

**PROCEEDINGS AT HEARING  
OF  
FEBRUARY 1, 2021**

**COMMISSIONER AUSTIN F. CULLEN**

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**February 1, 2021**

**(Via Videoconference)**

**(PROCEEDINGS COMMENCED AT 10:00 A.M.)**

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

THE COMMISSIONER: Yes. Thank you, Madam Registrar. Yes, Mr. McGowan.

MR. MCGOWAN: Yes, Mr. Commissioner. We'll be resuming with Mr. Towns this morning.

THE COMMISSIONER: All right. Thank you. And I take it you've concluded your examination; is that correct?

MR. MCGOWAN: I have concluded my examination, Mr. Commissioner.

THE COMMISSIONER: Yes. Thank you. And I should say just for the benefit of the participants. We did have a delay this morning which was caused by, as I understand it, a system-wide technical problem that has at least been patched up for the time being. So we'll carry on, and we'll start with Ms. Harlinton on behalf of the province, who has been allocated 25 minutes.

**TERRY TOWNS, a witness  
for the commission,  
recalled.**

1 MS. HARLINGTEN: Yes. Thank you, Mr. Commissioner.

2 **EXAMINATION BY MS. HARLINGTEN:**

3 Q Mr. Towns, can you hear me all right?

4 A Yes, I can.

5 Q Wonderful. Mr. Towns, if you have your  
6 affidavit handy, I just wanted to ask you a few  
7 questions about paragraphs 43 to 55.

8 A Yes.

9 Q So in that section of your affidavit, Mr. Towns,  
10 you provide evidence about BCLC investigators  
11 banning cash facilitators and suspected loan  
12 sharks from BC casinos; is that correct?

13 A Yes.

14 Q And at paragraph 55 of that affidavit you state  
15 that you do not specifically recall receiving  
16 any resistance or negative feedback from service  
17 providers about BCLC banning cash facilitators  
18 or suspected loan sharks; is that correct?

19 A That's correct.

20 Q Isn't it true, Mr. Towns, that service provider  
21 managers did resist BCLC investigators when they  
22 tried to ban VIP patrons from casinos?

23 A There was pushback on certain -- at that level,  
24 investigator level and at certain manager  
25 levels, but I didn't get involved with that. It

1                   was usually resolved at that level.

2                   Q     Can you describe for the Commissioner sort of  
3                   the resistance or the pushback that you're  
4                   speaking of?

5                   A     At times they would question why a certain  
6                   individual was banned, but that was usually the  
7                   extent of it.

8                   Q     And when they were speaking about why an  
9                   individual was banned when it was a VIP patron,  
10                  did they express any reasons about their  
11                  concerns?

12                  A     No. It wasn't necessarily just around VIP  
13                  patrons either. It was just in general terms,  
14                  you know, they would ask the circumstances  
15                  around what the justification was for the  
16                  barring.

17                  Q     All right. On Friday, Mr. Towns, you testified  
18                  that as VP of corporate security and compliance  
19                  the investigation division of BCLC was under  
20                  your jurisdiction; is that correct?

21                  A     That's right.

22                  Q     And so as I understand it, the investigators  
23                  reported to a director who then reported to you?

24                  A     The investigators actually reported to the  
25                  manager, and then the manager reported to the

1 director.

2 Q But then reported to you?

3 A That's right.

4 Q But ultimately those BCLC investigators, they  
5 were under your jurisdiction?

6 A That's correct.

7 Q Do you recall if Mike Hiller was one of your  
8 investigators at that time?

9 A Yes, he was.

10 Q Mr. Hiller gave evidence in this inquiry that  
11 Mr. Rick Duff, who I understand was then the  
12 manager of River Rock Casino, made it quite  
13 clear that BCLC investigators shouldn't be  
14 speaking to VIP players and that BCLC should not  
15 bar a large cash transaction player merely for  
16 dealing with loan sharks. Were you aware of  
17 that -- those confrontations between Mr. Hiller  
18 and Mr. Duff?

19 A I was not.

20 Q During your time as VP do you recall Mr. Duff  
21 contacting you directly to speak about those  
22 concerns?

23 A I don't recall any such contact.

24 Q You would agree with me that Mr. Hiller and the  
25 other BCLC investigators would be better placed

1 to provide the Commissioner with evidence about  
2 their interactions with service provider  
3 management?

4 A Yes.

5 Q During your time as Vice President, Rod Baker was  
6 employed by the Great Canadian Gaming  
7 Corporation; is that correct?

8 A I understood him to be the president of Great  
9 Canadian, yes.

10 Q Do you recall Mr. Baker ever contacting you to  
11 complain about BCLC investigators speaking to  
12 VIP patrons?

13 A No.

14 Q So your evidence, Mr. Towns, is that you  
15 sometimes spoke with service provider management  
16 about their particular concerns around barring  
17 patrons, whether VIP or not, but you don't  
18 recall specifically who you spoke to?

19 A I may have had a conversation with -- you know,  
20 at their Vice President level from time to time,  
21 but there was -- it wasn't a major issue with  
22 me. And like I said, most of that pushback, if  
23 that's what we're calling it, was at the manager  
24 or investigator level.

25 Q Did you ever direct your investigators not to

1                   engage with VIP patrons as a result of receiving  
2                   these complaints?

3           A     No. They were free to talk with patrons as they  
4                   wished.

5           Q     And your evidence is that you never got involved  
6                   with the barring or banning decisions for VIP or  
7                   large cash transaction patrons?

8           A     No. Those decisions were made at the -- an  
9                   investigator can instigate that and they were  
10                  made at his -- he would run that by the casino  
11                  service provider manager -- or not the service  
12                  provider manager, BCLC manager, and they would  
13                  decide on the length of barring and that was the  
14                  end of it.

15           MS. HARLINGTEN: All right. Thank you, Mr. Towns.

16                         Mr. Commissioner, those are all my  
17                         questions.

18           THE COMMISSIONER: Thank you, Ms. Harlingten.

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

22           MS. HARMER: Thank you, Mr. Commissioner. In light  
23                         of the evidence Mr. Towns has given, Great  
24                         Canadian doesn't have questions.

25           THE COMMISSIONER: Thank you. Mr. Gruber on behalf

1                   of Gateway Casinos & Entertainment Ltd., who has  
2                   been allocated five minutes.

3                   MR. GRUBER: Similarly, Mr. Commissioner, based on  
4                   the evidence given, I have no questions for this  
5                   witness.

6                   THE COMMISSIONER: All right. Thank you, Mr. Gruber.  
7                   Mr. McFee on behalf of James Lightbody has  
8                   been allocated 10 minutes.

9                   **EXAMINATION BY MR. McFEE:**

10                  Q     Mr. Towns, I just want to focus for a moment on  
11                   the cash alternatives program.

12                  A     Yes.

13                  Q     And as I understand it, after the release of the  
14                   Kroeker Report, the introduction of cash  
15                   alternatives became a focus of BCLC's AML  
16                   measures. Does that match with your  
17                   recollection?

18                  A     We had introduced those prior to the release of  
19                   the Kroeker Report, but they were quite  
20                   restrictive in their use. And after the Kroeker  
21                   Report we made a concerted effort to reduce the  
22                   impediments to the use of those accounts.

23                  Q     When you say "made a concerted effort to reduce  
24                   the impediment," do you have a recollection of  
25                   what was done in that regard?



1           A     Well, we engaged Mr. Kroeker at BCLC to help  
2                     with the enhancements to the Patron Gaming Fund  
3                     accounts. We formed a committee with the  
4                     various persons around BCLC that would have, you  
5                     know -- could have an impact on their  
6                     businesses, on their divisions, and had meetings  
7                     set up with GPEB to facilitate various pieces  
8                     that we wanted to try to use to implement for  
9                     the enhancement of those accounts.

10          Q     But when you say a committee was formed, as I  
11                     understand it, and correct me if I'm wrong, that  
12                     committee was BCLC's steering committee on the  
13                     cash alternatives project?

14          A     That's correct.

15          Q     And were you the chair of that committee?

16          A     Yes, I was.

17          Q     And once my client, Jim Lightbody, was appointed  
18                     VP casinos for BCLC, was he also a member of the  
19                     committee?

20          A     Yes, he was.

21          Q     And do you recall that when the committee was  
22                     formed, Mr. Lightbody had quite recently been  
23                     appointed the VP of casinos and community  
24                     gaming?

25          A     Yes. I believe the VP of casinos prior to him

1                   was Daryl Schiewe, and he went to another  
2                   project and then Mr. Lightbody was appointed. I  
3                   believe he was in lotteries before that.

4           Q       And from your perspective as the chair of that  
5                   committee, was Mr. Lightbody an active  
6                   contributing member to the steering committee?

7           A       Yes. Because this -- these patron gaming fund  
8                   enhancements directly impacted his division.

9           Q       And from your perspective as the chair of the  
10                  committee, did Mr. Lightbody exhibit a  
11                  willingness to work cooperatively with you and  
12                  the other divisions to assess the viability of  
13                  these proposed cash alternatives?

14          A       Yes.

15          Q       And did Mr. Lightbody exhibit a willingness to  
16                  implement the cash alternatives that the  
17                  committee decided to recommend?

18          A       Yes.

19          Q       You've made some reference to this, but do you  
20                  recall that after the receipt of the Kroeker  
21                  Report a joint working group was formed  
22                  consisting of both BCLC and GPEB  
23                  representatives?

24          A       Yes.

25          Q       And were you one of the BCLC representatives on

1                   that joint working group?

2           A       Yes. I was the point person, I guess, between  
3                   BCLC and GPEB in terms of the various aspects of  
4                   the gaming fund accounts that we wanted to  
5                   implement.

6           Q       And I take it the working group was evaluating  
7                   Mr. Kroeker's recommendation and ways to improve  
8                   AML policies within the BC casinos.

9           A       Yes. Each one of the elements had to be thought  
10                  through. A policy had to be developed. We had  
11                  to engage the service provider companies to make  
12                  sure they could operationalize each of these  
13                  aspects. And then on the GPEB side each of  
14                  them -- each of their divisions had input into  
15                  the various recommendations from BCLC so that  
16                  they made -- you know, from their investigation  
17                  division, from their policy people, from their  
18                  problem gambling people, everyone got to review  
19                  the proposals and offer their input.

20          Q       Do you recall who the GPEB representatives were  
21                  on this joint working group?

22          A       I don't recall specifically. I dealt mostly  
23                  with Mr. -- I'm just thinking -- trying to  
24                  think. Mr. McCrea. Sorry. Bill McCrea.

25          Q       Do you recall if GPEB's head of the

1 investigations division, Mr. Vander Graaf, was  
2 present at committee meetings?

3 A I believe he was.

4 Q And did this joint working group reach a  
5 consensus as to which enhanced AML measures  
6 should be pursued?

7 A Yes. They weren't all pursued at the same time.  
8 They were implemented in stages. And as I said,  
9 before [indiscernible] had developed to  
10 operationalize these measures. The casino  
11 service providers had to implement new  
12 accounting systems, back of house stuff that  
13 they had not had previously. And so there was a  
14 great deal of work put in in terms of making  
15 these enhancements.

16 Q And was the -- at this early -- fairly early  
17 stage, 2011, 2012, was the cash alternatives  
18 program the primary enhanced AML measure that  
19 the joint working committee decided to pursue?

20 A Yes.

21 Q And to your recollection did any of the GPEB  
22 representatives to the joint working group  
23 propose there should be a limit or cap placed on  
24 the value of cash buy-ins?

25 A Not to my knowledge.

1           Q     And to your recollection did any of the GPEB  
2                    reps to the joint working group propose that  
3                    there should be a limit or cap placed on the  
4                    value of \$20 denominated bills accepted in cash  
5                    buy-ins?

6           A     Not to my knowledge.

7           Q     And so while you were still with BCLC before you  
8                    retired, this cash alternatives program was  
9                    being implemented and rolled out?

10          A     Yes.

11          Q     And was it successful in removing cash from the  
12                    BC casinos?

13          A     In my opinion it was.  Once the -- a number of  
14                    the enhancements had been implemented, most of  
15                    the enhancements we were trying to implement  
16                    were implemented by April of -- I'm going to say  
17                    April of 2012, and certainly by that fall we had  
18                    seen significant uptake in the opening of  
19                    accounts and significant uptake in the dollar  
20                    value in the accounts.

21          Q     And in your affidavit it indicates that you were  
22                    receiving periodic reports from the accounting  
23                    and financial personnel at BCLC with respect to  
24                    the uptake on these accounts?

25          A     We were tracking that through their -- through

1                   our own AML trend analyst.

2           MR. McFEE: Madam Registrar, if I could ask you to  
3                   put up exhibit 49 of Mr. Towns' affidavit,  
4                   please.

5           Q     Mr. Towns, you have a hard copy of that?

6           THE REGISTRAR: Apology, Mr. McFee. I just need a  
7                   few seconds to display the screen.

8           MR. McFEE: No problem. Thank you.

9           Q     Yes. At the first page of that exhibit,  
10                Mr. Towns, you'll see there's an email from you  
11                to Mr. Lightbody and others of -- it looks like  
12                October 10th, 2012. And it says:

13                        "Here is the latest report on the progress  
14                        of the reduction of cash initiatives."

15           And you say:

16                        "Since April \$42.7 million has been taken  
17                        out of the system."

18           And that seems to be supported by the tracking  
19                documentation that's attached?

20           A     Yes.

21           Q     And in particular, if I could ask you to go  
22                over -- and Madam Registrar, if you could take  
23                the witness to -- or the -- to page 445 in the  
24                top right-hand corner. I think it should be the  
25                last page of that exhibit, please.

1                   And you see a summary as September 30th,  
2                   2012. So this is the total cash removed from  
3                   casinos since April 1st, 2012. Do you see that?

4           A     Yes.

5           Q     And that's a six-month period and you'll see the  
6                   total is the number that was set out in your  
7                   email and it's \$42,741,656?

8           A     That's correct.

9           Q     And you'll see the breakdown just above that,  
10                  far and away the bulk of that breakdown, almost  
11                  \$42 million is with the Patron Gaming Fund  
12                  accounts?

13          A     That's correct.

14          Q     And was that -- is that consistent with your  
15                  recollection that by the fall of 2012 there  
16                  was -- you were -- BCLC was experiencing some  
17                  success in getting a transition of patrons over  
18                  to these Patron Gaming Funds accounts?

19          A     I would say that's a fair assessment.

20          MR. McFEE: Those are my questions. Thank you.

21          THE COMMISSIONER: Thank you, Mr. McFee. I'll now  
22                  call on Ms. Mainville on behalf of Mr. Kroeker,  
23                  who has been allocated five minutes.

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

25          THE REGISTRAR: Excuse me, Mr. Commissioner. Could

1                   we please stand down for five minutes. We are  
2                   having technical issues.

3           THE COMMISSIONER: All right. We'll stand down for  
4           five minutes. Thank you.

5           THE REGISTRAR: This hearing is stood down for five  
6           minutes until 10:22 a.m.

7                   **(WITNESS STOOD DOWN)**

8                   **(PROCEEDINGS ADJOURNED AT 10:17 A.M.)**

9                   **(PROCEEDINGS RECONVENED AT 10:21 A.M.)**

10          THE REGISTRAR: Thank you for waiting. The hearing  
11          is resumed. Mr. Commissioner.

12          THE COMMISSIONER: Thank you, Madam Registrar.

13   **TERRY TOWNS, a witness**  
14   **for the commission,**  
15   **recalled.**

16          THE COMMISSIONER: Yes, Ms. Mainville.

17          MS. MAINVILLE: Thank you.

18                   **EXAMINATION BY MS. MAINVILLE:**

19          Q     Good morning, Mr. Towns.

20          A     Good morning.

21          Q     Do you recall meeting with Mr. Kroeker in the  
22                context of his 2011 review?

23          A     I don't recall specifically, no.

24          Q     Do you know whether you -- whether -- do I take  
25                it you don't recall any specifics or do you not



1 recall meeting with him at all?

2 A I am sure I would have met with him, but I don't  
3 recall the specific meeting.

4 Q Okay. And do you know whether he met with  
5 several people at BCLC?

6 A Yeah, my understanding was that he had met with  
7 a number of different individuals there and  
8 casino service providers and GPEB, et cetera.

9 Q Okay. And did you have any reason at the time  
10 to perceive that he was either more aligned with  
11 GPEB or BCLC?

12 A No.

13 Q Okay. Could I take you to paragraph 42 of your  
14 affidavit.

15 A Yes.

16 Q You indicate there that -- in the bottom half  
17 that on some occasions law enforcement would  
18 provide BCLC with information about suspected  
19 gang members or persons connected to organized  
20 crime who attended BCLC casinos, and BCLC could  
21 bar those persons?

