Page 73 or footnote 73?  
30 Q Page 73, footnote 226.  
31 A Mm-hmm.  
32 Q Are you there?  
33 A I do see that, yes, a reference -- footnote 226.  
34 Q Yes, and so, again, this is another reference  
35 about cheques for cash, again, the authority  
36 being media articles, right?  
37 A Yes, yeah. Yes. And a web -- yeah, and a  
38 website, as well.  
39 Q I won't take you to -- well, I will, briefly. If  
40 you look at page 123. Again, the top of 123,  
41 there are more discussions about the dirty cash  
42 for clean casino cheques, right?  
43 A Yes.  
44 Q And, again, we're talking the source is another  
45 *Vancouver Sun* article, right?  
46 A Which footnote number?  
47 Q The footnote, according to you, is 371, and then

1 there's another at 372?

2 A Yes, those are media articles, as well, yeah.

3 Q I'm going to take you now to my final point, and  
4 that's in your conclusion, and if I could take  
5 you to page 140, please.

6 A Mm-hmm.

7 Q And if you go to the second from the bottom  
8 paragraph --

9 A Mm-hmm.

10 Q And you state:

11  
12 In British Columbia in recent years, the  
13 sectors of the economy that appear to be  
14 vulnerable to money laundering...

15  
16 And you include casinos there, right?

17 A Right.

18 Q And then -- and I'm going to quote this:

19  
20 Beyond the inherent capacity of casinos to  
21 launder the proceeds of crime, ML was  
22 pervasive at Lower Mainland casinos...

23  
24 And I'm going to stop there. On what basis do  
25 you say the money laundering was pervasive in  
26 Lower Mainland casinos?

27 A Well, I guess the estimated amount of money that  
28 was laundered through casinos, the evidence, the  
29 other supporting evidence that is contained  
30 throughout that section, again, there's -- from  
31 my perspective, based on the literature, I would  
32 come to the conclusion -- and, again, based on, I  
33 guess, "pervasive" is a subjective term, but I  
34 would conclude that -- that relative to typical  
35 laundering activity at casinos, I would argue  
36 that in the last recent years, that money  
37 laundering has been pervasive at casinos, based  
38 on the review of the literature.

39 Q And the literature, again, sir, consists, in  
40 recent years, of media articles, right?

41 A Primarily, yes.

42 Q Okay. Those are my questions, sir. Thank you  
43 very much.

44 A Thank you.

45 THE COMMISSIONER: Thank you, Mr. Skwarok.

46 MR. MARTLAND: Mr. Commissioner, I know it's terribly  
47 bad form for me to ask questions of another

1 lawyer attending, but Mr. Skwarok still has his  
2 mike unmuted. I just thought I would clarify one  
3 thing, which is I had introduced his questions by  
4 referring to -- under the -- under your ruling,  
5 Mr. Commissioner, on standing, the joint  
6 participant group of Great Canadian Gaming  
7 Corporation and Gateway Casinos. But I thought I  
8 would just clarify, in his introduction, he  
9 introduced himself as counsel for Great Canadian  
10 Gaming. And perhaps you could just speak to the  
11 capacity in which he had asked questions of the  
12 last witness, so we're clear about that, and then  
13 I'm going to suggest we take a brief break,  
14 because there's one issue I need to address with  
15 colleagues.

16 MR. SKWAROK: All my questions were asked in my  
17 capacity as counsel for Great Canadian. Counsel  
18 for Gateway is not in attendance today.

19 THE COMMISSIONER: All right, thank you.

20 MR. MARTLAND: Thank you. Mr. Commissioner, if I  
21 could suggest a break, and then we'll be able to  
22 continue on with our questions, please.

23 THE COMMISSIONER: Yes, thank you. How long would you  
24 like, Mr. Martland?

25 MR. MARTLAND: 10 minutes should be fine, thank you.

26 THE COMMISSIONER: Fine. We'll take 10 minutes, then.  
27 Thank you.

28 MR. MARTLAND: Thank you.

29 THE REGISTRAR: The hearing is now adjourned for a 10-  
30 minute break until 12:50 p.m.

31  
32 (WITNESS STOOD DOWN)

33  
34 (PROCEEDINGS RECESSED)

35 (PROCEEDINGS RECONVENED)

36  
37 THE REGISTRAR: Thank you for waiting. The hearing is  
38 now resumed. Please ensure you're muted unless  
39 you are speaking.