22 A That's correct.

23 Q And I take it this is -- in terms of time frame,  
24 was this throughout your time with --

25 A Yes.

- 1 Q Okay. And I take it that names of people were  
2 provided to you by law enforcement?
- 3 A Yes. They weren't provided to me directly; they  
4 would be provided to the investigators.
- 5 Q Okay. Did any of those names have to do with  
6 the suspicious cash coming into casinos?
- 7 A No. This was in relation to suspected gang  
8 members or people that had criminal  
9 affiliations.
- 10 Q Okay. And were you or would BCLC be advised as  
11 to whether there were active investigations in  
12 respect of these individuals or not?
- 13 A Not to my knowledge.
- 14 Q Okay. You were not told one way or another?
- 15 A No, no.
- 16 Q At paragraph 91 of your affidavit you talk about  
17 other jurisdictions and their experience with  
18 the use of credit as of 2009 at least?
- 19 A Yes.
- 20 Q So do I take it that at least for some period of  
21 time Ontario, Quebec and the US going back to  
22 2009 had experience with credit?
- 23 A Yes. We had reached out to -- and had meetings  
24 with Ontario Lottery and Lotto Quebec in regards  
25 to this, and I was also familiar from some US

1                   jurisdictions about their credit arrangements at  
2                   specific hotels.

3           Q       Okay. Do you recall BCLC putting forward a  
4                   proposal to GPEB with respect to credit during  
5                   your time there?

6           A       I can't remember. We had definitely discussed  
7                   it, but I can't remember if a proposal was put  
8                   forward. It ultimately was not part of the  
9                   reduction in the AML -- or the reduction in the  
10                  cash initiatives.

11          Q       Reduction in reliance on cash. It was not part  
12                  of what went forward?

13          A       No. I don't -- I couldn't say it didn't go  
14                  forward, but there was a discussion around it.  
15                  It was certainly not approved.

16          Q       Certainly not approved. And I did want to  
17                  clarify. You do mention the requirement for  
18                  GPEB's approval for each cash alternative put  
19                  forward. That's at paragraph 120 of your  
20                  affidavit.

21                         I just want to be clear. Was GPEB's  
22                         approval required throughout your time at BCLC  
23                         when it comes to cash alternatives?

24          A       Yes.

25          Q       This is paragraph 120.

1           A     Yes, it was.

2           Q     It was. Okay. And I think you describe in your  
3                    affidavit that there were some delays in  
4                    obtaining approval.

5           A     It was -- yeah, a bit of a cumbersome process in  
6                    terms of the amount of people that were given  
7                    input into -- both from -- not just GPEB but  
8                    both from BCLC service providers and GPEB  
9                    combined.

10          Q     Combined, the process was onerous?

11          A     Yes.

12          MS. MAINVILLE: Okay. Those are all my questions.  
13                    Thank you.

14          THE WITNESS: Thank you.

15          THE COMMISSIONER: Thank you, Ms. Mainville.

16                    I'll now call on Ms. Tweedie on behalf of  
17                    the British Columbia Civil Liberties  
18                    Association, who has been allocated 10 minutes.

19          MS. TWEEDIE: Thank you, Mr. Commissioner. The BCCLA  
20                    no longer has questions for Mr. Towns. Thank  
21                    you.

22          THE COMMISSIONER: Thank you, Ms. Tweedie.

23                    Mr. Butcher on behalf of Brad Desmarais, who has  
24                    been allocated 10 minutes.

25          MR. BUTCHER: Thank you.

1                   **EXAMINATION BY MR. BUTCHER:**

2                   Q     Just going over your background, Mr. Towns, you  
3                             were 29 years in the RCMP, mainly in the areas  
4                             of drugs and organized crime?

5                   A     That's correct.

6                   Q     Your last four years were as the inspector in  
7                             charge of the Greater Vancouver drug squad?

8                   A     That's correct.

9                   Q     You spent your entire adult life fighting  
10                            organized crime?

11                  A     I guess you could put it that way.

12                  Q     And policing is a central part of your  
13                            personality, your character, your ethos?

14                  A     Yes.

15                  Q     You joined BCLC in 2000 and were there until  
16                            2012?

17                  A     That's correct.

18                  Q     Until the last year of your work at BCLC --  
19                            sorry, at BCLC, the casino business was almost  
20                            entirely cash funded?

21                  A     Yes.

22                  Q     And on a couple of occasions you had some  
23                            evidence that the proceeds of crime might be  
24                            being used, but in general there was little  
25                            evidence to suggest to you or prove to you that

1                   the patrons were gambling with the proceeds of  
2                   crime?

3           A     That's correct.

4           Q     Despite that, you were aware of the risk and  
5                   implemented some AML measures beginning with the  
6                   PGF funds and then again more actively after the  
7                   Kroeker Report?

8           A     Yes. After the Kroeker Report there was, I  
9                   guess, a focus on AML reduction in cash through  
10                  the PGF accounts.

11          Q     You were succeeded in your position by my  
12                  client, Brad Desmarais?

13          A     That's correct.

14          Q     What was your last day in the office at BCLC?

15          A     I'm going to say it was early December of 2012.

16          Q     There was no overlap between yourself and  
17                  Mr. Desmarais, was there?

18          A     No, there wasn't.

19          Q     Did you leave behind for him any materials to  
20                  help him in the transition to his new position  
21                  setting out, for example, where BCLC had been  
22                  historically, what you were doing now and  
23                  recommendations that you might make for the  
24                  future?

25          A     I do recall we had one meeting after

1                   Mr. Desmarais had assumed his responsibilities,  
2                   and we had some discussion around those things.  
3                   In addition, the Director of operational  
4                   compliance, Mr. Hodgkin, was still there from  
5                   BCLC and he was familiar with all of the  
6                   initiatives that we had undertaken.

7           Q       When do you recall that meeting was? Was it  
8                   after you had left, or ...

9           A       Yes -- no, it was after I had left. Probably a  
10                   couple of months after I had left.

11          Q       So one meeting where you reviewed verbally those  
12                   matters, the history and what you saw going  
13                   forward, but nothing in writing?

14          A       No.

15          Q       You're agreeing with me?

16          A       Yes, I'm agreeing with you.

17          MR. BUTCHER: Thank you very much. Those are my  
18                   questions.

19          THE COMMISSIONER: Thank you, Mr. Butcher. And for  
20                   the British Columbia Lottery Corporation  
21                   Mr. Smart, who has been allocated 15 minutes.

22          MR. SMART: Thank you.

23          **EXAMINATION BY MR. SMART:**

24          Q       Mr. Towns, Mr. Butcher just has asked you again  
25                   about your policing background and of your

1                   29 years with the RCMP. You've stated in your  
2                   affidavit that 26 of those years was in drugs,  
3                   dealing with drug trafficking and organized  
4                   crime?

5           A     That's correct.

6           Q     You had the opportunity as a police officer to  
7                   see first-hand the social consequences of drug  
8                   trafficking?

9           A     Yes.

10          Q     What it does to -- let me start again.

11                   The property crimes that are committed by  
12                   people that are looking for income to pay for  
13                   drugs?

14          A     That's correct.

15          Q     The consequences to individuals and their  
16                   families because of drug addiction?

17          A     That's correct.

18          Q     And the violence associated with drug  
19                   trafficking?

20          A     Yes, sir.

21          Q     Would you ever knowingly work for a business  
22                   that permitted or turned a blind eye to the  
23                   proceeds of crime coming into the business?

24          A     No.

25          Q     You've touched on some of the topics, but over



1                   your time at BCLC can you just outline for the  
2                   commission the steps that you helped implement  
3                   to deal with money laundering, drug  
4                   trafficking -- I'm sorry, not drug  
5                   trafficking -- money laundering, loan sharking  
6                   and other crimes in casinos.

7                   A     Well, it was -- I mean, I can start back when I  
8                   first started in terms of -- one of the first  
9                   things we did was put in a provincially -- the  
10                  provincial iTrak system that could -- so an  
11                  investigator could see the files on all of the  
12                  various individuals and review those files from  
13                  one -- from one location. Previous to that each  
14                  service provider had their own reporting systems  
15                  and the individuals were not cross-referenced  
16                  from one system to the other.

17                  We added licence plate recognition through  
18                  to 2009, '10, '11, to all of the facilities in  
19                  the Lower Mainland. That was a place to capture  
20                  licence plate information. And if the car was  
21                  identified coming onto casinos properties, it  
22                  would alert the surveillance room in the  
23                  iTrak -- through the iTrak system.

24                  We put in other technology developments  
25                  such as digital surveillance. When we first

1           started the casino service providers were  
2           operating analog systems and we switched that to  
3           digital systems. We put in reporting  
4           standardization, as I had said.

5                     We changed programming within iTrak to  
6           prompt people for -- that every 23 months they  
7           would have to produce new ID. We put in new  
8           drop-down menus so they could no longer use  
9           things such as "businessman" or generic kind of  
10          occupations so that they had to be more specific  
11          towards that.

12                    We hired or changed positions for some  
13          personnel, including hiring of a trend analyst.  
14          I think that was in 2010. Created a position  
15          for a Director of operational compliance, I  
16          think also in 2010. Switched Mr. Karlovcec from  
17          Assistant Manager of casino investigations to  
18          full-time on AML initiatives. And that was  
19          to -- also to become the direct liaison with the  
20          police and GPEB on AML initiatives.

21                    We had a number of enhancements to our  
22          training program through the years. Initially  
23          it was done in classrooms and by one or two  
24          investigators and through the years we added  
25          more investigators to that training. And at a

1                   certain point put the -- I think it was in 2009,  
2                   got the training online. And we added three  
3                   modules to that, including refresher training so  
4                   that people had to take refresher training every  
5                   two years. There was an initial training online  
6                   and the there was more in-depth training for key  
7                   personnel in the casinos such as surveillance  
8                   personnel or cash cage persons or pit bosses,  
9                   those kinds of people. That training included  
10                  exams so that we were confident they had  
11                  understanding of what AML measures were.

12                  We made a host of policy changes over those  
13                  years, verified -- including verified win  
14                  cheques so that cheques could not be issued for  
15                  funds that were brought into the casino but only  
16                  for a verified win. The verified win for both  
17                  slot machines and table games had to be signed  
18                  off by a specific individual.

19                  It was a continuing evolving process of, you  
20                  know, adaptation. Gaming in BC had grown  
21                  significantly from 2004 to 2012 with a number of  
22                  new establishments, a new community -- gaming  
23                  centres and new casino operations. So the size  
24                  and scope of the gaming had increased  
25                  dramatically.

1           Q     Was it your decision to have BCLC investigators  
2                   actually work at some of the casinos?

3           A     Yes.  After the opening of River Rock it became  
4                   apparent to me that we needed to put people  
5                   right into the casinos.  Previous to that they  
6                   were assigned multiple casinos and would drive  
7                   from one to the other and review incident  
8                   reports and surveillance tapes.  And it was  
9                   cumbersome in terms of they were spending an  
10                  inordinate amount of time driving between the  
11                  locations as opposed to actually being able to  
12                  conduct our investigations.  So we made the  
13                  decision to implement investigators in the  
14                  casinos and of course we had a secure office  
15                  space for them to work out.  And the first  
16                  location was River Rock, and I believe we put  
17                  the first people in there in about 2005, 2006.  
18                  And then as we added locations and investigators  
19                  for the following years, we added more people to  
20                  different locations.

21          Q     All right.  Mr. Towns, you were asked questions  
22                   about some correspondence between Mr. Dickson  
23                   and Mr. Schalk and investigators at BCLC or  
24                   managers in the late 2010 and early 2011s.  And  
25                   in particular -- I won't take you to it; it's in

1                   your affidavit -- a letter of November 24, 2010,  
2                   to Mr. Friesen, where Mr. Dickson suggested that  
3                   BCLC should restrict \$20 bills to a maximum of  
4                   \$10,000. Did you or Mr. Friesen have the  
5                   authority to do that?

6           A       No. That would have required a government  
7                   decision on that. Either through GPEB or  
8                   directly from the government.

9           Q       Did that ever occur during your time at BCLC  
10                   such administrative directive or directive from  
11                   GPEB to restrict \$20 bills to a maximum of  
12                   \$10,000?

13          A       No, sir.

14          Q       At the time did it make any sense to you why  
15                   Mr. Dickson would send back a letter like that  
16                   with a request to restrict \$20 bills to \$10,000?  
17                   Did it make any sense to you why he would do  
18                   that?

19          A       Not really.

20          Q       Did you believe that Mr. Dickson and Mr. Schalk  
21                   and other investigators at GPEB at that time,  
22                   2010, 2011, 2012, had the authority to come into  
23                   casinos and investigate the large suspicious  
24                   cash transactions such as interviewing patrons  
25                   about the source of funds? Did you believe they

1                   had that authority?

2           A     Absolutely.  They were the regulating body and  
3                   they had police authority.

4           Q     To your knowledge did that occur during that  
5                   period of time?

6           A     I can't answer that.

7           Q     Okay.

8           A     I'm not aware of it.

9           Q     All right.  Did you meet with law -- during this  
10                  period of time, your -- I think you've told the  
11                  commission you were trying to engage law  
12                  enforcement to investigate?

13          A     Yes.  We had initiated meetings with the police  
14                  early on in -- I'm going to say at least as  
15                  early as 2007 we were meeting with the police of  
16                  jurisdiction and their gang people on their gang  
17                  squads, et cetera, and providing them  
18                  information on, you know, people that we were  
19                  suspicious of either in the hopes that -- I  
20                  guess, that they had some case ongoing, that  
21                  that might provide some benefit to them, or if  
22                  they wished, obviously they could start a new  
23                  case from that information.

24          Q     During your time up until you left, did law  
25                  enforcement ever tell you that the cash used in

1                   these -- what we've described as large  
2                   suspicious cash transaction, did they ever tell  
3                   you that it wasn't the proceeds of crime?

4           A       Not directly, no.

5           Q       Okay. I'm going to ask you a few questions  
6                   about the Kroeker -- what we call the Kroeker  
7                   Report that you refer to in your affidavit.

8           MR. SMART: And, Madam Registrar, it's exhibit 141.

9           Q       And I'd like to take you to page 10. The  
10                   commission's familiar with this report, so I'm  
11                   going to be relatively brief, but I want to ask  
12                   you, Mr. Towns, what Mr. Kroeker stated in this  
13                   report that was requested by government. He  
14                   stated -- under "Reporting Obligations," he  
15                   said:

16                   "BCLC's obligation is primarily a duty to  
17                   report. These reporting obligations do  
18                   not extent to a duty to investigate and  
19                   confirm the exact provenance of cash used  
20                   to buy in. Detailed inquiries and  
21                   investigation into legitimate or  
22                   illegitimate sources of cash appropriately  
23                   fall to various law enforcement and  
24                   regulatory authorities."

25                   Does that coincide with your understanding of

1 BCLC's obligation at that period of time?

2 A Yes. BCLC had no police authority. I don't  
3 believe they could have possibly investigated  
4 proceeds of crime criminal investigation at that  
5 time.

6 Q Okay. And going to the third paragraph and the  
7 second sentence, Mr. Kroeker writes:

8 "Conclusions and statements as to the  
9 ultimate legitimacy of cash should only be  
10 made where there is detailed independent  
11 information verifying the source of funds  
12 and should only be made by the enforcement  
13 agencies with a mandate to conduct these  
14 types of inquiries."

15 Again, is that consistent with your view of  
16 BCLC's responsibilities?

17 A Yes.

18 Q Is that what you did or advocated for your  
19 investigators, the practice you expected them to  
20 follow?

21 A Yes.

22 Q Okay. Now, the last part of this report I want  
23 to ask you about is Mr. Kroeker made some  
24 recommendations, and we can go back to the  
25 first -- the page 2 of the report under



1 "Executive" --

2 MR. SMART: Yes, thank you, Madam Registrar.

3 Q At the very bottom. He doesn't call them  
4 "recommendations," but he states:

5 "The review found four specific steps BCLC  
6 could take to improve its anti-money  
7 laundering regime."

8 Then over the next page. The first is:

9 "BCLC in consultation with GPEB should  
10 revise its buy-in/cash-out policy to allow  
11 for cash-outs to be paid by cheque where  
12 cash-out cheques clearly and unequivocally  
13 indicate that the funds are not from  
14 gaming winnings."

15 Was that step or recommendation implemented by  
16 BCLC?

17 A Partly. With the issuance of what's called  
18 convenience cheques. But they were limited in  
19 amounts. I believe it was to \$5,000 per week,  
20 one cheque per person. I think that was  
21 later -- as I recall, later raised to perhaps  
22 \$8,000 per person.

23 Q All right. The second recommendation was:

24 "BCLC should enhance training and  
25 corporate policy to help ensure gaming

1                   staff do not draw conclusions about the  
2                   ultimate origin of funds based solely on  
3                   the identification of a patron and his or  
4                   her pattern of play. Training and  
5                   business practices should result in gaming  
6                   staff having a clear understanding that  
7                   the duty to diligently scrutinize all  
8                   buy-ins for suspicious transactions  
9                   applies whether or not a patron is  
10                  considered to be known to BCLC or the  
11                  facility operator."

12                 Did you take steps to try to implement that  
13                 recommendation?

14                 A    We had -- we changed the training -- I think it  
15                     was in 2011 to a wider view of this issue,  
16                     including a wider, broader view of proceeds of  
17                     crime and that the casino service provider staff  
18                     remained vigilant, even if the player was known  
19                     to them.

20                 Q    All right. The third recommendation --  
21                     Mr. Kroeker states:

22                     "BCLC holds the view that gaming losses on  
23                     the part of a patron provide evidence that  
24                     the patron is not involved in money  
25                     laundering or other related criminal

1 activity. This interpretation of money  
2 laundering is not consistent with that of  
3 law enforcement or regulatory authorities.  
4 BCLC should better align its corporate  
5 view and staff training of what  
6 substitutes money laundering with that of  
7 law enforcement agencies and the  
8 provisions of the relevant statutes."

9 Did you take steps to implement that  
10 recommendation?

11 A Yeah, I think it was considerably broader,  
12 again, as I had indicated about the training and  
13 that the fact that a person left was -- or lost  
14 money was less likely to be only one indicator  
15 of other -- amongst other indicators that the  
16 person was not a money launderer.

17 Q Okay. Is that part of the training that -- the  
18 enhanced training that you helped implement?

19 A Yes, it was. It was part of the scope in the  
20 training revision.

21 Q Okay. And then the last recommendation, he  
22 states:

23 "Gaming is almost entirely a cash business  
24 in BC. This presents opportunities for  
25 organized crime. Transition from cash

1                    transactions to electronic funds transfer  
2                    would strengthen the anti-money laundering  
3                    regime. BCLC, in consultation with GPEB,  
4                    should take the steps necessary to develop  
5                    electronic funds transfer systems that  
6                    maximize service delivery, create  
7                    marketing opportunities and are compliant  
8                    with anti-money laundering requirements."

9                    You've stated somewhat -- given us some  
10                   information about that, but did BCLC attempt to  
11                   implement that recommendation?

12                   A    Yes. Electronic fund transfers were  
13                   implemented. I believe that was by the spring  
14                   of 2012 so that a person could electronic fund  
15                   the account-based system in the casino and also  
16                   send funds from their account in the casino back  
17                   to their bank. Amongst other initiatives that I  
18                   explained earlier.

19                   Q    Was that -- this initiative or recommendation  
20                   was one that the joint working group discussed?

21                   A    Yes.

22                   Q    Yes. You mentioned that Mr. Vander Graaf was  
23                   part of that working group. Do you recall  
24                   whether he supported cash alternatives?

25                   A    I don't recall him not supporting it. I

1 think -- as I said, these various aspects were  
2 discussed amongst each of the participants, and  
3 then either they were approved in principle.  
4 And at that point if they were approved in  
5 principle, the policy was developed and, again,  
6 that was went over, and each division had input  
7 into those principles and the policy. There  
8 were some things that we tried or discussed  
9 amongst -- certainly amongst BCLC.

10 We had discussed at that point about mobile  
11 payments where a person could load up a phone  
12 account and use that in a slot machine setting,  
13 as an example. That was not one of the things  
14 that went to GPEB. The slot machine companies  
15 -- at that time this technology was in its  
16 infancy and they were not prepared to take that  
17 step for BCLC by itself in terms of the mobile  
18 payment systems.

19 And as I said earlier, we did discuss credit  
20 at one point, which was also not implemented.

21 Q I'm sorry, what happened -- your discussion  
22 about credit, where did that go?

23 A Well, we decided that amongst the -- I think  
24 mostly amongst the participants at BCLC that the  
25 credit system in Canada was not going to be

1                   viable because of issues with default.

2           MR. SMART: Mr. Commissioner, I have about five or  
3           ten minutes of questions. I've probably used up  
4           my allotted time. Do I have your leave to  
5           continue?

6           THE COMMISSION: Yes, you do, Mr. Smart.

7           MR. SMART: Thank you.

8           Q     You've told the commission about your experience  
9           as a police officer in receiving FINTRAC  
10          reports, and they were usually months after the  
11          event that had been reported as being a  
12          suspicious transaction?

13          A     Yes. Now, this was dated information back into  
14          the 1990s, but that was the situation at that  
15          time.

16          Q     And did you implement the process of providing  
17          the Suspicious Transaction Reports that were  
18          sent to FINTRAC, forwarding those to the RCMP,  
19          IPOC, local law enforcement and GPEB?

20          A     Yes, I did.

21          Q     And what --

22          A     Sorry, we were required to report those to GPEB,  
23          but the extra step of reporting them to the  
24          police.

25          Q     And your purpose in doing that?

1           A     I felt that the police, if they were going to  
2                    use that particular information it needed to be  
3                    as timely as possible.

4           Q     All right. Did you have any concern that by  
5                    reporting to the police and if the police were  
6                    engaged in investigating, that that might impact  
7                    negatively revenue? Did that concern you at  
8                    all?

9           A     No, it didn't.

10          Q     The large suspicious cash transactions that  
11                    you've testified about, are you -- did you have  
12                    the opportunity to inquire with other  
13                    jurisdictions about AMLs that they were  
14                    employing or not employing?

15          A     Yes. We were in regular contact with the  
16                    major -- I guess you'd call it lottery  
17                    corporations across Canada in terms of AML  
18                    issues.

19          Q     And did you have contact with casino operators  
20                    in the United States?

21          A     Yes.

22          Q     And in terms of Canada, is there an association  
23                    that you were a member of?

24          A     Yes. I was the -- I was the member of the  
25                    Canadian Security Professionals of Canada

1 organization for several years.

2 Q And in fact were you the president of that  
3 association for several years as well?

4 A I believe I was the president for two of those  
5 years.

6 Q Okay. And was that another source of  
7 information, contacts with --

8 A Yes.

9 Q -- other jurisdictions?

10 A It was a group of security professionals from  
11 British Columbia, Alberta, Saskatchewan,  
12 Manitoba, Ontario, Quebec and I believe Nova  
13 Scotia.

14 Q All right. Were you aware through your contacts  
15 with other jurisdictions whether other casino  
16 operators or regulators were turning away  
17 cash -- large cash transactions because they  
18 were suspicious?

19 A I was not aware of that.

20 Q Were you aware of other casino operators or  
21 jurisdictions asking questions about the source  
22 of funds?

23 A I was not aware of that either.

24 Q Okay. You were asked questions about your  
25 compensation. A percentage of your compensation



1                   was tied in some way to revenue?

2           A       Yes.  There was a bonus to BCLC compensation.

3                   At that time half of that bonus was revenue  
4                   related and the other half was -- in my case was  
5                   was reliance -- or compliance related.

6           Q       Having spent much of your adult life in policing  
7                   and dealing with drug trafficking -- and the  
8                   reason for that question was the suggestion you  
9                   would turn a blind eye to suspicious cash to  
10                  enhance your compensation.  Do you have a  
11                  response to that suggestion?

12          A       From my position, I definitely do not agree with  
13                  that at all.

14          MR. SMART:  Those are my questions.  Thank you.

15          THE COMMISSIONER:  Thank you, Mr. Smart.

16                               Anything arising, Mr. Butcher?  I'll take  
17                               silence as no.  Ms. Mainville.

18          MR. BUTCHER:  Sorry, the answer's no.

19          THE COMMISSIONER:  Thank you, Mr. Butcher.

20                               Ms. Mainville?

21          MS. MAINVILLE:  I do just have one or two questions,  
22                               if I could.

23          THE COMMISSIONER:  All right.

24          **EXAMINATION BY MS. MAINVILLE (continuing):**

25          Q       Mr. Towns, Mr. Smart took you to the

1                    recommendations in the Kroeker Report.

2            A        Yes.

3            Q        And you indicated that the first recommendation  
4                    was partially implemented in respect of  
5                    convenience cheques; correct?

6            A        That's correct.

7            Q        And you indicated that they were basically  
8                    limited in terms of the amount that could be  
9                    issued; correct?

10          A        That's right.

11          Q        And I just want to clarify. Was it limited as a  
12                    result of GPEB not approving a higher limit or a  
13                    delimited policy when it came to convenience  
14                    cheques?

15          A        I'm not sure who -- how the \$5,000 came about,  
16                    but that was the recommendation that went to --  
17                    or the proposal that went to GPEB, and it got  
18                    approved after some discussion.

19          Q        Okay. And you left in 2012, I believe; correct?  
20                    So you were not there in 2013 when a further  
21                    proposal in that regard was put forward?

22          A        No, I wasn't.

23          MS. MAINVILLE: Okay. Thank you.

24          THE COMMISSIONER: Thank you, Ms. Mainville.

25                    Mr. McFee?

1 MR. McFEE: Nothing arising. Thank you,  
2 Mr. Commissioner.

3 THE COMMISSIONER: Thank you. Ms. Harlingten?

4 MS. HARLINGTEN: Nothing arising Mr. Commissioner.  
5 Thank you.

6 THE COMMISSIONER: Mr. McGowan?

7 MR. MCGOWAN: Nothing arising Mr. Commissioner.

8 THE COMMISSIONER: All right. Thank you. Thank you,  
9 Mr. Towns, for taking the time to share your  
10 experiences and insights with us. You're now  
11 excused. Thank you.

12 THE WITNESS: Thank you.

13 **(WITNESS EXCUSED)**

14 THE COMMISSIONER: Yes, Mr. McGowan, I gather we have  
15 another witness to be brought in.

16 MR. MCGOWAN: Yes, we do. I'm going to suggest that  
17 we take the morning adjournment at this time so  
18 we can organize the next witness.

19 THE COMMISSIONER: All right. We'll take 15 minutes.

20 MR. MCGOWAN: Thank you.

21 THE REGISTRAR: This hearing is adjourned for a  
22 15-minute recess until 11:13 a.m.

23 **(PROCEEDINGS ADJOURNED AT 10:58 A.M.)**

24 **(PROCEEDINGS RECONVENED AT 11:12 A.M.)**

25 THE REGISTRAR: Thank you for waiting. The hearing

1 is now resumed. Mr. Commissioner.

2 THE COMMISSIONER: Yes. Thank you, Madam Registrar.

3 Ms. Latimer?

4 MS. LATIMER: Yes. Thank you, Mr. Commissioner. Our  
5 next witness is Brad Desmarais. And I  
6 understand the witness would prefer to be  
7 affirmed, please.

8 **BRAD DESMARAIS, a**  
9 **witness called for the**  
10 **commission, affirmed.**

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

13 THE WITNESS: Sure. Bradley Duncan Desmarais.  
14 Bradley, B-r-a-d-l-e-y, Desmarais,  
15 D-e-s-m-a-r-a-i-s.

16 THE REGISTRAR: Thank you.

17 THE COMMISSIONER: Yes, Ms. Latimer.

18 MS. LATIMER: Thank you.

19 **EXAMINATION BY MS. LATIMER:**

20 Q Mr. Desmarais, are you able to hear me okay?

21 A You're a little faint.

22 Q Okay. I'll try to speak up a bit, but if you  
23 have any difficulty hearing what I'm saying,  
24 please let us know.

25 A Sure.

1 Q You prepared an affidavit to assist in  
2 presenting evidence before the commission; is  
3 that correct?

4 A I did.

5 MS. LATIMER: Madam Registrar, could I have that  
6 please displayed for the witness.

7 Q And, Mr. Desmarais, do you recognize this as the  
8 affidavit number 1 you made on January 28th,  
9 2021?

10 A Yes.

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

13 THE COMMISSIONER: Exhibit 522.

14 THE REGISTRAR: Exhibit 522.

15 **EXHIBIT 522: Affidavit #1 of Brad Desmarais**  
16 **affirmed on January 28, 2021**

17 MS. LATIMER:

18 Q Mr. Desmarais, I see you have a number of  
19 binders placed in front of you. Do I take it  
20 that you have a hard copy of your affidavit in  
21 front of you?

22 A I do.

23 Q Great.

24 MS. LATIMER: Madam Registrar, you can take that  
25 affidavit down, then, please.

1           Q     Sir, you worked in law enforcement between 1979  
2                     and 2011; is that correct?

3           A     2013.

4           Q     Okay. In 1993 you were seconded to the VPD to  
5                     the RCMP's IPOC section where you spent the next  
6                     nine years?

7           A     Yes.

8           Q     And while serve in that section of the RCMP, you  
9                     gained experience in major money laundering and  
10                    proceeds of crime investigations; is that  
11                    correct?

12          A     I did.

13          Q     In 2003 you joined the RCMP as an acting  
14                    inspector in the IPOC unit as a major case  
15                    manager and you were confirmed as an inspector  
16                    in 2004; correct?

17          A     Yes.

18          Q     You led major investigations involving money  
19                    laundering and proceeds of crime in that  
20                    position?

21          A     That's correct.

22          Q     Could you tell the Commissioner a little bit  
23                    about the makeup of the IPOC unit.

24          A     The Integrated Proceeds of Crime section,  
25                    Mr. Commissioner, was a Solicitor General's

1 initiative that commenced in the early 1990s and  
2 it was designed to create an investigative unit  
3 with sort of multidiscipline skills as well as  
4 an integrated police presence from various  
5 police agencies from across the country. My  
6 recollection is there were 13 such units, but  
7 that may be plus or minus two or three. All  
8 units operated on the same -- on the same model.

9 Inside the unit there was of course police  
10 investigators with varying skill sets. There  
11 were forensic accountants, Department of Justice  
12 lawyers as well as analysts, analytical support,  
13 as well as civilian support staff.

14 Q Did the composition of those units assist your  
15 observation in pursuing money laundering and  
16 proceeds of crime investigations?

17 A It was critical.

18 Q Why do you say it was critical?

19 A Because conducting proceeds of crime  
20 investigations moves across all genres of crime,  
21 whether it be organized crime or singular  
22 crime -- or single-person crime, I should say.

23 In addition to that, the investigations  
24 are -- they're not rocket science but they are  
25 complex. And it requires the skills and

1                   abilities of people from a wide variety of  
2                   backgrounds in order to be successful. So, for  
3                   instance, in the -- Part 12.2 of the *Criminal*  
4                   *Code*, the section that governs or that lays  
5                   outside the proceeds of crime -- Canadian  
6                   proceeds of crime scheme, there are elements in  
7                   there which require determining net worth.  
8                   Police officers, for instance, generally aren't  
9                   qualified or confident to do that the kind of  
10                  work. You need properly trained, accredited  
11                  accountants, for instance, to do that. Forensic  
12                  accountants ideally.

13                  There's also -- because there are special  
14                  provisions within Part 12.2 which require --  
15                  which require Department of Justice support,  
16                  special search warrants, restraint orders and so  
17                  on, it is necessary to have -- to have counsel  
18                  on staff to help prepare those affidavits as  
19                  well as paralegals.

20                  The nature of the investigations we  
21                  undertake that was following the money to  
22                  determine not only where the money went but also  
23                  the offence it committed -- that generated it  
24                  required often analytical support. And there  
25                  were also other elements of the RCMP and other



1                    police jurisdictions that we drew on from time  
2                    to time on an ad hoc basis.

3                    Q    In 2005 you became responsible for the  
4                    operational management of IPOC, the national  
5                    initiative to combat money laundering unit and  
6                    provincial asset forfeiture unit.  Could you  
7                    explain the nature of that role?

8                    A    Sure.  So rather than being an accredited team  
9                    commander and major case manager dealing with  
10                   large complex cases, my role then switched to  
11                   still a little bit of that but also overseeing  
12                   the general operational side of the IPOC unit as  
13                   well as the national industry to combat money  
14                   laundering and the provincial asset forfeiture  
15                   unit.

16                   Q    And what were those latter two initiatives  
17                   about?

18                   A    The asset forfeiture unit, the genesis of that  
19                   largely came from the adoption of this notion of  
20                   offence related property where assets were being  
21                   seized, where the proceeds -- where you could  
22                   not prove they were the proceeds of crime;  
23                   however, they were related to the offence that  
24                   was under investigation and ultimately  
25                   forfeited.  So -- or, pardon me, ultimately

1 prosecuted. So the asset forfeiture unit  
2 focused on that.

3 The other unit was primarily in support of  
4 the *Proceeds of Crime (Money Laundering)*  
5 *Terrorist Financing Act*, the enforcement side of  
6 that, where they would do enforcement on  
7 entities that were -- that were reporting  
8 entities within -- underneath that act,  
9 including supporting Canadian -- the Canadian  
10 Border Services where money was coming across  
11 the border. That was prior to the act being  
12 changed to allow administrative monetary  
13 penalties at the border.

14 Q In that operational management role with IPOC  
15 did you have ongoing awareness of the types of  
16 investigations that IPOC was engaged in while  
17 you were in that role?

18 A Most at a high level, some at a lower level, but  
19 generally speaking, yes.

20 Q Okay. And you left IPOC in 2007; is that right?

21 A Yes.

22 Q And you left the RCMP in 2009 and returned to  
23 the VPD; correct?

24 A That's correct.

25 Q And the last positions you held in law

1 enforcement were as officer in charge of the  
2 gangs and drug section before becoming officer  
3 in charge of the major crimes section in 2011;  
4 right?

5 A That's correct.

6 Q And you indicate at paragraph 14 of your  
7 affidavit that none of the cases you worked on  
8 between 1994 and 2011 involved money laundering  
9 in casinos; is that correct?

10 A That's correct.

11 Q And you say at paragraph 15 of your affidavit  
12 that money laundering in casinos was not  
13 something that IPOC dealt with when you were  
14 with the RCMP; is that right?

15 A Yes.

16 Q So to be clear, are you saying that money  
17 laundering in casinos was not something that  
18 IPOC dealt with between 2003 and 2009?

19 A I'm not sure I understand the totality of your  
20 question. I can say that had we -- had there  
21 been a money laundering offence that met our  
22 triage requirements for investigation, we would  
23 have taken it on.