40 MR. MARTLAND: Thank you. Mr. Commissioner, the next  
41 participant examining Professor Schneider is  
42 counsel for Robert Kroeker. And her allocation,  
43 by the way, is an hour and 40 minutes, so that'll  
44 take us to when we break at 1:30 today, and then  
45 returning tomorrow. Thank you.

46 MS. MAINVILLE: Thank you, Mr. Martland.  
47



STEPHEN SCHNEIDER, a  
witness, recalled.

EXAMINATION BY MS. MAINVILLE:

Q Good afternoon, Professor Schneider.

A Good afternoon.

Q So, as indicated, my name is Christine Mainville.  
I'm counsel for Mr. Kroeker, who was formerly VP  
of Compliance with BCLC, in addition to other  
capacities. So let me start with a point that I  
believe you've made quite clearly already, which  
is --

THE COMMISSIONER: I'm sorry to interrupt, but I'm  
having some difficulty with hearing, so I'm just  
going to briefly go offscreen and try and fix  
that up.

(DISCUSSION RE AUDIO)

THE COMMISSIONER: Thank you. I am -- I've remedied  
it by pressing the "On" button.

MS. MAINVILLE: Thank you. Always the simplest  
solutions.

THE COMMISSIONER: Yes.

Q So, Professor Schneider, I was saying that you've  
been clear that the objective, the ultimate  
objective of money laundering is for the offender  
to be able to use the laundered money at the end  
of the process?

A Correct.

Q Correct, so it's to convert the proceeds, and  
with the ultimate objective of repatriating the  
money, but not to lose it, but to be able to  
benefit from it?

A That's correct.

Q And I believe you've also, by now, made it  
abundantly clear that when we're talking about  
money being laundered through the casinos, what  
we are talking about is offenders being able to  
recuperate funds from the casino that they are  
then able to use for other purposes?

A Correct. Repatriate the funds, yes.

Q And so we are not simply talking about spending  
proceeds of crime in the casinos, when we're  
discussing, for instance, the so-called Vancouver  
model, correct?

- 1 A That's correct, unless you happen to use someone  
2 who's a compulsive gambler and then loses all the  
3 money in there, which has actually been  
4 documented. But, yes, the general idea is to --  
5 to emerge from the casino which as much of the  
6 proceeds -- laundered proceeds of crime intact as  
7 when you entered.
- 8 Q Okay, and we'll get back to that theory you've  
9 just posited. But there is a difference, then --  
10 and I believe you allude to it in your report --  
11 between simply spending laundered proceeds at the  
12 casino and the process of getting clean money to  
13 then be able to use in whichever way the offender  
14 wants?
- 15 A Well, that -- that wasn't a reference specific to  
16 a casino. That was a general reference.
- 17 Q [Indiscernible - recording].
- 18 A Yes.
- 19 Q And the distinction is referenced -- you don't  
20 need to turn to it, but at page 17, in particular  
21 in respect of what most petty criminals do, which  
22 would simply be to disburse the proceeds as  
23 opposed to try to launder them?
- 24 A Right, exactly, yes.
- 25 Q And I'm right, as well, that the Vancouver model  
26 that you describe, based on the literature,  
27 consists of ways of achieving this overarching  
28 goal of money laundering, getting clean money out  
29 of the casinos?
- 30 A As I understand it from the literature, yes,  
31 correct.
- 32 Q Correct, and you reference three typologies  
33 reportedly used, so three ways in which the  
34 casinos would have been used to launder money  
35 under the Vancouver model, and simply correct me  
36 if I'm wrong, but the first being chips  
37 purportedly purchased with dirty money and then  
38 cashed in for a casino-issued cheque; second,  
39 small denominations of cash converted to larger  
40 denominations; and third, bank drafts previously  
41 purchased with drug cash or other proceeds,  
42 deposited into casino patron accounts at the  
43 casino, and then the funds withdrawn in the form  
44 of a casino-issued cheque?
- 45 A Yes, those are some methods that were documented  
46 in the literature, correct.
- 47 Q And they're the three main ones that I've seen

1 repeatedly stated in your report and referenced  
2 in the media reports?  
3 A I guess you can say they're -- I don't know if  
4 they're the three main ones, but certainly  
5 they're three dominant techniques used at  
6 casinos, yes.  
7 Q And to be specific, I meant for the Vancouver  
8 model.  
9 A Oh, right. Okay, yes. Sorry, yes, you're  
10 correct.  
11 Q And so that's what people are talking about, what  
12 we're talking about when we're talking about  
13 money being laundered through the casino --  
14 A Mm-hmm.  
15 Q -- under the Vancouver model, that the offenders  
16 would be getting these funds out of the casino  
17 typically in one of these three ways, correct?  
18 A Correct.  
19 Q So let's suppose, for a minute, that the bulk of  
20 what was occurring in B.C.'s casinos is that the  
21 money was being spent, dispersed, thoroughly  
22 gambled, you'll agree with me, if that were the  
23 case, that we are not talking about money  
24 laundering in any traditional sense?  
25 A Sorry, could you repeat that again, just repeat  
26 your question?  
27 Q If we suppose, if we look at these cases and we  
28 -- suppose for a minute that the money was being  
29 spent, disbursed --  
30 A Mm-hmm.  
31 Q -- thoroughly gambled in the casinos, you'll  
32 agree with me that we're not talking about money  
33 laundering in any traditional sense?  
34 A Right, exactly, unless you had a money launderer  
35 who thought they were a consummate gambler and  
36 somehow they were going to emerge with, you know,  
37 winnings, but -- so there are limited number of  
38 cases, but in general, yes, just going in and  
39 blowing all your money on gambling, it would not  
40 be considered money laundering.  
41 Q And certainly we still want to be vigilant and  
42 wary and not knowingly accept casinos' proceeds  
43 of crime, we'd still want to track and report  
44 suspicious instances of that, but we would not,  
45 I'm going to suggest, be talking about a  
46 mechanism by which criminals are getting clean  
47 money to then spend at their leisure, to go

1 purchase real estate, for instance, correct?

2 A Correct.

3 Q And so, in fact, under that model or supposition,  
4 the casinos would simply be the person's  
5 preferred way of spending their cash instead of  
6 buying a car or luxury items? They would simply  
7 like to gamble their money?

8 A Certainly, sure.

9 Q And suppose the Commission were ultimately to  
10 find that in the majority of cases, these Chinese  
11 VIP players that the Vancouver model is centred  
12 upon were not engaging in minimal play and were  
13 spending their cash inside the casinos, and  
14 indeed, lost the bulk of their money. Let's  
15 suppose that for a minute. We wouldn't be  
16 talking about money being laundered through the  
17 casinos, correct?

18 A Correct, yeah.

19 Q And if, in fact, the typologies referenced as  
20 part of the Vancouver model turned out to be  
21 wrong, if it's found that the processes described  
22 did not occur on any great scale, then we would  
23 not be talking about money systematically being  
24 laundered through the casinos?

25 A Correct.

26 Q Because the goal of money laundering wouldn't  
27 have been achieved, correct?

28 A Right, correct.

29 Q Now, I think we've gone over this. You've  
30 acknowledged that some of this information, these  
31 typologies, in fact could be erroneous, I'm going  
32 to suggest, but you can't ultimately assist with  
33 -- not having any direct knowledge of what's  
34 happening in the casinos or of the controls in  
35 place, you can't ultimately assist with the  
36 veracity, in fact, of those typologies?

37 A Correct.

38 Q And you cautioned us about being particularly  
39 careful -- and I know Mr. Skwarok went over this  
40 -- but about media reports and government  
41 reports, as well, and I -- I wanted to just go  
42 back to a point you made in your testimony in  
43 chief regarding the -- the void in the literature  
44 about -- on the topic of money laundering in  
45 particular, and -- and the need to -- the need  
46 for increased reliance on media. In particular,  
47 for something like the Vancouver model which, as

1 you indicate in your report, is a recent, fairly  
2 recent, relatively recent phenomenon?  
3 A Right.  
4 Q Correct?  
5 A Mm-hmm, correct.  
6 Q And that is not simply applicable to you, but I  
7 would think anybody who studies money laundering,  
8 correct?  
9 A Sorry, can you repeat that?  
10 Q That not only you, but others in your field, need  
11 to rely on things like media reports, because  
12 it's such an obscure topic -- or not obscure, but  
13 it's difficult to have better evidence of what is  
14 in fact happening?  
15 A I can only speak for myself.  
16 Q Okay. I'm going to suggest that it's possible  
17 that because of the need, at least in your case,  
18 to have to rely on media reports and other  
19 reports that may not have been entirely verified  
20 or that may require a cautionary approach, that  
21 there is a risk of information in fact getting  
22 repeated and bolstered, even though it may be  
23 erroneous.  
24 A There was definitely the danger of that, yes.  
25 Q For instance, you relied on some of the media  
26 reports on the Vancouver model. Someone down the  
27 road may well rely on your report which has been  
28 filed today in this Commission, and so on and so  
29 forth, and so these assertions might well be  
30 repeated, but if -- if several of these  
31 underlying reports are erroneous, people might  
32 come to believe that there's a consensus on the  
33 issue, when in fact one would need to exercise  
34 some caution still?  
35 A Yes, absolutely.  
36 Q Am I right that you've also not been in a  
37 position to verify Dr. German's assertions, as  
38 stated in his report, or his sources, correct?  
39 A I have not.  
40 Q Now, in terms of going back to the typologies  
41 that are posited for the Vancouver model, the  
42 first one, as I indicated, was cashing out for  
43 casino-issued cheques. And let me first briefly  
44 address the alleged method of depositing cash in  
45 a casino account. Mr. Skwarok took you to this  
46 passage with -- we might not need to pull it up,  
47 as you might recall it, but at page 38 of your