24 Q Okay. But I'm just -- I'm trying to clarify the  
25 years you were with the RCMP was 2003 to 2009.

1                   Is that right?

2           A       Yes.

3           Q       And when you say your "triage requirements,"  
4                   what are you referring to?

5           A       There were a multitude of files that were coming  
6                   in from day to day, and we would choose them  
7                   based on likelihood of success, likelihood of,  
8                   you know, the appropriate -- or a successful  
9                   outcome and the impact. I don't recall any  
10                  casino-related cases coming across my desk at  
11                  that time.

12          Q       And do you mean to say that they didn't come  
13                  across your desk; in other words, they didn't  
14                  even entry the triage process?

15          A       Yes, I would generally approve any  
16                  investigation. Certainly in the years I was the  
17                  operations officer I would approve any  
18                  investigations that were coming into the IPOC  
19                  unit.

20          Q       Okay. So when you say at paragraph 15 that  
21                  money laundering in casinos was not a priority  
22                  for IPOC at that time, do you mean actually that  
23                  it just wasn't an issue that arose at that time?

24          A       Yeah, it didn't meet our priority. We had no  
25                  evidence that it met our priority list.

1 Q Okay. Were you receiving reports from BCLC  
2 during your tenure at IPOC about cash  
3 transactions [indiscernible]?

4 A No. I believe they were coming into the unit,  
5 but I had no contact with them.

6 Q Okay. When reports like that came into the  
7 unit, what would be required to put something  
8 like that into the triage system?

9 A A substantial likelihood of conviction.

10 Q Was the unit also receiving reports from GPEB  
11 during your tenure?

12 A I don't recall.

13 Q Okay. What was done with those reports, then?  
14 Do you know?

15 A To the best of my recollection the reports were  
16 put on the Police Information Retrieval System,  
17 which is now defunct, PIRS. Not just the  
18 reports coming in from casinos, but any report  
19 coming into the unit would be put on that system  
20 to the best of my recollection.

21 Q Okay. Was officer -- Inspector Yim someone that  
22 you worked with while you were at IPOC?

23 A Yim?

24 Q Yes.

25 A I don't recall that name.

1           Q     We've heard evidence from others, including  
2                   Mr. Hiller, that the lotto corporation met with  
3                   a member of IPOC -- the note I have is Inspector  
4                   Yim at the River Rock in or around 2009 to offer  
5                   assistance with surveillance and that IPOC  
6                   seemed interested in that at the time. Was that  
7                   something you were aware of?

8           A     No.

9           Q     You were hired by the BC Lotto Corporation in  
10                  2012, but you didn't start until 2013; is that  
11                  correct?

12          A     Yes, I was a successful applicant in 2012. I  
13                  was hired in February of 2013.

14          Q     And during your tenure with the lotto  
15                  corporation you have held a number of roles and  
16                  responsibilities that are outlined in your  
17                  affidavit. Most recently you are the --  
18                  currently the Chief Operating Officer of the  
19                  British Columbia Lottery Corporation; is that  
20                  right?

21          A     That's correct.

22          Q     And you've attached various letters of  
23                  employment from BCLC to your affidavit at  
24                  exhibits 1 to 5.

25          A     Yes.

1           Q     Those letters make reference to a holdback  
2                   incentive. Was that holdback incentive tied to  
3                   the revenue of the corporation to your  
4                   knowledge?

5           A     Yes.

6           Q     And did that -- tying that holdback incentive to  
7                   the revenue to the corporation in any way impact  
8                   any decisions you've made on compliance issues  
9                   while you've been in this role?

10          A     No, it did not. And could I elaborate on that  
11                   answer? Thank you.

12                   The holdback was -- as you're aware, was  
13                   simply a holdback of salary. It was salary at  
14                   risk to meet certain goals. Part of the goals  
15                   were personal and professional, and part of them  
16                   were corporate. One of them was revenue. I can  
17                   say that it never entered my mind on any  
18                   decision I made that holdback would be affected  
19                   because we could just -- we could go to the  
20                   board, for instance, explain what the  
21                   circumstance and the board had the authority to  
22                   alter the raise or lower the revenue goals.

23                   So although that wasn't top of mind at the  
24                   time, that was the practicality of the issue.  
25                   So it was never a factor in my mind. I never

1                   considered it.

2                   Q     Is that something you have ever had to do during  
3                   your tenure, go to the board and explain that  
4                   the revenue piece needed to be adjusted?

5                   A     Most recently we -- the board decided that they  
6                   would actually eliminate the holdback simply  
7                   because of the -- I think the revenue impact  
8                   from COVID, and it was a good time just to  
9                   eliminate that type of holdback. It's arguably  
10                  a goofy system.

11                  Q     Okay. At paragraph 24 of your affidavit you  
12                  describe activities that you took when you first  
13                  joined BCLC, and I'm focusing at the last three  
14                  lines of that paragraph. Are you with me?

15                  A     Yes.

16                  Q     And you say you reviewed documentation related  
17                  to the immediately preceding few years,  
18                  including correspondence between the BCLC and  
19                  GPEB related to large cash transactions. Is  
20                  that right?

21                  A     Yes.

22                  MS. LATIMER: Madam Registrar, could I have  
23                  exhibit 110 please placed before the witness.

24                  Q     Sir, do you recognize this as part of the  
25                  correspondence that you would have reviewed in



1                   this initial period of time when you were  
2                   reviewing documents and correspondence related  
3                   to cash transactions?

4           A        I subsequently reviewed it pursuant to this  
5                   inquiry; however, I don't believe I reviewed  
6                   this particular document during my document  
7                   sweep when I first arrived at BCLC.

8           MS. LATIMER:   Okay.   Madam Registrar, can I have  
9                   exhibit 111 placed before the witness, please.

10          Q        Same question with respect to this piece of  
11                   correspondence.  Is this part of the  
12                   correspondence that you would have reviewed in  
13                   this initial period of time related to large  
14                   cash transactions?

15          A        Again, I reviewed it pursuant to this inquiry.  
16                   In this particular case I can't say whether it  
17                   was or not.

18          Q        Okay.

19          MS. LATIMER:   Madam Registrar, can I have  
20                   exhibit 112, please, placed before the witness.

21          Q        And same question about this letter, sir.  Do  
22                   you recognize this as part of the correspondence  
23                   that you would have reviewed getting up to speed  
24                   on the large cash transaction issue when you  
25                   joined BCLC?

1           A     May I have a moment to read that? I'm not quite  
2                    certain if that was one. I'm sorry, I just  
3                    can't say if that was one of the documents I  
4                    reviewed.

5           Q     Okay. You can remove that exhibit from the  
6                    screen, please, Madam Registrar. From the  
7                    correspondence that you did review, did you  
8                    understand that GPEB had been very concerned  
9                    about the potential of money laundering in BC  
10                   casinos since at least 2010?

11          A     Yes.

12          Q     And did you understand that the RCMP were also  
13                    very concerned about the potential of money  
14                    laundering in BC casinos since at least 2010?

15          A     I wasn't certain about that.

16          Q     You understood that patrons had been buying in  
17                    with some frequency from hundreds of thousands  
18                    of dollars in mostly \$20 bills; correct?

19          A     Yes.

20          Q     And did you understand that the officer in  
21                    charge of IPOC had met with members of GPEB and  
22                    communicated that IPOC was well aware of large  
23                    buy-ins with small denominations and was  
24                    concerned that casinos were being used as a  
25                    method to launder large sums of money for

1 organized crime groups?

2 A I think I became aware of that during the course  
3 of 2013 or at least that that meeting occurred.  
4 I'm not certain that was one of the pieces of  
5 information that I initially reviewed.

6 Q Did you understand that the officer in charge of  
7 IPOC had communicated to GPEB that this was  
8 without doubt large-scale money laundering?

9 A No, I was not aware of that.

10 Q Did you understand that GPEB had asked the  
11 BC Lotto Corporation to reassess its corporate  
12 responsibility in allowing these large amounts  
13 of \$20 bills to enter the casino gaming  
14 environment and had recommended a restriction of  
15 no more than \$10,000 in 20s at one time?

16 A Yes, I was aware of that.

17 Q Were you aware that as early as 2010 the  
18 BC Lotto Corporation also purported to enjoy a  
19 close relationship with IPOC and filed reports  
20 on suspected money laundering to them on a  
21 continuous basis?

22 A I was aware that they were filing the STRs with  
23 IPOC, yes.

24 Q Okay. Did you understand that GPEB's position  
25 was that banks would not take the amounts of

1                   small denomination bills that were being  
2                   accepted by casinos and that casinos shouldn't  
3                   accept them either?

4           A       Sorry, could you repeat that.  That IPOC  
5                   wasn't --

6           Q       GPEB's position was that banks would not take  
7                   the amounts of small denomination bills that  
8                   were being accepted by casinos and that casinos  
9                   should not accept them either?

10          A       I'm not sure I recall that exact terminology,  
11                   but I know that they tied our -- BCLC's conduct  
12                   in this area to the conduct of banks and felt  
13                   there should be a correlation.

14          Q       Okay.  You understood that GPEB viewed these  
15                   cash transactions as suspicious and likely the  
16                   proceeds of crime and very likely the  
17                   facilitation if not the direct laundering of  
18                   proceeds of crime?

19          A       Yes.

20          Q       And you understood that the police had  
21                   communicated to both GPEB and BCLC that they  
22                   believed money laundering of proceeds of crime  
23                   was taking place?

24          A       That the police and GPEB had communicated to  
25                   BCLC that ...

1           Q     No, the police had communicated to both GPEB and  
2                    BCLC that they believed money laundering of  
3                    proceeds of crime was taking place.

4           A     I don't believe I was aware of that at the  
5                    outset.

6           Q     Okay. Did you understand that GPEB had  
7                    communicated to BCLC that win or lose, the  
8                    patrons using these large quantities of  
9                    \$20 bills were at least facilitating the  
10                  transfer or laundering of proceeds of crime  
11                  because the patron had to pay back the money  
12                  they received?

13          A     That was their theory, yes.

14          Q     Okay. And you understood that GPEB's position  
15                  was that large quantities of small denomination  
16                  bills should be stopped at the cash cage and  
17                  refused?

18          A     Yes.

19          Q     You say at paragraph 4 of your affidavit that  
20                  most of the players who filtered proceeds of  
21                  crime into casinos were unwitting. What's the  
22                  basis for that belief?

23          A     I believe they're unwitting based on the  
24                  customer due diligence we did and the fact that  
25                  these folks were legitimate business people.

1           Q     You believed -- just to clarify what you mean by  
2                   the customer's due diligence you did, do you  
3                   mean the inquiries into source of wealth?

4           A     Yes.  And as well as the customer due diligence  
5                   we did on the individuals themselves.

6           Q     Can you just elaborate what you mean by that.

7           A     As time went on and as our analytical  
8                   capabilities increased, we were able to do  
9                   deeper dives into the background of the players  
10                  and determine whether there was -- whether of  
11                  course there was source of wealth but also  
12                  whether they appeared to be legitimate business  
13                  people.

14          Q     Okay.  And so you took the view that a  
15                  legitimate business person would not wittingly  
16                  be filtering proceeds of crime into casinos; is  
17                  that correct?

18          A     I took the view that that was likely, but it was  
19                  still a risk.

20          Q     At paragraph 25 of your affidavit you describe  
21                  some of the steps that you took by the end of  
22                  2013 to enhance BC Lotto Corporation's  
23                  anti-money laundering program; correct?

24          A     Yes.

25          Q     And at subparagraph (b) one of the steps you



1 confirmation bias potentially if we looked at  
2 everything through the same lens. So what I  
3 tried to do is hire individuals by -- hire  
4 individuals who have the aptitude and the  
5 enthusiasm to do the job, gave them training to  
6 ensure that they had the requisite skills, and  
7 then I felt that that would create a much more  
8 rounded view. I felt that by doing that, as we  
9 moved our AML program forward as well as the  
10 different cash alternatives that were being  
11 planned over the coming years which represent  
12 different risks, we would be better equipped  
13 to -- we'd be better equipped to assess and  
14 mitigate those risks if we had a variety of  
15 individuals with different perspectives.

16 Q Okay. Another step you took was pursuing  
17 information sharing agreements with law  
18 enforcement agencies. That's at  
19 subparagraph (f). And you say at paragraph 26  
20 that you believed these [indiscernible] critical  
21 to the lotto corporation's anti-money laundering  
22 program. Could you just explain why those were  
23 critical.

24 A It was largely -- reaching back to your earlier  
25 question, our ability to identify high-risk



1           players whether they had criminal contact or not  
2           or criminally inclined or not was limited  
3           because we don't have access to the same  
4           information systems that police do.

5                     I felt that given the fact that we were a  
6           Crown corporation and uniquely positioned to be  
7           able to -- be able to enter into information  
8           sharing agreements with the RCMP,  
9           notwithstanding they are federal, as well as  
10          other provincial or municipal police agencies  
11          that that would be an appropriate and in my view  
12          almost key element to moving forward. I think  
13          it also provided us to the ability to provide  
14          information to the police and where they could  
15          provide information to us obviously within  
16          certain barriers, within certain guidelines.

17                    As we started to build out our AML risk  
18          matrix, we felt that we needed the ability to  
19          determine whether individuals that were spending  
20          a lot of money in our casinos were in fact  
21          criminals and that we ought to be able to ask  
22          the police that. In addition to that -- and  
23          this is a really big one. In addition to that,  
24          one of the best ways to keep criminal activity  
25          out of casinos is not to allow people that have

1 a propensity to commit criminal offences.

2 So based on that, we were hopeful that the  
3 information sharing agreement -- and this ended  
4 up bearing fruit some months later -- would  
5 allow police to advise us of people who just  
6 shouldn't be in the casinos. In addition to  
7 that we wrote letters to every RCMP detachment  
8 that had a casino in their jurisdiction and  
9 invited them to reach out to us if they had  
10 people in their community that they felt should  
11 not be in casinos, and we would conduct an  
12 evaluation and then ban them, if appropriate.

13 Q Okay. You did not, as part of your enhancements  
14 to the program, direct that small denomination  
15 bills should be stopped at the cash cage or  
16 refused; correct?

17 A That's correct.

18 Q And you did not set any limit on the volume of  
19 small denomination cash buy-ins that could be  
20 made; correct?

21 A Correct.

22 Q At paragraph 31 of your affidavit you describe a  
23 response to a freedom of information request  
24 that you say showed that a substantial amount of  
25 Canadian currency and other negotiable interests

1                   were being declared at ports of entry in British  
2                   Columbia; is that right?

3           A       That's right.

4           Q       Turn to exhibit 8 of your affidavit, please.

5                   And I'm looking at page 32 in the upper  
6                   right-hand corner.

7           A       Yes.

8           Q       And the request that was made is set out in the  
9                   indented paragraph here. Do you see that?

10          A       Yes, I do.

11          Q       Okay. And it relates to the calendar year 2012.  
12                   Do you see that?

13          A       Yes.

14          Q       Number 2 relates to reported currency, which is  
15                   the subject of the paragraph we were just  
16                   discussing; correct?

17          A       That's correct.

18          Q       Now, if you turn to page 35 in the top  
19                   right-hand corner.

20          A       Yes.

21          Q       This is the response to part 2 of this request;  
22                   is that right?

23          A       Yes.

24          Q       And under that heading are some italicized  
25                   caveats. Do you see that?

1           A     I see that.

2           Q     And the third point is that -- the third bullet  
3                   point there is that:

4                   "The CBCR reports include currency from  
5                   any country as well as any monetary  
6                   instruments ..."

7           Which means:

8                   "(a) securities, including stocks, bonds,  
9                   debentures and treasury bills; and  
10                   [also]  
11                   (b) negotiable instruments, including bank  
12                   drafts, cheques, promissory notes,  
13                   travellers' cheques and money orders,  
14                   other than warehouse receipts or bills  
15                   of lading."

16                   Correct?

17           A     Correct.

18           Q     And if you look at the table, it shows that --  
19                   sort of in the middle that's the Canadian  
20                   currency and it shows there was over 168 million  
21                   in Canadian currency; correct?

22           A     That's correct.

23           Q     Do you agree that from this information we're  
24                   unable to understand whether any or a portion of  
25                   this total was brought in as cash; correct?

1           A     Correct.

2           Q     And you'd agree that people travelling with  
3                 large value of currency are more likely to use a  
4                 security or a negotiable instrument just because  
5                 it's easier to carry and easier to secure?

6           A     That's correct.

7           Q     If you turn back to page 34 of this document in  
8                 the upper right-hand corner.

9           A     Yes.

10          Q     This is the answer to question 1 that was asked,  
11                 and the report indicates it's addressing  
12                 currency seizures; correct?

13          A     Yes.

14          Q     And this report indicates that there was over  
15                 \$4 million seized in Canadian currency; correct?

16          A     Yes.

17          Q     And then if you go back to paragraph 31 of your  
18                 affidavit in the third line you say your belief  
19                 was that the amount of declared currency would  
20                 be a small percentage of currency entering  
21                 Canada and most of it would be undeclared;  
22                 right?

23          A     Yes.

24          Q     You recognize that that belief is not supported  
25                 by the relative value of declared Canadian

1                   dollars and seized Canadian dollars that we just  
2                   reviewed; correct?