1 report, he read to you, I believe, the sentence:  
2  
3

4 For example, there is evidence that in B.C.,  
5 the cash proceeds of drug trafficking were  
6 deposited into casino patron accounts and  
7 then eventually "withdrawn" via a casino-  
8 issued cheque.  
9

10 Do you recall that?

11 A I do, yes.

12 Q If, in fact, it is impossible to deposit cash  
13 into a casino patron account in B.C., you'd agree  
14 with me that this report and this alleged  
15 methodology of money laundering is wrong?

16 A Yes, I would agree with you.

17 Q And you've indicated that -- earlier in your  
18 testimony -- that casinos in fact are fairly  
19 limited in what they can do on the money  
20 laundering front, but if -- if casinos are used  
21 as a quasi-financial institution, then many  
22 avenues may be available to you? If I'm  
23 paraphrased correctly.

24 A Yes, their -- their utility as a laundering  
25 vehicle is limited relative to other laundering  
26 vehicles, like banks or money service businesses,  
27 yes, but generally speaking, they're --

28 Q And if this -- and so if this particular avenue  
29 of depositing cash into an account for the  
30 purpose of withdrawing the funds is not  
31 available, I'm going to suggest that weakens the  
32 attraction of casinos for money laundering as a  
33 quasi-financial institution, fair?

34 A I wouldn't say it weakens it. I think that  
35 particular method you're talking about, my  
36 understanding, it certainly wasn't the exclusive  
37 method. There are certainly other ways, so --

38 Q Absolutely.

39 A -- you know, I guess if that wasn't available,  
40 they would perhaps be forced to use another  
41 quasi-financial institution or bank. So, yeah,  
42 certainly you can suppose that if that wasn't  
43 available, then they would go elsewhere perhaps.

44 Q Okay. Well, let's address this, another sub-  
45 typology of this first broad category, which is  
46 to obtain chips, casino chips, and then cashing  
47 them out for a cheque. And so the typology would

1 involve the individual buying in with cash,  
2 obtaining casino chips, perhaps engaging in  
3 nominal play, perhaps not, and then cashing out  
4 in exchange for a casino-issued cheque?

5 A Yes.

6 Q So, and specifically, if I might take you -- or  
7 if we could pull up page 119 of your report, and  
8 you talk here about the Vancouver model and how  
9 -- I think it's maybe not up yet. But I'll be  
10 asking you to look at the fourth bullet point --

11 A Mm-hmm.

12 Q -- where you indicate that Mr. Jin's organization  
13 would launder the drug cash through two main  
14 routes, casinos being one of them. And you have  
15 here:

16  
17 ... (gamblers were recruited and provided  
18 with drug cash to purchase chips which are  
19 then redeemed for a casino-issued cheque)...

20  
21 A That's what I understand from the literature,  
22 yes.

23 Q Right, so without play or potentially after  
24 minimal play?

25 A That is generally the method, yes.

26 Q And you've acknowledged in your report the Ernst  
27 and Young audit report commissioned by BCLC to  
28 look into these media reports about cheques being  
29 used for money laundering purposes. And you've  
30 indicated that it tends to -- this audit report  
31 tends to refute some of these allegations,  
32 correct?

33 A Yes.

34 Q And I would suggest it's a fairly significant  
35 report in that it undermines this assertion that  
36 -- that this occurred at least for the time  
37 period under review, and at River Rock Casino, in  
38 particular?

39 A Yes, that's why I included it.

40 Q Yes, and you -- you suggested that the findings  
41 could be flawed because Ernst and Young didn't  
42 look at cheques below \$10,000, and indeed, that  
43 gamblers may have requested and been issued  
44 cheques for under \$10,000 as a common money  
45 laundering technique, to avoid reporting  
46 thresholds?