3           A       Yes, that would be correct.

4           Q       What is the basis for this belief?

5           A       I'm sorry, I missed that.

6           MR. BUTCHER: Sorry, we didn't hear you.

7           MS. LATIMER:

8           Q       My question is what is the basis of this belief.

9           A       Because I believe that there was -- that the  
10           168 million did contain currency. I based that  
11           belief on the -- my role as the officer in  
12           charge of the national initiative to combat  
13           money laundering in -- while I was in the RCMP  
14           and that I did have a team that was dispatched  
15           to the border to investigate the -- either the  
16           suspicious -- declared currency that was  
17           suspicious or undeclared currency that was  
18           intercepted.

19                   I do acknowledge that \$168 million may not  
20           be all currency. I recognize that. But I still  
21           believe that whatever currency was declared, and  
22           I acknowledge that we can't -- there's no way to  
23           show from these documents how much that was --  
24           represented a small amount of the currency  
25           that's being smuggled into Canada.

- 1 Q Wouldn't it be sort of surprising if a large  
2 volume of Canadian currency being smuggled into  
3 Canadian was comprised of Canadian \$20 bills?
- 4 A No. My recollection of my time in the proceeds  
5 of crime unit is the majority of the seizures at  
6 that time were Canadian dollars.
- 7 Q At paragraph -- you're referring to seizures at  
8 the border?
- 9 A Sorry?
- 10 Q You're referring to cash seizures at the border?
- 11 A And at YVR.
- 12 Q Okay. And that was from your period of time  
13 with IPOC which ended in -- what? 2009?
- 14 A Yes.
- 15 Q At paragraph 32 of your affidavit you describe  
16 but have not attached what you say is a similar  
17 FOI request to FINTRAC made by Great Canadian  
18 [indiscernible] showed that casinos were a small  
19 fraction of the source of STRs, most of which  
20 came from banks; right?
- 21 A That's correct.
- 22 Q In what way do you say that that data about STRs  
23 is similar to the data we were just reviewing?
- 24 A So can I elaborate a little bit on that? The  
25 intent behind reviewing all of these potential

1 sources was simply to understand what the  
2 landscape was. We looked at a variety of -- a  
3 variety of potential sources of cash. We  
4 weren't suggesting that any one of these was  
5 responsible for the vast majority of cash. We  
6 felt that it was more likely that it was -- that  
7 it was an amalgamation of a number of these as  
8 well as ones that we didn't think of.

9 Q Okay. Because you'll agree that exhibit 8 to  
10 your affidavit does not address the topic of  
11 STRs at all; correct?

12 A No, it doesn't.

13 Q Okay. And the relative proportion of STRs filed  
14 by banks and casinos also does not speak to the  
15 issue of currency coming from overseas; correct?

16 A No. What it addresses is the -- what seemed to  
17 be a cash-based economy.

18 Q Okay. When you say at paragraph 33 of your  
19 affidavit that this data indicated that people  
20 were bringing significant amounts of Canadian  
21 currency into Canada from overseas, are you  
22 referring to the data in exhibit 8?

23 A In part, yes.

24 Q Okay. And that data doesn't really assist us in  
25 understanding the volume of Canadian currency



1                   because it does not disaggregate currency from  
2                   other monetary instruments or negotiable  
3                   instruments, including securities and bank  
4                   drafts and cheques and the like; correct?

5           A       That's correct. It was a very complex issue.

6           Q       Okay. You say at paragraph 33 that from your  
7                   police experience you understood it was not easy  
8                   for people leaving China to bring money into  
9                   Canada because of capital flight restrictions?

10          A       Yes.

11          Q       Can you explain how that came to your attention  
12                   in the course of your police work.

13          A       I conducted a number of investigations that  
14                   were -- where the offence occurred in China.  
15                   And during the course of those investigations,  
16                   notwithstanding the proceeds of those -- the  
17                   proceeds of crime from those offences, I became  
18                   aware that China had flight of capital  
19                   restrictions.

20          Q       Okay. Do you --

21          A       I also was aware of that from -- in a more -- I  
22                   was also aware of that as a result of further  
23                   reading more recently.

24          Q       Okay. Are you suggesting here that you believed  
25                   that the large volume of Canadian \$20 bills

1 coming into BC casinos in or around this time  
2 was as a result of capital flight from China?

3 A No. I'm saying that capital flight from China  
4 might be a part of it. It might be a small part  
5 of it; it might be a large part of it. We just  
6 don't know. We have to understand that.

7 Q Okay. Do you have any reason to believe that  
8 people were leaving China with six figures in  
9 Canadian \$20 bills?

10 A I couldn't speak to the denominations, but I  
11 believe that people were leaving China with six  
12 figures, yes.

13 Q At paragraph 35 you indicate that you believed  
14 that the presence of large amounts of cash was  
15 high risk but not determinative of criminality;  
16 is that right?

17 A That's correct.

18 Q And you'll agree that BCLC's anti-money  
19 laundering response at this time was risk-based;  
20 correct?

21 A Yes.

22 Q And so it was open to BCLC on the basis of high  
23 risk to implement compliance measures to respond  
24 to risk without making a determination of  
25 criminality; correct?

1           A     Yes.

2           Q     And it was open to BCLC to implement, for  
3                   example, a source of cash requirement even if it  
4                   was uncertain whether the cash was proceeds of  
5                   crime?

6           A     Yes.

7           Q     And in light of the high risk presented, it was  
8                   also open to BCLC to implement GPEB's suggestion  
9                   that large quantities of small denomination  
10                  bills should be stopped at the cash cage or  
11                  refused; correct?

12          A     Yes.  However, we felt that was an unreasonable  
13                  response.

14          Q     Can you elaborate on that.

15          A     Primarily because we -- when I came into BCLC in  
16                  2013, I didn't quite understand what was  
17                  happening, and the -- and with discussions  
18                  amongst my colleagues as well as the  
19                  investigators and so on, it was far from clear  
20                  to me that the funds coming into BCLC, whether  
21                  it be \$20 bills or otherwise, were criminally  
22                  tainted.  I felt that it was important to  
23                  understand the problem, understand the scope of  
24                  the problem and look at the landscape, which is  
25                  part of the reason we did these FOIs, identify

1                   mitigating strategies and then ultimately enact  
2                   them.

3                   The notion of simply banning a certain  
4                   denomination of currency based on, in my view, a  
5                   scant suspicion was inappropriate.

6           Q       Okay. Scant --

7           A       I shouldn't say "inappropriate." Not called for  
8                   at this stage.

9           Q       And that was despite the very high risk that  
10                   you've identified?

11          A       They were high risk, yes. That's why we spent  
12                   so much time on them.

13          Q       Okay. I wanted to ask you some questions about  
14                   exhibit 37 to your affidavit. This is a May  
15                   2013 article that you authored entitled "Money  
16                   Laundering in Casinos? Not Really." Correct?

17          A       Yes.

18          Q       Who was the intended audience for this article?

19          A       It was BCLC staff. Oh, I'm sorry. Page --  
20                   exhibit 10?

21          Q       Exhibit 37.

22          A       That would be my exhibit 10. Okay. Yes.

23          Q       So the question was the intended audience, was  
24                   it BCLC staff?

25          A       Yes, it was.

1           Q     And in this article you put forward the idea  
2                   that it does not seem very plausible that a  
3                   casino would be regarded by any proficient  
4                   criminal as a great place to launder money; is  
5                   that correct?

6           A     Yes.

7           Q     And you express the view that there are many  
8                   factors at play to explain the volume of cash,  
9                   including people bringing cash into Canada from  
10                  other countries, but some cultural groups favour  
11                  cash and that some legitimate businesses are  
12                  still cash based; correct?

13          A     Yes.

14          Q     And that was your view at this time, correct?

15          A     Yeah. I think it's important to also explain  
16                  what my intent was and to differentiate the -- I  
17                  looked at this -- I was addressing the  
18                  individuals in this article who would come into  
19                  a casino with the intent of laundering money.  
20                  People who were laundering money as a -- who  
21                  were culpable and chargeable for laundering  
22                  money. That is separate and distinct from  
23                  people who may bring in funds from other  
24                  locations, some of which may be proceeds of  
25                  crime but unwitting. So I viewed those as two

1 different groups.

2 This addressed the group -- I couldn't see  
3 how a money launderer coming into a casino with  
4 the intent of money laundering themselves would  
5 be particularly successful. In retrospect,  
6 after reading this and a couple other articles,  
7 I wished that I had more clearly articulated my  
8 thoughts between those two groups, but I didn't.

9 Q Okay. And that was your belief despite being  
10 aware of GPEB's theory at that time that win or  
11 lose, the patrons who were using these \$20 bills  
12 were facilitating the transfer or laundering the  
13 proceeds of crime because the patron had to pay  
14 back the money they received?

15 A But not all patrons, and maybe very few. We  
16 just didn't know at that time.

17 The issue of \$20 bills is also something  
18 that is challenging me. My experience is,  
19 particularly in large cash bulk money laundering  
20 with a number of investigations I've done,  
21 \$20 bills do not reign supreme. And one of  
22 the -- you know, I am not an expert in this area  
23 and I'm not sure this commission has heard from  
24 an expert in this area, and I suggest that  
25 that's probably something that the commission

1                   ought to hear about is criminal economy and what  
2                   exactly the payment methods are.

3           Q        You were not prepared at this time to defer to  
4                   GPEB's view or GPEB's concern that casinos were  
5                   being used as a method of launder large sums of  
6                   money for organized crime groups?

7           A        At this time, no.

8           Q        And if you had been aware that IPOC had  
9                   communicated a similar view, would you have been  
10                  prepared to defer to their view at this time?

11          A        I would have -- I would have looked for some  
12                  element of reasonable suspicion rather than just  
13                  a bald -- just a straight out assertion.

14          Q        Why did you feel better positioned than GPEB or  
15                  indeed the police to determine whether this was  
16                  occurring?

17          A        I think I was -- I didn't feel I was more -- I  
18                  felt I had a duty to ensure that if we were  
19                  going to take drastic measures and that they  
20                  were within our risk tolerance that I ought to  
21                  have something more than supposition.

22          Q        I wanted to ask you about the article that's  
23                  found at exhibit 38 of your affidavit.

24          A        Yes.

25          Q        And this is -- this is a similar article.  It's

1                   dated September 2013, authored by you and  
2                   entitled "Changing the Way We Look At Cash";  
3                   correct?

4           A     Correct.

5           Q     And in this article in the third paragraph you  
6           say:

7                   "As it turns out, it --"

8           Being cash.

9                   "-- is very complicated and the  
10                  significant amounts of cash coming through  
11                  the doors of casinos come with risks that  
12                  perhaps were not well understood in the  
13                  beginning.

14                   Among the top risks that BCLC and the  
15                  casino service providers face is  
16                  reputation management. For example, the  
17                  large amounts of cash at casinos is often  
18                  erroneously associated with organized  
19                  crime."

20                  And I read that correctly?

21           A     Yes.

22           Q     And was reputation management the top risk you  
23                  were concerned with at this time in 2013 on  
24                  behalf of BCLC?

25           A     No. The reputational management, the reputation



1                   of BCLC and the thousand or so men and women  
2                   that worked in it, they certainly were worried  
3                   about BCLC's reputation. And reputation is  
4                   always important. You know, we have a public  
5                   trust, and we have to not only be responsible,  
6                   we have to be seen to be responsible. So  
7                   reputation is important.

8                   But throughout all of this, as we were  
9                   moving through all of this time period, we were  
10                  starting to build capacity to recognize whether  
11                  the cash coming into the casinos was in fact a  
12                  threat that was outside our risk tolerance or  
13                  not. And if it was, then what are the  
14                  mitigating factors. If our players were in fact  
15                  law abiding citizens, as I continue to this day  
16                  to believe they are, then how do we mitigate the  
17                  risk of them using cash, whether it be  
18                  criminally tainted or from any other sources  
19                  that we find that is below our risk tolerance.  
20                  How do we move them from that player behaviour  
21                  to a player behaviour that is acceptable and  
22                  within our risk tolerances.

23                  So by September '13 moving into late 2013 I  
24                  was just beginning to understand the larger  
25                  picture, I guess.

1           Q     Okay.  If you had been aware at this time that  
2                   both GPEB and IPOC had communicated that casinos  
3                   were likely being used as a method to launder  
4                   large sums of money for organized crime groups,  
5                   would you -- would that have affected your view  
6                   that this was an erroneous association?

7           A     I think this whole swirl could have been  
8                   avoided, I think, if there had been better,  
9                   clearer communication between GPEB and quite  
10                  frankly the police and BCLC, which is one of the  
11                  driving factors behind why we initiated the  
12                  information sharing agreement.  There was too  
13                  many third parties talking about too many -- too  
14                  many, quite frankly, myths or rumours or -- and  
15                  some rumours may be based on fact, others  
16                  weren't.  I just felt it was really important  
17                  that we had some sort of credible information  
18                  stream between certain -- well, certainly  
19                  between the police as well as GPEB.  That's why  
20                  we did the information sharing agreement.

21          Q     You didn't need an information sharing agreement  
22                  with GPEB; correct?

23          A     No, we did not.  But in a meeting with  
24                  Mr. Vander Graaf, and I think Mr. Vander Graaf  
25                  alluded to this in his evidence, he was very

1 clear that he could not share police information  
2 with us. And I respect that. The information  
3 that the police give GPEB is third party  
4 protected. Certainly they can -- certainly they  
5 can ask for a waiver and share that information  
6 with us, but it's awkward and GPEB was not  
7 prepared to go down that road for a lot of  
8 really good reasons.

9 I think that conversation was with  
10 Mr. Vander Graaf in the fall -- I think that was  
11 the fall of 2013. That was a -- kind of a  
12 seminal moment which made me resolve that we  
13 really needed to have a better, more fulsome  
14 communication strategy with the police, and  
15 that's where the ISA was born.

16 Q Okay. But I'm going to suggest to you that as  
17 early as 2010 GPEB had communicated to BCLC that  
18 IPOC had communicated to the regulator that  
19 casinos were likely being used to method -- as a  
20 method to launder large sums of money for  
21 organized crime groups. And so on that basis  
22 what -- on what basis do you say that was an  
23 erroneous association?

24 A An erroneous association, I'm sorry?

25 Q That's what you say in your article. You say:

1                   "For example, the large amounts of cash in  
2                   casinos is often erroneously associated  
3                   with organized crime."

4           A     I think what I'm referring to there, and perhaps  
5                 I could have stated it more clearly, is large  
6                 amounts of -- large amounts of funds are not  
7                 necessarily indicative of the proceeds of crime.

8           Q     Okay. I'm looking at page 190 of your  
9                 affidavit. It's the next page. It's in  
10                exhibit 38. Still that same article.

11          A     Yes.

12          Q     I'm looking at the second paragraph. You point  
13                 out that BCLC already provided an array of cash  
14                 alternatives at this time within BC casinos  
15                 including ATMs, Interac at the cash cage and  
16                 bank drafts. Given this array of cash  
17                 alternatives and the reputational risk to the  
18                 corporation, why not direct the cash cage to  
19                 refuse suspicious cash transactions at this  
20                 stage?

21          A     We had a -- because they were not widely -- they  
22                 were not -- they were -- the use of them was  
23                 being -- was increasing, but they were not  
24                 widely embraced by that time, particularly by  
25                 our -- by the -- our high-value players. We had

1                   to have better, easier-to-use cash alternatives,  
2                   and we had to do a better job admittedly of  
3                   encouraging those players to move over to the --  
4                   to cash alternatives.

5           Q       Right.  And one way to encourage that would be  
6                   to simply refuse the cash at the cash cage;  
7                   correct?

8           A       It would be one way.  We felt that that was a  
9                   blunt instrument where it's always better to  
10                  convince, educate.  And then if those -- and if  
11                  those tactics fail, then move to a more -- move  
12                  to a more rigid or blunt approach, I guess.

13          Q       Okay.

14          A       Which we ultimately did in some cases.

15          Q       In 2014 did you tell Associate Deputy Minister  
16                  Cheryl Wenezenki-Yolland that the large cash  
17                  transactions in BC casinos could be attributed  
18                  to underground banking?

19          A       My recollection of that conversation was that I  
20                  suggested that that was a -- that that was maybe  
21                  part of the answer.

22          Q       Okay.  Could you --

23          A       Not entire -- I never said that it was entirely  
24                  attributable to underground banking.

25          Q       When did that conversation occur?

1 A I believe that occurred in December of 2014.

2 Q And where did it occur?

3 A In Victoria during a briefing.

4 Q And who else was present?

5 A Mr. Lightbody. The -- I can't remember his  
6 name. The communications director for the  
7 minister, Mr. De Jong. Senior GPEB members and  
8 other senior BCLC members.

9 Q And why was the issue of large cash transactions  
10 being discussed?

11 A We were explaining our movement towards cash  
12 conditions, giving them a technical briefing.  
13 My recollection is we were giving a technical  
14 briefing on moving towards using cash conditions  
15 as a way of limiting the amount of cash by  
16 certain high-risk players coming in as well as  
17 other AML functions. But my recollection is  
18 hazy.

19 Q Okay. What was your purpose in attributing the  
20 large cash transactions to underground banking?

21 A I'm sorry?

22 Q What was the purpose of your statement to  
23 attribute that to underground banking?

24 A To illustrate that it was one of many potential  
25 explanations, probably one of many combined

1 factors which had -- which led to the amount of  
2 cash in casinos which made the whole situation  
3 even more complex.

4 Q What was the Associate Deputy Minister's  
5 reaction to that suggestion?

6 A She made a comment that she's thought that the  
7 use of cash from underground banking might be a  
8 violation of the *Bank Act*. And I agreed with  
9 her.

10 Q Did you take any steps to curb that violation of  
11 the *Bank Act*?

12 A No, I did not.

13 Q I'm referring now to paragraph 69 of your  
14 affidavit.

15 A Sorry?

16 MR. BUTCHER: 69. In the affidavit.

17 THE WITNESS: Oh, in the affidavit. Yes.

18 MS. LATIMER:

19 Q And here you indicate that BCLC began providing  
20 additional information about specific cash  
21 facilitators to the RCMP in or around April 2014  
22 and that this was prompted by increases in the  
23 amount of cash entering casinos and growing  
24 awareness of cash facilitators; correct?

25 A Yes.

1           Q     What was the growing awareness of cash  
2                    facilitators at this time?  Could you explain  
3                    that.

4           A     I can explain it from a third-hand perspective.  
5                    My staff was briefing me that they were -- that  
6                    they were becoming aware of an increasing number  
7                    of facilitators operating in and around River  
8                    Rock.

9           Q     And this was of concern to them?

10          A     It was a concern to everyone.

11          Q     And why was that a concern?

12          A     Cash facilitators could be -- could simply be  
13                    working within an underground banking structure,  
14                    but they also could be bringing in the proceeds  
15                    of crime or they could be bringing in funds that  
16                    were owned by the -- owned by the player  
17                    themselves.  There were a number of  
18                    explanations, but nevertheless, funds being  
19                    delivered at the front door or in adjacent  
20                    properties of River Rock were of concern.

21          Q     Okay.  You began reporting it to the RCMP.  Were  
22                    you concerned that there was an element of  
23                    criminality to it?

24          A     We believed that there was -- the risk was high  
25                    enough that it warranted -- that it warranted a



1 police investigation.

2 Q Okay. In or around April 2014 did you meet with  
3 the Combined Special Enforcement Unit for BC?

4 A My recollection is it was June of 2014.

5 Q Okay. Who else was present at that meeting?

6 A It was myself. It was held at the River Rock,  
7 if that's the one you're referring to. There  
8 was myself, my senior staff, John Karlovcec and  
9 others. Rob Kroeker. Senior members of CFSEU.  
10 I can't recall who else.

11 Q Do you recall what the purpose of the meeting  
12 was?

13 A Yes. It was to discuss with them the cash  
14 facilitators that we believed were operated in  
15 and around River Rock.

16 Q Okay. Was it at that meeting that Mr. -- or was  
17 it at or following that meeting that  
18 Mr. Tottenham compiled and Mr. Karlovcec  
19 provided the CFSEU with a list of the top 10  
20 cash facilitators?

21 A Yes.

22 Q What was the purpose of that -- providing that  
23 list to the CFSEU?

24 A We felt that -- well, there was two reasons. We  
25 felt that it would give -- we wanted CFSEU, as

1 long as it fell within their investigative  
2 mandate, to focus an investigation on those  
3 individuals. We thought we went beyond that  
4 level of arbitrary investigation. That we now  
5 had reached -- there was still -- there was no  
6 conclusive evidence of guilt, but it was  
7 sufficient suspicion. In addition to that, we  
8 were -- my recollection is that my staff were  
9 trying to elicit support from CFSEU,  
10 particularly the uniformed division to be first  
11 spenders in the event we had a money laundering  
12 event or some other proceeds of crime event at  
13 River Rock.

14 Q Okay. And you've attached the email and the  
15 list of targets at exhibits 44 and 45 of your  
16 affidavit; is that right?

17 A Yes.

18 Q At paragraph 70 of your affidavit you depose  
19 that Paul Jin was first on the list. Why do you  
20 say that?

21 A He was first on the list.

22 Q Why was he first on the list?

23 A Sorry. That was an assessment made by my staff  
24 based on risk.

25 Q Did that have to do with -- what did that have

1 to do with?

2 A That would have been a good question for  
3 Mr. Karlovcec or Mr. Tottenham. They advised me  
4 that they felt that he was the highest risk for  
5 criminality.

6 Q Okay. Did you understand these targets, these  
7 10 targets to be operating independently or  
8 together, or did you have a view about that?

9 A We believed that some of them may be associated,  
10 but we just didn't know. Our mandate was to  
11 collect as much information around the facility  
12 as possible, but really investigating money  
13 laundering is of course the purview of the  
14 police.

15 Q It was your suspicion at the time that these  
16 top 10 cash facilitators were engaged in money  
17 laundering?

18 A It was my belief that there was a significant  
19 risk that they were involved in money  
20 laundering.

21 Q Okay. Do you recall whether each of those  
22 targets was provincially barred by BCLC?

23 A I know a number of them are. I can't tell you  
24 if all of them were. I expect so.

25 Q Was there any policy implemented to also bar

1 patrons known to be receiving cash from those  
2 targets?

3 A Initially, no. We developed a policy around --  
4 I think we also had wide leeway under the *Gaming*  
5 *Control Act* to ban undesirable persons, and I  
6 know that that had been used from time to time.  
7 However, we began a more -- we began a more  
8 formal cash condition program where we could ban  
9 individuals from using certain instruments and  
10 it wasn't just related to cash. It could also  
11 be unsourced chips. And we moved forward with  
12 that in 2014.

13 Q Okay. Was that another example of not trying to  
14 just take a very blunt approach to the problem  
15 but a more nuanced approach?

16 A Yes.

17 Q Okay. At paragraph 73 of your affidavit you  
18 depose that the RCMP CFSEU provided BC Lotto  
19 Corporation with their provincial tactical  
20 enforcement priority roster each year.

21 A Yes.

22 Q And tab 74 you attach a number of emails  
23 addressing that topic which are also dated June  
24 2014.

25 A Yes.

1           Q     To the best of your recollection was that  
2                   information coming from CFSEU related to these  
3                   issues we've just been discussing, or was it  
4                   separate from the top 10 cash facilitators?

5           A     It was -- to the best of my recollection it was  
6                   separate. We -- can I elaborate?

7           Q     Yes.

8           A     As I said earlier, one of the most effective  
9                   ways to keep crime out of casinos is to stop  
10                  people who might commit crime in the first  
11                  instance. And so our intent was to enter into  
12                  an agreement with the RCMP and other police  
13                  jurisdictions to point out the individuals who  
14                  really fell into three categories. And those  
15                  categories were threat to public safety, belong  
16                  to an organized crime group or gang or were  
17                  engaged in crime which tended to generate the  
18                  proceeds of crime. And as a result of that, the  
19                  RCMP would send us a list, sometimes a PTEP,  
20                  sometimes it was others. We would evaluate that  
21                  against known play in our casinos. If it turns  
22                  out that they had entered our casino sometime in  
23                  the previous two years, we would proactively ban  
24                  them. It was -- that approach was not without  
25                  risk, some legal risk, but we felt it was the

1                   appropriate thing to do, particularly when it  
2                   came to public safety issues.

3           Q       Okay. You say at paragraph 75 that BCLC  
4                   continued to provide the police with updated  
5                   information through the summer and fall of 2014.  
6                   Was that information about the top 10 cash  
7                   facilitators?

8           A       I didn't provide it directly. That would be a  
9                   question for Mr. Tottenham or Mr. Karlovcec, but  
10                  I would expect that it would be a combination of  
11                  both.

12          Q       Okay. You don't -- do you know what kind of  
13                   information was being provided?

14          A       Identification of associates, perhaps. Other  
15                   types of information that the police might find  
16                   helpful in pursuing an investigation.

17          Q       Okay. At paragraph 75 as well you say nothing  
18                   seemed to be happening in response. What did  
19                   you expect that you might have observed in  
20                   response to these communications?

21          A       Well, it was really important obviously that  
22                   once the police engage an investigation that any  
23                   information flow be one way, and that one way  
24                   would be from BCLC to the investigating  
25                   agencies. It's not appropriate for them to

1 share information back. We get that and there's  
2 no -- I mean, that's a given.

3 But having said that, it would appear based  
4 on conversations that my staff had as well as --  
5 as well as some peripheral conversations I had  
6 with others that there really wasn't a lot of  
7 movement on the CFSEU front, either as a first  
8 responder to issues within the casino --  
9 although I can't say how many times they were  
10 called -- or more importantly the cash  
11 facilitators. And the frustration amongst the  
12 team began to grow.

13 Q Okay. I want to ask you some questions about  
14 exhibit 11 of your affidavit, which is at  
15 page 46 of the exhibits.

16 A Yes.

17 Q This is an email from Patrick Ennis of Great  
18 Canadian Gaming Corporation to John Karlovcec,  
19 and it's copying you and others with the subject  
20 line "unusual financial transaction" and it's  
21 dated October 2014. Correct?

22 A Yes.

23 Q And if you go a third of the way down the page,  
24 this email refers to a patron who had a  
25 significant cash drop-off of \$645,000 in cash

1                   around 3:00 a.m. at the River Rock?

2           A       Yes.

3           Q       And this cash was delivered by a white Mercedes  
4                   SUV. Do you see that?

5           A       A white Mercedes SUV, yes.

6           Q       If you go to the third paragraph of this email,  
7                   Mr. Karlovcec writes that back on September 25,  
8                   this patron had a similar drop off of cash that  
9                   "caused GPEB investigations to go on a rampage."  
10           Do you know what specific conduct Mr. Karlovcec  
11           is describing there?

12          A       No.

13          Q       He goes on to say:

14                         "We told GPEB's Bill McCrae [sic] ... that  
15                         the September drop off was an anomaly  
16                         (which it was at the time) for [this  
17                         patron] as he always uses his PGF account.

18                                 We now have an identical drop off of  
19                                 cash which no doubt will fuel Larry and  
20                                 Joe's fire."

21           What did you understand that to refer to?

22          A       That Mr. Vander Graaf and Mr. Schalk would be  
23                   angry with that. Or upset with that.

24          Q       Okay. Was that something that was also of  
25                   concern to BCLC at the time?



1           A     Yes.  Because we -- he was our first cash ban.

2           Q     Okay.  Because it's unusual to receive that  
3                    volume of cash at 3:00 a.m. in a casino from a  
4                    Mercedes SUV; correct?

5           A     I think it was the circumstances in totality,  
6                    but it was certainly outside our comfort range.

7           Q     Okay.  On November 3rd, 2014, so just a couple  
8                    weeks after this, you authored another article  
9                    entitled "Part 1 of 2:  Setting the Record  
10                   Straight on Money Laundering in BC Casinos."

11          A     Yes.

12          Q     And that's at exhibit 39 of your affidavit;  
13                    correct?

14          A     39?  Yes.

15          Q     And you say in the second paragraph:

16                    "There have been recent media reports on  
17                    suspicious financial transactions and  
18                    alleged money laundering activities in our  
19                    gaming facilities.  I wanted to set the  
20                    record straight and ensure you're all in  
21                    the know, with this two part series on  
22                    Money Laundering."

23                    When you say you want to "set the record  
24                    straight," what are you suggesting there?

25          A     Similarly to my first explanation is that I

1                   wanted to ensure the employees of BCLC that we  
2                   were not knowingly engaging criminals inside the  
3                   four walls of casinos.

4           Q       Okay. Were you not -- you were not suggesting  
5                   that casinos were not being used for money  
6                   laundering, were you?

7           A       I was not suggesting that casinos were -- could  
8                   not be used as -- be used to receive proceeds of  
9                   crime.

10          Q       Right.

11          A       Understanding that money laundering and proceeds  
12                   of crime are, you know, obviously linked.

13          Q       Right. And because you understood there was a  
14                   real risk of that occurring in or around this  
15                   time given your meetings with the CFSEU;  
16                   correct?

17          A       That the proceeds of crime were being used  
18                   inside the casinos, yes.

19          Q       You go on in this article to explain money  
20                   laundering. And in the fourth paragraph you  
21                   say:

22                                "For example, if a player comes in with a  
23                                large amount of cash and plays for a  
24                                while, then decides to cash out their  
25                                chips - they will receive cash back. This

1                   is not money laundering! Criminals do not  
2                   want cash back. They want that cash  
3                   converted into another form such as a  
4                   cheque or money order so they can hide its  
5                   true origins."

6                   And was that your view of money laundering  
7                   typologies that might be observed in casinos at  
8                   the time?

9                   A     Yes. I would say -- I still believe that the  
10                   greatest risk to money laundering in casinos is  
11                   where you engage in a bank-like activity where  
12                   cash or something like that comes in through the  
13                   front door, is somehow -- is somehow transacted  
14                   within the casino and it goes out the -- and  
15                   goes out that same door in some other form.

16                   Q     Okay. What was your take at this point in time  
17                   on GPEB's theory that, win or lose, the patrons  
18                   spending these large quantities of \$20 bills  
19                   were facilitating money laundering because the  
20                   patron had to pay back the money they received?

21                   A     My position was that they were certainly linked  
22                   to a money laundering offence by using the -- by  
23                   using the proceeds of crime, if that was the  
24                   case, inside a casino. But the patrons  
25                   themselves were not guilty of money laundering.

1           Q     Was that concern about using the proceeds of  
2                    crime in casinos not something that you thought  
3                    the BCLC staff should be aware of?

4           A     You know, in the fullness of time and looking  
5                    back at these articles, you know, I tell you  
6                    that I wish that I had been a little bit more  
7                    clear, again, about breaking out those two  
8                    groups. You know, the folks coming into the  
9                    casino to launder and what mitigation and  
10                   strategy we were using, and the folks that were  
11                   simply using cash that they had purchased which  
12                   may or may not be the proceeds of crime, may be  
13                   the fruits of some other avenue for bringing  
14                   cash in.

15          Q     Okay. I'm looking at page 193 of your  
16                    affidavit. And if you look five paragraphs down  
17                    on that page, in the fifth paragraph -- and I'm  
18                    about -- I'm on the third line of that  
19                    paragraph, there's a sentence that starts sort  
20                    of halfway through that line. You make a point  
21                    that in 2013/14, almost one quarter of funded  
22                    play in BC gaming facilities was generated  
23                    through Patron Gaming Fund accounts, debit and  
24                    ATM transactions and other non-cash  
25                    alternatives.

1                   My question is given the prevalence of  
2                   non-cash alternatives at this time, why not do  
3                   what GPEB suggested in 2010 and [indiscernible]  
4                   cash at the cash cage?

5           A        Because we didn't see -- we just felt that it  
6                   was a -- that the risk could be mitigated in  
7                   other ways.

8           Q        Okay. Near the bottom of the page is the  
9                   heading "Where Does All This Cash Come From."

10          A        M'mm-hmm.

11          Q        And you then express the view that money is  
12                   being brought to Vancouver from China or  
13                   generated in the underground economy by, for  
14                   example, contractors, and that some people just  
15                   prefer to use cash; correct?

16          A        Correct.

17          Q        You do not indicate a concern here about cash  
18                   facilitators; correct?

19          A        That's correct.

20          Q        But that is a concern you were aware of at the  
21                   time; correct?

22          A        Right. And it's important to note that cash  
23                   facilitators, in my view, exist in a variety of  
24                   different alternate cash providers.

25          Q        Right. But you were aware of cash facilitators

1                   who were sufficiently high risks that you had  
2                   reported them to the CFSEU; correct?

3           A     Yes.

4           Q     And that's not a possibility that you've raised  
5                   in this article. Am I right?

6           A     No. You're correct.

7           Q     Okay. Did you receive comments from  
8                   investigator Mike Hiller in response to this  
9                   article in November?

10          A     I don't recall if it was in November, but he  
11                certainly commented. We had a conversation  
12                about it.

13          Q     You refer later in your affidavit to a  
14                conversation you had with him, I think it was in  
15                March. And I am going to ask you about that,  
16                but I'm wondering if you have any recollection  
17                of discussing this with him in or around  
18                November.

19          A     Was this a verbal conversation?

20          Q     It might have been.

21          A     I do recall a verbal conversation. I don't  
22                recall the content. I think it was in the  
23                cafeteria while we were waiting in line or  
24                something.

25          Q     Okay. Do you recall him expressing the view

1                   that it was likely that the criminal element  
2                   were trying to launder money and that most Asian  
3                   players likely had an agreement to repay the  
4                   money in Asia?

5           A       That could have been -- that could have been --  
6                   that could have been a part of the conversation.  
7                   I don't recall.

8           Q       You don't recall. Do you recall what your  
9                   reaction to that was?

10          MR. BUTCHER: Ms. Latimer, it's hard to suggest that  
11                   he recalls a reaction to it if he doesn't  
12                   remember the conversation.

13          MS. LATIMER:

14          Q       You recall that was a theory that was held at  
15                   that time; correct?

16          A       Yes.

17          Q       Okay. And it's not a theory that you agreed  
18                   with; correct?

19          A       A theory that all cash was the proceeds of crime  
20                   coming into casinos? Is that what you're  
21                   referring to?

22          Q       That some of the cash was associated to the  
23                   criminal element, that it was related to a money  
24                   laundering scheme and that players had to repay  
25                   the money, possibly in Asia?