47 A Correct.

1 Q Now, if in fact the evidence ultimately shows  
2 that BCLC closely monitors for this typology, for  
3 this purposeful avoidance of FINTRAC thresholds,  
4 and that they closely, very closely monitor  
5 cheques issued below the large cash transaction  
6 threshold, and -- and if the evidence shows that  
7 these are few and far between -- in fact, the  
8 qualification that you raised -- you'll agree  
9 with me, then, that this audit by Ernst and  
10 Young, based on a thorough review of the source  
11 documentation, is very significant?  
12 A Certainly as it applies to River Rock, between  
13 2014 and 2016.  
14 Q Okay.  
15 A If you can -- I don't think they try to  
16 generalize beyond that --  
17 Q No, fair enough.  
18 A -- so they're not generalizing to other casinos,  
19 they're not generalizing to an allotted time  
20 period, but certainly Ernst and Young is a very  
21 credible consulting firm and their methodology  
22 seemed credible. I read the report. And, yeah,  
23 so definitely there's certain credibility to that  
24 report, without a doubt.  
25 Q And you -- I don't know if you noticed in your  
26 media review that a lot of the criticism or  
27 attention over the last few years has been  
28 focused in particular on River Rock Casino?  
29 A Correct, yeah.  
30 Q Including this particular allegation.  
31 A Right.  
32 Q Now, in support of the assertion that casino  
33 cheques were used as a money laundering  
34 technique, if I could direct you to pages 71 to  
35 72 of your report, you -- there you reference an  
36 October 2015 case from Kelowna, B.C.  
37 A Mm-hmm.  
38 Q And you cite *The Province*, a media source, for  
39 the proposition that a man was pulled over in a  
40 casino parking lot, with some cash and a casino  
41 cheque. The man said -- and I'm paraphrasing --  
42 he said it was casino winnings. And ultimately,  
43 government officials immediately accused the man  
44 of being part of a massive drug money laundering  
45 operation, and the Provincial Civil Forfeiture  
46 office launched a lawsuit to force him to forfeit  
47 the money. That's at the bottom of page 71.



1 A Right.

2 Q In other words, you indicate that the Civil  
3 Forfeiture office filed a suit to have the  
4 gambling cheques forfeited, on the basis that  
5 they were believed to be proceeds laundered  
6 through the casinos, which is supportive of this  
7 alleged methodology under the Vancouver model,  
8 correct?

9 A Correct.

10 Q And if, in fact, the evidence subsequently  
11 confirmed that the cheques were legitimate  
12 winnings, and not laundered proceeds, and the  
13 forfeiture claim was withdrawn on that basis, as  
14 per the court file, you would agree, this would  
15 not be a case that is supportive of the money  
16 laundering typology you reference in that  
17 section, fair?

18 A I would agree with that, yes.

19 Q The second typology alluded to in your report in  
20 respect of the Vancouver model is the conversion  
21 of small denominations into larger ones. And at  
22 page 122, if we could pull that up, you refer  
23 there to an article by the *Vancouver Sun* which  
24 cites a confidential audit from June 2016 of  
25 provincially banned cash facilitators, which --  
26 at the last paragraph there, page --

27 A On page 122?

28 Q 122.

29 A Okay.

30 Q And this -- this audit concludes, it states here,  
31 that gamblers playing high-limit tables at River  
32 Rock Casino used the money laundering method  
33 process known as "refining", whereby they would  
34 buy chips with wads of street cash, \$20 bills,  
35 and cash out with neat bundles of \$100 bills,  
36 suitable for banking?

37 A Right, playing.

38 Q Yes. First, this report suggests that the  
39 players observed to be doing this were banned  
40 from casinos by BCLC, correct? Because it's an  
41 audit regarding provincially banned cash  
42 facilitators.