1           A     No, I never -- I always was worried that some of  
2                   the cash coming into casinos was the proceeds of  
3                   crime. That's why we were taking these  
4                   extraordinary steps in the background to  
5                   mitigate that and continue to improve our  
6                   program. If we were absolutely certain that all  
7                   the money was from legitimate sources, we  
8                   wouldn't have gone to all these steps.

9           Q     Okay. I want to ask you about exhibit 12,  
10                   please. And this is at page 49. And you'll see  
11                   here there are two emails on this page, and I'm  
12                   reading from the bottom email which is from you  
13                   to Monica Bohm, Jim Lightbody and Susan Dolinski  
14                   dated November 26th, 2014. Do you see that?

15          A     Yes.

16          Q     The subject line is the patron's name; correct?

17          A     Yes.

18          Q     And you say:

19                    "This VIP tried to come into the [River  
20                    Rock] with \$500K after being spoken to  
21                    twice about using cash originating from  
22                    our person of interest."

23                   Stopping there, who is the person of interest  
24                   you're referring to here?

25          A     I believe it was Mr. Jin.



1           Q     Who conducted the two interviews that are  
2                   referred to here?

3           A     I had a conversation with this player and I  
4                   believe he was also interviewed by staff.

5           Q     Did you or the staff ask him about the source of  
6                   these funds?

7           A     Yes.

8           Q     What did he say?

9           A     My recollection is that he said that it was an  
10                  arrangement that he had.

11          Q     Did he provide more detail about what that  
12                  arrangement --

13          A     That he would make a phone call and that someone  
14                  would bring cash.

15          Q     Did he indicate that he knew who was bringing  
16                  the cash?

17          A     I don't recall if he said that.

18          Q     Did he indicate who he was telephone calling?

19          A     No. My conversation with him was more  
20                  informative. I was informing him that we  
21                  weren't going to be accepting his cash anymore  
22                  and that if he continued to do it, he would have  
23                  his -- he would be declined. He would be put on  
24                  cash conditions, if I recall correctly. The  
25                  investigator had a more in-depth conversation

1 with him. A proper interview.

2 Q Were you satisfied with the answers he gave  
3 about the source of his cash?

4 A Probably not. And then when he came back in and  
5 used the -- and used cash, he was banned.

6 Q Okay. You go on to say the River Rock declined  
7 to accept the cash and he departed. He also  
8 said he had a large amount of chips but was  
9 advised he could use them if he verified the  
10 source.

11 A Yes.

12 Q Why was this player required to verify the  
13 source of his chips?

14 A Chips were a challenge for us. The amount of --  
15 the amount -- the chip liability, the amount of  
16 chips that we couldn't trace, had skyrocketed  
17 over 2014. And we were scrambling to address  
18 that issue.

19 Q Was there a concern that the chips were also  
20 sourced from your person of interest?

21 A Sorry, I don't recall.

22 Q You go on to say:

23 "All LMD casinos have been advised not to  
24 accept cash from this person and he will  
25 be banned from cash play at our casinos

1                   until interviewed by BCLC investigators."  
2                   If he had already been interviewed twice, why  
3                   was he now being interviewed by BCLC  
4                   investigators before more action be taken?  
5           A        I think it would have been investigative  
6                   interview as opposed to a conversation.  
7           Q        Okay. Did that in fact occur?  
8           A        I believe so, but I can't say for certain.  
9           Q        You did not participate in that interview?  
10          A        No.  
11          Q        Do you know whether he was asked about the  
12                   source of his cash at that interview?  
13          A        I expect he was, but I don't recall what the  
14                   answer is.  
15          Q        Okay. Please turn to exhibit 13 of your  
16                   affidavit. And the first in time -- the  
17                   first -- this is a collection of emails and the  
18                   first email in time is at page 53 at the bottom,  
19                   which is the heading to that email at the very  
20                   bottom. It's an email from Mr. Tottenham to AML  
21                   and it's copying you and it's dated  
22                   December 26th, 2014. Do you see that?  
23          A        M'mm-hmm.  
24          Q        And the subject line is a different patron's  
25                   name; correct?



1                   showed up with the female who brought in  
2                   \$250,000 in \$20 bills for table play. (It  
3                   appears he lost all but 25K of that  
4                   buy-in.) This cash was brought in by them  
5                   when they arrived in their Mercedes.

6                   He returned on the 24th with the same  
7                   female and [the patron] carried in 25K in  
8                   cash and the female followed shortly after  
9                   with another bag of 200K which she gave  
10                  him. The total buy-in was \$450,000 in  
11                  \$10, \$20, \$50 and \$100 bills and the only  
12                  disbursement shown anywhere at this point  
13                  [is] for 10K at [7:27 a.m.] on the 25th."

14                 He ends up explaining that you have copied --  
15                 you're copied on this information "in case you  
16                 get a phone call, as both buy-ins were properly  
17                 reported to GPEB and may trigger some activity."

18                 And my question is did those buy-ins trigger  
19                 some activity from GPEB? Do you recall?

20                 A    No. This was just an information note to me.  
21                 The investigators would have dealt with the --  
22                 would have dealt with the investigation and  
23                 subsequent contact with GPEB, so I have no -- I  
24                 have no way of knowing what occurred from  
25                 this -- or I have no recall of what occurred

1 from this event.

2 Q You don't recall giving any particular  
3 directions to BCLC investigators at this time  
4 about additional decisional activities they  
5 should take if this patron returns the next day?

6 A Well, I see here in an email on December 30th I  
7 said -- I mention that:

8 "At this point we're uncertain where the  
9 cash is coming from? Can we get the  
10 [source provider] Cash Cage to do a source  
11 of funds inquiry? Any other suggestions?"

12 Q Right. So you did eventually ask them to do a  
13 source of funds inquiry. I guess my question is  
14 why not ask them at this point after this first  
15 email that we're looking at for December 23rd?

16 A I wanted the investigators to take the action  
17 that they felt appropriate and that they were  
18 handling it well. At this stage I think I just  
19 wanted to satisfy my own mind -- and these were  
20 questions, not directions. I just wanted to  
21 satisfy in my own mind what the course of action  
22 was going to be. This was unusual in that the  
23 investigators almost always just dealt with it  
24 and told me the outcome afterwards.

25 Q Okay. If you turn to page 53, Mr. Tottenham

1 emails you again on December 30th. Do you see  
2 that? And he's providing an update.

3 A Yes.

4 Q He says:

5 "Just to update you on this player, upon  
6 reviewing his activity this morning there  
7 were a number of LCTs in the past 6 days  
8 but only 2 incident files and the female  
9 was still LNU. I sent a request to the  
10 guys at [River Rock] this morning to  
11 review his activity asap and advise and it  
12 turns out [River Rock] decided not to  
13 report 2 of his cash buy-ins for \$250,000  
14 on each occasion: The first on the 23rd  
15 because they were \$100 bills and the 2nd  
16 on the 29th and no indication what the  
17 bills were. The 450K cash buy-in on the  
18 24th was all \$20s and the second 450K cash  
19 buy-in was in various bills from \$10 to  
20 \$100."

21 And then if you skip down to four lines from the  
22 bottom, he says.

23 "... investigators would like to know if  
24 there's anything that you wish them to do  
25 if [this player] returns tonight, which he

1                           is likely to do."

2                           And your response which you referred to, which  
3                           is at the bottom of page 52, and you ask that  
4                           the service provider cash cage do a source of  
5                           funds inquiry; right?

6                   A     That was a question to them, yes.  If it's  
7                           something that's feasible.

8                   Q     Okay.  Why would that not be feasible?

9                   A     As I said, it was simply a question to them.

10                  Q     Okay.

11                  A     These were very experienced investigators.  I  
12                           had absolute confidence that they were going to  
13                           do the right thing.  These were just simply  
14                           questions I put to them.  This was actually an  
15                           unusual -- in my recollection of these types of  
16                           interchanges, this is very unusual.  Ultimately  
17                           of course this player was banned.

18                  Q     When you say this player was banned, do you mean  
19                           he was banned from all facilities or he was  
20                           banned from cash play?

21                  A     I can't recall.  One of the two.

22                  Q     Okay.  When you referred here in your email you  
23                           say:

24                           "Can we get the SP cash cage to do a  
25                           source of funds inquiry?"



1 Am I right that you are asking that the service  
2 providers do a source of funds inquiry rather  
3 than the investigators, the BCLC investigators?

4 A Yes.

5 Q And Mr. Karlovcec the following day emails that  
6 this patron was back at the River Rock again the  
7 previous night. And what was Mr. Karlovcec's  
8 position at the time?

9 A He was the director of -- the manager of AML.

10 Q Okay. And he describes the buy-in and if you  
11 look at the third paragraph of this email, he  
12 says:

13 "This now places him at 1.8 million in  
14 cash in seven days in small bills."

15 And then if you jump down to the fifth paragraph  
16 he says:

17 This is starting to be very similar to  
18 [the other patron's] situation."

19 What did you understand him to mean by that?

20 A That it was -- the behaviour of this person was  
21 consistent with the behaviour of the person we  
22 spoke of a few moments ago.

23 Q Did you also suspect that this patron, like the  
24 other patron we were just discussing, was  
25 sourcing the cash from your person of interest?

1           A     I don't recall that.

2           Q     Mr. Karlovcec goes on to say:

3                     "As an initial step, I'm going to suggest  
4                     that we have [River Rock] management speak  
5                     with [this patron] much like we did with  
6                     [the first patron] to determine course of  
7                     funds ..."

8                     From that did you understand that your  
9                     suggestion of the previous day that the patron  
10                    be questioned about source of funds had still  
11                    not occurred in the seven-day period?

12          A     Sorry, the seven-day period? I had that email  
13                   exchange ...

14          Q     I'm just [indiscernible] the first email.  
15                   Sorry, the first email was -- I misspoke. The  
16                   first email was on the 26th. You understood  
17                   this patron had still not been questioned about  
18                   source of funds?

19          A     Yes.

20          Q     Okay.

21          A     I gather that.

22          Q     Okay. Mr. Karlovcec goes on to say:

23                    "I recognize that we do not want to  
24                    jeopardize revenue. However, if the  
25                    dialogue does not garner the intended

1 results, we may need to have our  
2 investigators have a chat with him and  
3 look at imposing additional restrictions  
4 relative to his use of cash to play."

5 A Yes.

6 Q In your mind is this balancing of the risk of  
7 jeopardizing revenue with the need to have the  
8 investigators question the patron appropriate  
9 for someone in Mr. Karlovcec's position?

10 A No. This is more about how we were approaching  
11 players at this time in late 2014. Historically  
12 player interaction had always been the purview  
13 of the service provider, and quite properly so.  
14 They never objected to us speaking to players,  
15 but initially we would often ask the -- or at  
16 least the investigators, as I understand it,  
17 would ask the service providers to have a  
18 conversation with some of these players because  
19 they knew them well. And that had varying  
20 degrees of success.

21 As time went on -- and this might be a good  
22 example -- as time went on, it became apparent  
23 that we needed to formalize that process, which  
24 gave rise to the development through 20 -- in  
25 January 2015 and culminated in April 2015, a

1                    protocol on how to approach players and the type  
2                    and content of interviews.

3                    Q     Okay. And the reason you gave the service  
4                    providers the first opportunity to speak to the  
5                    patron was to maintain the customer  
6                    relationship; is that correct?

7                    A     Within reason, yes.

8                    Q     And that was a revenue concern; am I right?

9                    A     It was a relationship concern, I would say.

10                  Q     The customer relationship is one that has a  
11                  financial aspect to it; you'll agree?

12                  A     Yes, that's true.

13                  Q     You say at paragraph 40 of your affidavit that  
14                  you understand this patron was subsequently  
15                  placed on sourced-cash conditions by BCLC, and  
16                  interviewed by BCLC investigators.

17                  A     Sorry, what paragraph?

18                  Q     Paragraph 40. Does that refresh your memory as  
19                  to what additional compliance measures were  
20                  imposed on this patron?

21                  A     Yeah, in a very general way.

22                  Q     Do you understand that this patron was asked  
23                  about the source of his cash eventually?

24                  A     I believe he was, but I'm not certain.

25                  Q     You don't know what his answer was?

1 A No.

2 Q Why would he be placed on sourced-cash

3 conditions?

4 A That would be a good question for Mr. Tottenham

5 or Mr. Karlovcec.

6 Q Would the player --

7 A I expect that he -- that our risk -- that he

8 breached our risk tolerance.

9 Q In other words, if he was asked about the source

10 of his cash and his answer wasn't within your

11 risk tolerance, that would lead to him being

12 placed on sourced-cash conditions?

13 A Often, yes.

14 Q At paragraph 41 of your affidavit you say:

15 "The initial approach to interviewing

16 patrons was not as effective as we hoped."

17 Is that the approach we were just speaking about

18 where service providers were given the first

19 opportunity to do it?

20 A Yes.

21 Q Why was that not effective -- not as effective

22 as you hope?

23 A Well, I had hoped to see -- I guess it was

24 effective in some respects but not effective in

25 others. I hoped to see a reduction in

1                    Suspicious Transaction Reports as well as large  
2                    cash transaction reports. In terms of large  
3                    cash transaction reports, it was somewhat  
4                    successful because my recollection is that large  
5                    cash -- the value of large cash transactions  
6                    began to decline in 2014 and then continued to  
7                    decline in 2015. However, Suspicious  
8                    Transaction Reports continued to increase, so it  
9                    was a mixed bag.

10                    We realized that we needed to be much more  
11                    formal in this approach. And that occurred late  
12                    2014 into 2015.

13                    Q    Okay. I've just been asking you about emails  
14                    dating back from November and -- well, October,  
15                    November and December of 2014 where these  
16                    players are coming in with cash from unusual  
17                    sources and they're being questioned about it.  
18                    You say that your conversation with the  
19                    Associate Deputy Minister was in December.  
20                    During this you indicated that this cash might  
21                    be coming from underground banking. My question  
22                    is did you also indicate to the Associate Deputy  
23                    Minister this concern about cash facilitators  
24                    providing cash to patrons?

25                    A    Yes, I did mention that a component of

1                   underground banking could be cash facilitators.

2           Q       Did you -- do you mention that there was a  
3                   suspected criminality with the cash  
4                   facilitators?

5           A       I don't recall if I laid it out in those terms.

6           Q       Did you indicate that you had been meeting with  
7                   the CFSEU about the cash facilitators?

8           A       I can't recall if we had that conversation in  
9                   that particular venue. My recollection is it  
10                  was quite large, but we'd certainly had  
11                  conversations with GPEB, so it would be my  
12                  expectation that she would have been briefed on  
13                  that.

14          Q       You met with Cal Chrustie of FSOC on Sunday --  
15                  February 2015; correct?

16          A       Yes.

17          Q       Did you also provide him with the same package  
18                  of the top 10 cash facilitator targets?

19          A       No. Not at that -- not at that meeting. We met  
20                  at -- we met at a coffee shop in north Burnaby,  
21                  as we did from time to time, and we had a  
22                  conversation. I think I expressed my  
23                  frustration that the police weren't taking this  
24                  seriously, and he agreed that he would have his  
25                  unit have a look at the information we had. We

1                   both assigned individuals from our respective  
2                   groups to connect with each other, and they  
3                   subsequently shared information.

4           Q       Okay. I'm going to ask that you turn to  
5                   exhibit 55 of your affidavit, please. And this  
6                   is at page 312 of the exhibits. This is a  
7                   Section 86 Report dated July 24th, 2015, with  
8                   heading details that reads "Suspected Organized  
9                   Crime Links to Cash Drop-offs"; correct?

10          A       Yes.

11          Q       And this report was generated in response to the  
12                   request that is set out here in italics from  
13                   Mr. Meilleur; correct?

14          A       Yes.

15          Q       And BCLC's response is at the bottom, and it  
16                   provides a chronology of BCLC's engagement with  
17                   FSOC; is that fair?

18          A       That's correct.

19          Q       And so this first meeting that's detailed here,  
20                   February 12th, 2015, would that have come after  
21                   your meeting with Cal Chrustie at the coffee  
22                   shop?

23          A       Yes, it did.

24          Q       Okay. So on this date, February 12th, 2015,  
25                   people from BCLC met with people from FSOC to



1 lodge a complaint about cash drop-offs at  
2 casinos involving a male by the name of Paul  
3 King Jin, who was believed to be associated with  
4 organized crime; correct?

5 A Yes.

6 Q What was the basis for the belief that Mr. Jin  
7 was associated to organized crime?

8 A I can't speak to that. I was advised that there  
9 was a connection by my staff.

10 Q Okay. The documents -- the document lists the  
11 participants at that meeting, and then number 2  
12 in the chronology sets out that materials were  
13 provided -- materials were provided to FSOC at  
14 this meeting; correct?

15 A I believe so, yes.

16 Q If you turn to page 313, at the very top in the  
17 second line it says:

18 "Brad Desmarais had reached out to various  
19 agencies prior to February 12th, 2015, to  
20 investigate the matter and FSOC were the  
21 first agency which agreed to look into  
22 it."