43 A Hmm. Yeah, I'm assuming that's what they're  
44 referring to, yes.

45 Q Certainly it suggests that this incident or  
46 typology was tracked and reported, and indeed,  
47 the denominations coming in and those coming out

1 are reported?  
2 A Sorry, I -- I don't understand the question.  
3 Q The fact that this is recorded in this audit --  
4 A Right.  
5 Q -- and that these cash facilitators were banned,  
6 I'm going to suggest -- provincially -- I'm going  
7 to suggest that it is indicative of the fact that  
8 this type of method of refining and exchanging  
9 certain denominations for others is recorded or  
10 tracked to a certain extent, in B.C.?  
11 A Is by --  
12 Q By the --  
13 A Tracked by the Provincial Government, BCLC?  
14 Q By the casinos, by the --  
15 A I can't answer that question. I don't know.  
16 Q Fair enough, fair enough. Can you answer this?  
17 Would an effective control against that  
18 phenomenon be to give these players back the same  
19 denominations they come in to play with, if there  
20 are refining concerns?  
21 A Absolutely, yes. And I was surprised -- and,  
22 again, I did not -- it wasn't my mandate to look  
23 at the policies of casinos, or provincial  
24 policies, but I was actually surprised when I  
25 came across some of these stories, these  
26 allegations, because I am quite aware that the  
27 policy at most casinos is to return the cash,  
28 especially if it's suspicious. So that is why  
29 these particular methods may have stood out to  
30 me.  
31 Q Okay  
32 A At the same time, again, policies are not always  
33 followed. There could have been corruption,  
34 internal conspiracies. So, but yes, some of  
35 these methods did take me by surprise, because I  
36 am familiar, generally speaking, with some of the  
37 policies, money laundering policies, especially  
38 when it comes to currencies.  
39 Q Okay, and so that if ultimately BCLC, under Mr.  
40 Kroeker, started doing just that, requiring that  
41 the same denominations be returned to the player,  
42 if there was any suspicion, that's -- that's a  
43 helpful anti-money laundering control, from your  
44 perspective?  
45 A Certainly, if they're followed, yes.  
46 Q And in terms of this typology generally, at the  
47 end of the day, what we're talking about is, as

1 we've said, layering or refining, but the player  
2 has not gained a legitimate explanation for the  
3 cash, correct?

4 A Correct.

5 Q There's no justification, in other words, the  
6 justification function is not served by this  
7 typology, it doesn't obscure the ownership of the  
8 cash. The person still would have a lot of cash,  
9 with no explanation for its source, correct?

10 A Correct.

11 Q And so it's a typology that really only serves to  
12 further obscure the paper trail, which is what  
13 layering is about, correct?

14 A Yes, yeah. In general, yes.

15 Q And would you agree -- and I appreciate you don't  
16 necessarily have a direct knowledge of the  
17 workings of casinos, but you'd agree with me,  
18 there would be a paper trail when someone goes  
19 into a casino and engages in a transaction of  
20 this nature, certainly for instance, there'd be  
21 large -- assuming everybody follows the rules,  
22 large cash transaction reports, and potentially a  
23 suspicious transaction report?

24 A Well, generally speaking, again, policies are not  
25 always followed. There's corruption in terms of  
26 conspiracies, and certainly there's credible  
27 evidence that a lot of sectors do not comply  
28 sufficiently with federal anti-money laundering  
29 regulations. So, but in general, yes, if all the  
30 rules were followed, and everyone was honest,  
31 then yes, I would agree with you.

32 Q Right --

33 A But again, you can't exclude those caveats,  
34 because -- and it gets back to what Mr. Skwarok  
35 said -- excuse me if I'm mispronouncing your name  
36 -- that regardless of policies, of laws and  
37 regulations, there's credible evidence that  
38 policies weren't followed, that there were  
39 deficiencies in reporting suspicious  
40 transactions, that there are internal  
41 conspiracies. And these are not outliers, these  
42 are fundamental aspects of money laundering by  
43 organized crime in casinos. And the literature  
44 in Canada, United States, elsewhere, documents,  
45 you know, quite well that -- these facts, that  
46 policies aren't always followed. And, again,  
47 within this case study, it's mostly news media

1 that makes the allegation, so you can question  
2 their credibility, but -- but, again, I think we  
3 have to keep in mind these caveats when you are  
4 talking about following these -- whether paper  
5 trails or suspicious transaction reports are  
6 filed, because you're assuming that everyone's  
7 honest, that all the policies are followed, that  
8 suspicious transaction -- all suspicious  
9 transactions are flagged, which is not the case.

10 Q And with all due respect, you'll agree with me  
11 that we will allow the Commission to make its own  
12 findings in that respect, on whether -- to what  
13 extent policies were followed or not, to what  
14 extent they are verified --

15 A Absolutely. I'm just offering my opinion, based  
16 on my expertise, that based on my knowledge of  
17 this industry, and all industries, quite frankly,  
18 that internal conspiracies, not following  
19 policies and not filing suspicious transaction  
20 reports are all quite common. Not just in  
21 casinos, but throughout many economic sectors.

22 Q Okay. I will get, later, to -- to the  
23 indications of the actions taken by BCLC, but  
24 let's leave that for now. If I could just  
25 address first, before we break, the third  
26 methodology identified in respect of the  
27 Vancouver model, which is the claim that bank  
28 drafts, obtained with proceeds of crime, were  
29 deposited in BCLC casino patrons' accounts, to  
30 then be withdrawn in the form of a casino-issued  
31 cheque. And if I could take you to page 123,  
32 just the next page over from where we were.  
33 You'll see there at the very top that:

34  
35 There was also speculation that bank drafts,  
36 purchased with the proceeds of crime and  
37 supplied to VIP Chinese gamblers by Jin and  
38 associates, were also being deposited into  
39 BCLC casino patron's accounts. The money  
40 would then be withdrawn and a BCLC casino  
41 cheque issued, with no indication that any  
42 gambling occurred with the funds.

43  
44 And --

45 A According --

46 Q According to this report, yes.

47 A Exactly.

1 Q And now we've dealt with the cheques being issued  
2 and the Ernst and Young report that addresses  
3 that to a certain extent.

4 A Mm-hmm.

5 Q In respect of a bank draft deposited into casino  
6 accounts, part of this allegation has been that  
7 these bank drafts had defects, which included  
8 being anonymous. Is that fair?

9 A Right.

10 Q And, for instance, there's a reference of that at  
11 page 72 of your report where you cite a *Global*  
12 *News* article from January 2019, where the author  
13 states -- let me just locate it -- the excerpt in  
14 the middle there:

15  
16 But according to audit documents, the patron  
17 gaming accounts were mostly funded with bank  
18 drafts, and often these drafts were  
19 suspicious.

20  
21 There were "concerns around money services  
22 businesses," and patrons "bringing in bank  
23 drafts from multiple different banks."

24  
25 Other problems included anonymous "third-  
26 party" gamblers using "nominees"-- meaning  
27 stand-in buyers -- to fund patron gaming  
28 accounts. And these nominees were "bringing  
29 in bank drafts that do not have the bank  
30 customer/account holder name on it."

31  
32 Now, if it's demonstrated first that BCLC does  
33 not -- a couple minor exceptions -- allow third  
34 party transactions, and more significantly, that  
35 BCLC reviewed more than 7,000 bank drafts, and  
36 found none with the defects alleged, in other  
37 words, that these defects that are alluded to in  
38 this article are not substantiated, what we would  
39 have, you'll agree, is legitimate bank drafts  
40 funding these accounts, correct?

41 A Yes, correct.

42 Q And in such a case, the placement in the  
43 legitimate economy has already occurred, correct?

44 A Yes, correct.

45 Q Which is, I think you've stated, the key part of  
46 the laundering process, and the most vulnerable  
47 part?

91 Stephen Schneider (for the Commission)  
Examination by Ms. Mainville, Counsel for Robert  
Kroeker

1 A Yes. To some extent, yes.  
2 Q It's now -- you'll agree, though, it's now harder  
3 to detect, once the money's --  
4 A Yes. Yes, I would say that, yes.  
5 Q And not only because offenders who have bulky  
6 cash on their hands are easier to detect, the  
7 cash can more easily be traced to its criminal  
8 sources, but I believe you -- you've said, in a  
9 casino, it's -- it's also more likely to be the  
10 subject of a suspicious transaction report, the  
11 cash?  
12 A Correct. Well, it would be subject to a cash  
13 transaction report, not necessarily a suspicious  
14 transaction report.  
15 Q Yes. Or potentially both, but yes.  
16 A Both, yes. Yes, potentially both.  
17 Q And once the cash has been placed into the  
18 legitimate economy, you've agreed, it's -- once  
19 you have a non-cash instrument, it's more  
20 difficult to detect?  
21 A Generally speaking, yes.  
22 Q And let's assume that, for casinos in particular,  
23 they have no visibility into the other side of  
24 that bank draft, in other words, into what  
25 transpired at the bank or other financial  
26 institutions. Right? So that they have no way  
27 of knowing that the financial instrument, for  
28 instance, is proceeds of crime, fair?  
29 A Sure, fair enough.  
30 Q And, again, so this process has only served to  
31 further obscure the source of the funds, to bury  
32 it further, because instead of a bank draft, now  
33 the person has a casino cheque, correct?  
34 A Right. Correct.  
35 Q And I'm going to suggest it's only served to  
36 further obscure it, to a limited extent, if it's  
37 indicated on the cheque, return of funds, not  
38 verified win?  
39 A Right.  
40 Q And, again, that the source is only further  
41 obscured if those funds are ultimately withdrawn  
42 from the casino, if they're not largely gambled?  
43 A Right.  
44 Q And you'll agree that it is a good anti-money  
45 laundering policy not to accept cash in these  
46 casino patron accounts, that that would  
47 constitute a much greater money laundering risk,

1 a placement risk?

2 A Yeah, certainly to outlaw cash in general, yes,  
3 that would definitely minimize money laundering,  
4 without a doubt.

5 Q And would you agree with me, it's good anti-money  
6 laundering policy to only accept bank drafts from  
7 reputable financial institutions and not, for  
8 instance, from money service businesses?

9 A Certainly, yeah, that would minimize risk. Yes,  
10 I would agree with that.

11 Q And you've already discussed the particular  
12 vulnerabilities of money service business to  
13 money laundering, so you would agree with me that  
14 if BCLC, and specifically Mr. Kroeker, in his  
15 role as Vice President of Compliance, banned  
16 money emanating from money service businesses  
17 entirely from B.C. casinos, that reduces the  
18 money laundering risk in the casinos, it's a  
19 positive step?

20 A I would agree with that.

21 Q And going back to the issue of lack or visibility  
22 into what happens at the financial institution,  
23 or elsewhere outside of the casino. You'd agree  
24 with me -- in fact, a number of facets of this  
25 Vancouver model, or to money laundering processes  
26 in general, would not be visible to casino  
27 service providers, or indeed, to the Lottery  
28 Corporation, fair?

29 A Can you repeat that question?

30 Q That a lot of -- a lot of the -- many of the  
31 facets of the Vancouver model, some of the things  
32 that are taking place in terms of underground  
33 banking and elsewhere --

34 A Mm-hmm.

35 Q -- the casinos and the Lottery Corporation  
36 wouldn't normally have visibility into that?  
37 Right? I think you'd agree on that.

38 A I can't really speak on behalf of casinos, what  
39 they'd be aware of or cognisance, so I'll --

40 Q Okay.

41 A -- I won't answer that question.

42 Q Well, my main point is that in order to bring  
43 down something like this, a complex operation  
44 like this, is really that it requires law  
45 enforcement involvement; is that fair? It's a  
46 fundamental part of combatting money laundering?

47 A Well, law enforcement, and obviously the

1 compliance and vigilance of sectors that are  
2 vulnerable to money laundering. I mean, there's  
3 two parts.

4 Q Fair enough.

5 A There's the enforcement and then there's, of  
6 course, the onus that's placed on casinos and  
7 other reporting entities that have been, as I  
8 call it, deputized to prevent and report this.  
9 So it's not just law enforcement, it's contingent  
10 upon the --

11 Q Certainly it's a team effort.

12 A Exactly.

13 Q But let's say BCLC is doing its job and the  
14 casinos are reporting, and FINTRAC and the  
15 regulators, and indeed, law enforcement, have a  
16 lot of information about what is taking place at  
17 a certain point in time, they've done what they  
18 can, and law enforcement, or others, need to do  
19 their part; is that fair?

20 A Certainly, yes.

21 MS. MAINVILLE: Mr. Commissioner, this -- I have a  
22 minute left. It might be a good point for me to  
23 break. I don't have a minute left in my cross-  
24 examination, but for the day.

25 THE COMMISSIONER: No, I understood that. Thank you,  
26 Ms. Mainville. We will -- this being an  
27 appropriate time for you to break, we will break  
28 now until tomorrow morning at 9:30. And  
29 Professor Schneider, I just have to caution you  
30 that as long as you're under cross-examination,  
31 you're not permitted to discuss your evidence  
32 with anyone. I know that you and Mr. Martland  
33 will be discussing modification of your report  
34 this evening, but Mr. Martland is well aware of  
35 that prohibition, and I just wanted to ensure  
36 that you were, as well. All right? So, tomorrow  
37 morning at 9:30.

38 Mr. Martland, is there anything further that  
39 we should discuss or deal with at this point?

40 MR. MARTLAND: No, that's fine. Thank you.

41 THE COMMISSIONER: All right, thank you, everyone, we  
42 will adjourn until tomorrow morning at 9:30.

43

44 (PROCEEDINGS ADJOURNED TO MAY 27, 2020, AT 9:30  
45 A.M.)

46

47