23 What other agencies did you reach out to try to  
24 get them to investigate this matter?

25 A That would have been referring to CFSEU.

1 Q Okay. Anyone else?

2 A Not that I can recall.

3 Q Okay. If we jump down to the third paragraph on  
4 this page, it details a meeting between BCLC and  
5 FSOC on July 20th, 2015, and one topic discussed  
6 were updates on the Jin file. And in the third  
7 line it indicates that FSOC had now established  
8 a direct link from an illegal cash facility  
9 which involved illicit funds being involved to  
10 drop-offs to casino patrons at the River Rock;  
11 correct?

12 A Yes.

13 Q Then four lines from the bottom of that  
14 paragraph it says:

15 "Officer Chrustie indicated that the  
16 investigation had uncovered that  
17 potentially some of the funds of The Cash  
18 House were linked to transnational drug  
19 trafficking and terrorist financing."

20 Correct?

21 A Yes.

22 Q It says:

23 "No specific individuals other than Jin  
24 were named in that meeting."

25 Correct?

1 A Yes.

2 Q And then on July 22nd, 2015, there was another  
3 meeting between BCLC and FSOC and at this  
4 meeting Officer Chrustie indicated that the  
5 investigation had uncovered that potentially  
6 some of the funds linked to transnational drug  
7 trafficking and terrorist financing was directly  
8 related to casino activity; correct?

9 A Yes.

10 Q And then on the next page there's an entry for  
11 July 22, 2015, at approximately 15:15 hours that  
12 says you and others were briefed on this  
13 information; correct?

14 A Yes.

15 Q What was your reaction to learning that some of  
16 the funds linked to transnational drug  
17 trafficking and terrorist financing was directly  
18 related to casino activity?

19 A Obviously no one was happy. But I was also in  
20 some ways, I guess, relieved that the  
21 information sharing agreement was bearing fruit  
22 and that we had some -- we had -- we now had  
23 some tangible -- we had tangible evidence in  
24 which to act on. Not that we weren't acting  
25 before, but in this particular case it seemed

1                   like when we made the initial complaint and were  
2                   consistent and persistent about trying to bring  
3                   this forward to the police, that it had a  
4                   desired outcome.

5           Q       Also present at that meeting was -- or at that  
6                   briefing was Mr. Lightbody; correct?

7           A       That's correct.

8           Q       You and Mr. Lightbody and others attended a  
9                   conference in March of 2015; correct?

10          A       In relation to what?

11          Q       Money laundering efforts were discussed at the  
12                   conference. Do you have a recollection about  
13                   that?

14          A       I believe there was -- early in 2015?

15          Q       Yes.

16          A       Yes, I recall a meeting. I don't recall exactly  
17                   the content.

18          Q       Do you recall that Mr. Lightbody gave a  
19                   presentation where he discussed increased  
20                   revenues from table games for 2014 and that that  
21                   was good for business and that he had not  
22                   [indiscernible] Suspicious Transaction Reports  
23                   during that period?

24          A       They had not -- what transaction reports?

25          Q       Not [indiscernible] the increase in Suspicious

1                   Transaction Reports during that period?

2           MR. BUTCHER:  Sorry, we didn't hear that a second  
3                   time.

4           MS. LATIMER:

5           Q    My question is do you recall a presentation by  
6                   Mr. Lightbody -- I'll break it down -- where he  
7                   discussed increased revenues from table games  
8                   for 2014?

9           A    Yeah, I recall a meeting.  I'm not sure I recall  
10                  that specific, but that would not be unusual.

11          Q    Okay.  The reason I'm asking about this specific  
12                  presentation is I understand that Mr. Hiller  
13                  approached you following this presentation the  
14                  following day because [indiscernible] that  
15                  Suspicious Transaction Reports had not been  
16                  mentioned during this presentation.  Does that  
17                  refresh your memory?

18          A    Yes, that does refresh my memory.  Thank you.

19          Q    And during that conversation did Mr. Hiller  
20                  raise to your attention his belief, as he put  
21                  it, that bags of money were coming in and it was  
22                  related to organized crime?

23          A    That he referred to a specific event that he  
24                  wanted to bring to my attention from the  
25                  previous year.

1           Q     Yes.  And that's at exhibit 41 of your  
2                     affidavit.  You attach here an email from  
3                     Mr. Hiller which refers to an incident report in  
4                     iTrak.  Is that what you're referring to?

5           A     Yes, it is.

6           Q     And Mr. Hiller in his evidence described that as  
7                     a report in respect of a confidential source who  
8                     he considered to be a reliable source of  
9                     information and who told him that major loan  
10                    sharks were operating in BC casinos and the vast  
11                    majority of VIPs get the money they gamble with  
12                    in Lower Mainland casinos from loan sharks, and  
13                    he was told that these loans plus a commission  
14                    were repaid in China and that good customers pay  
15                    a lower commission.  Was that consistent with  
16                    the report you reviewed?

17          A     Sorry, the report -- oh, yes, yes, yes.  The  
18                    iTrak report.

19          Q     Yes.  And your response in your email was that  
20                    virtually none of the loans would be considered  
21                    a usurious interest rate in Canada; correct?

22          A     Yeah, that was just a point of -- a minor point.

23          Q     You were concerned about the drug connection;  
24                    right?

25          A     Yes.

1 Q And you indicate that you were attempting to  
2 engage a police response; correct?

3 A That's correct.

4 Q And you invited Mr. Hiller to provide  
5 suggestions on cash reductions; right?

6 A Yes.

7 Q And if you turn to exhibit 15, please.

8 A 15?

9 Q Yes. I'm at page 66.

10 A Yes.

11 Q The second email from the top, which is quite  
12 close to the top, is from Ross Alderson. Do you  
13 see that?

14 A Yes.

15 Q It's dated April 27th, 2015. And this is an  
16 email to you and Kevin Sweeney and the subject  
17 line is a different patron's name; correct?

18 A Yes.

19 Q And Mr. Alderson describes how this patron  
20 attended at the River Rock over the weekend with  
21 approximately \$500,000 in unsourced chips?

22 A Yes.

23 Q "Although he did not buy in with the chips,  
24 [River Rock] cashed out \$200K worth of  
25 chips [and the patron] left and returned

1                   with a bank draft and bought in."

2                   And River Rock then rejected a similar \$300,000  
3                   attempt by this patron to buy in. Then in the  
4                   next paragraph Mr. Alderson says:

5                   "Talking to Kris this morning apparently  
6                   [this patron] was asked all of his out  
7                   standing chips some time ago and he stated  
8                   he had returned all his chips. It appears  
9                   clear he is sourcing these chips from  
10                  third parties, cashing them out and using  
11                  that cash to deposit to a bank account."

12                  Mr. Alderson says:

13                  "In a way this may not be such a bad  
14                  thing."

15                  He explains that:

16                  "The mass of [River Rock] outstanding  
17                  chips are being returned."

18                  And this patron is not buying in with them. And  
19                  he sets out the direction that had been given to  
20                  the patron. And he says that if the patron  
21                  decides to buy in with gaming chips, the site  
22                  might be able to show that the said chips would  
23                  result in a verified win by the patron. He  
24                  explains the patron is buying in with a bank  
25                  draft, not the chips. In the last paragraph he



1                   says:

2                   "Although [the patron] is trying to  
3                   circumvent the process a little this may  
4                   help us get rid of the outstanding [River  
5                   Rock] chips while forcing [the patron] to  
6                   use a bank draft which meets our AML  
7                   needs."

8                   My first question is did you agree that the  
9                   patron appeared to be clearly sourcing these  
10                  chips from a third party?

11                 A    Without understanding the context in behind what  
12                   happened before and after, but on the face of it  
13                   I'd have to say yes.

14                 Q    Would you agree that letting the patron cash out  
15                   rather than buy in with unsourced chips was  
16                   consistent with the conditions that had been  
17                   imposed on the player?

18                 A    So your question is if he bought in with -- or  
19                   cashed out without using his chips?

20                 Q    Yes. I understand what's happening is the  
21                   patron is arriving with unsourced chips. Rather  
22                   than buying in or playing with the chips he's  
23                   being cashed out.

24                 A    With those chips.

25                 Q    Right.

1           A     Using those chips.  Yeah, that's a problem.

2           Q     It's not consistent at least with the spirit of  
3                 the condition that's been imposed on the player?

4           A     No.  And I know that this issue was reviewed and  
5                 dealt with by the investigators, and I can't  
6                 remember if it's a result of this event or  
7                 whether it occurred before we expanded the  
8                 source conditions -- the cash source conditions  
9                 to also unsourced chip conditions as well.  I  
10                can't speak to whether that was exercised in  
11                this particular case, but there was a  
12                treatment -- a mitigating treatment that -- to  
13                address something like this.

14                         One of the reasons why the chip swap was so  
15                         important, especially when we had such high  
16                         volumes of chips, was we felt it would be --  
17                         first of all, you wouldn't have situations like  
18                         this.  That if we swapped out the chips for new  
19                         chips and the old chips became invalid, people  
20                         bringing in chips that couldn't be traced to  
21                         them, we would just take the chips.  And in some  
22                         cases that would amount to tens of thousands,  
23                         maybe even hundreds of thousands of dollars.  
24                         And that was a golden opportunity for  
25                         investigators to have conversations around okay,

1                   what exactly is going on here?

2                   And in any event, different situations in  
3                   cash, but nevertheless -- and again not without  
4                   some legal risk on our part, but we felt that  
5                   the juice was worth the squeeze.

6           Q       I take it you did not agree that allowing a  
7                   patron to cash out unsourced chips met BCLC's  
8                   anti-money laundering needs?

9           A       As a general statement, yes.  Although it's  
10                   important to understand that I don't know all  
11                   the circumstances behind the transaction that  
12                   you just described.  But as a general statement,  
13                   particularly when the chip -- when the chip  
14                   liability was so high, absolutely.

15          Q       Yes you say "yes" and "absolutely," you're  
16                   agreeing with me that it did not meet the  
17                   anti-money laundering needs; is that correct?

18          A       It is outside our risk tolerance.

19          Q       Okay.  And I take it you don't agree with  
20                   Mr. Alderson's saying that is not such a bad  
21                   thing because it allows the chips to be  
22                   returned?

23          A       It appears to me -- Mr. Alderson did a great job  
24                   for me, actually.  I'll say that right at the  
25                   outset.  And I trusted him implicitly in a lot

1 of matters.

2 In this particular case I'm wondering if he  
3 was more focused on the fact we had this massive  
4 chip liability out there as opposed to who was  
5 in possession of the chips.

6 Q If you look at the email at the very bottom of  
7 this chain, it's from Kris Gade to Kevin Sweeney  
8 and Ross Alderson and it's copying Bruno Gatto.  
9 It's [indiscernible]. Mr. Gade says:

10 "I would say the sites are 'enabling' this  
11 behaviour."

12 Did you believe that the sites were enabling  
13 this behaviour?

14 A No. I believe the sites were -- I believe the  
15 sites were largely all in in our -- as we moved  
16 forward with reduction of cash in facilities and  
17 chip tracking. How we interacted with the  
18 players was often an area of discussion, I  
19 guess, would be a good way to describe it. I'm  
20 not sure what was in Kris Gade's mind when he  
21 wrote that. Kris Gade as well is a stellar  
22 investigator, so I'm sure that -- I'm sure that  
23 Kevin Sweeney and Ross Alderson took his words  
24 to heart.

25 Q Okay. In or around May 2015 did you ask

1                   Mr. Alderson that any anti-money laundering  
2                   decision regarding high value players should be  
3                   run by you?

4           A       What I asked Mr. Alderson to do was to simply  
5                   inform me if there was -- if there was -- if  
6                   there was a sanction against or a condition put  
7                   on a high-limit player. I didn't attach any  
8                   time frame to that. I just simply wanted to  
9                   understand at the time -- I would prefer to know  
10                  closer to the date that it occurred, but that  
11                  was a time I would -- my practice, not  
12                  consistently but in most cases would -- if there  
13                  was a high-value player that was sanctioned by  
14                  BCLC or barred by BCLC, I would let the service  
15                  provider know and have a conversation with my  
16                  equivalent in their organization. It was not a  
17                  permission. I'll be very clear about that.

18          Q       In making that a request of Mr. Alderson, did  
19                   you make reference to the impact those kinds of  
20                   decisions might have on revenue?

21          A       It would have impact on revenue with the service  
22                   providers, but that was irrelevant.

23          Q       Okay. It wasn't something that you considered  
24                   the impact that those decisions would have on  
25                   the service providers' revenue?

- 1           A     No.  And in fact Great Canadian began their  
2                    material disclosure in the -- I think the fall  
3                    of 2015, the MDNA, their disclosures, as their  
4                    obliged to because they're a publicly reporting  
5                    company, indicating that there was going to be a  
6                    loss of revenue because of BCLC actions.  GCGC,  
7                    Great Canadian, never told me, don't do that;  
8                    we're not going to make enough money.
- 9           Q     Okay.  In or around July or August of 2015 did  
10                   you meet with Mr. Alderson, Mr. Kroeker and  
11                   Terrance Doyle to discuss placing cash  
12                   conditions on players?
- 13          A     Is there a document you can direct me towards?
- 14          Q     Let me see.  Why don't we try exhibit 16.
- 15          A     Okay.
- 16          Q     And I'm --
- 17          A     We're talking, sorry, July or August?
- 18          Q     Yeah.  I'm -- so if you look at page 74 of this  
19                   exhibit.  This is an email from Mr. Alderson to  
20                   Cary Skrine from 2019.
- 21          A     M'mm-hmm.
- 22          Q     That's what it is.  If you turn to page 75.  And  
23                   you look at the third from last paragraph --  
24                   well, it's the second to last big paragraph.  It  
25                   starts with "there were quarterly AML Compliance

1 meetings."

2 A Yes.

3 Q If you look two lines down, it says:

4 "Of note myself (and Brad) met with  
5 Kroeker and Terrence Doyle in late July/  
6 early August 2015 to inform them we were  
7 going to cash ban players due to ePirate.  
8 We told them Police had established a link  
9 between proceeds of crime and casino buy  
10 ins and that we would be cash banning  
11 players. Both Kroeker and Doyle stated  
12 they were supportive."

13 Does that refresh your memory about a meeting  
14 you may have had around July or August of 2015?

15 A Generally, yeah. I don't recall the specifics.

16 Q Is your recall good enough to say whether that  
17 accurately describes the content of that  
18 meeting?

19 A At some point we would have been advising them  
20 that we were going to be cash banning more and  
21 more of their players.

22 Q Okay. And that was as a result of information  
23 you had heard from police?

24 A Yes. And I think there was also some  
25 information that BCLC had developed

1 independently at the time that was going to  
2 increase the cadence of review and interviews of  
3 players.

4 Q All right. I'm looking at -- oh. I'm looking  
5 at -- sorry, something funny has happened with  
6 my computer. I'm looking at paragraph 22 of  
7 your -- sorry, paragraph 46 of your affidavit.  
8 And are you with me?

9 A Yes.

10 Q Okay. Here you describe exhibit 22 of your  
11 affidavit as BCLC's corporate and security and  
12 compliance operational plan to conduct  
13 interviews of patrons known to have had cash  
14 deliveries linked to Paul Jin and patrons that  
15 had 20 or more STRs in 2014; correct?

16 A Yes.

17 Q And so now if you could turn to exhibit 22,  
18 please. And I'm at page 116.

19 A Yes.

20 Q Under "Background" it says:

21 "A review of all ... (STRs) filed between  
22 June 1 to July 23, 2014, has been  
23 conducted by our AML and Operational  
24 Analysis team ... Below is a breakdown of  
25 that analysis."



1                   So just stopping there. Because of the way  
2                   you've described this in your affidavit, am I  
3                   correct that the numbers that follow are all of  
4                   the STRs filed or are they only those associated  
5                   to Paul Jin and to patrons that have more than  
6                   20 STRs in 2014?

7                   A     I can't say for certain.

8                   MR. BUTCHER: What page number?

9                   THE WITNESS: What page am I supposed to be on?

10                  MR. BUTCHER: Sorry, what page are we on?

11                  MS. LATIMER:

12                  Q     116.

13                  A     I can't say for certain. It does says:

14                                 "In addition a review of all STRs filed in  
15                                 2014 resulted in the following."

16                  Q     Yeah.

17                  A     So ...

18                  Q     Okay. So if we look at the first set of bullet  
19                                 points under that first paragraph in the  
20                                 backgrounder, it notes that 67 percent of the  
21                                 STRs originated at the River Rock; correct?

22                  A     Yes.

23                  Q     And 145 of the STRs mention a vehicle in the  
24                                 narrative and were reviewed to determine if the  
25                                 vehicle delivered cash or if Paul King Jin was

- 1                   involved?
- 2           A     Yes.
- 3           Q     So do we understand correctly that only those
- 4                   STRs that mentioned a vehicle were examined to
- 5                   determine whether Paul King Jin was involved?
- 6           A     No, I don't think I can make that ...
- 7           Q     Do you know, or are you not sure?
- 8           A     I'm not sure.
- 9           Q     Okay. In the next bullet point it says
- 10                   28 percent of those had cash deliveries of
- 11                   nearly \$7 million and 13 of them mention some
- 12                   association to Paul King Jin. Correct?
- 13          A     Yes.
- 14          Q     If you look down under the heading, there's --
- 15                   closer to the bottom there's a heading
- 16                   "Priority 1." Do you see that?
- 17          A     Yes.
- 18          Q     "Scope of Investigation," and it's:
- 19                   "Interview players known to have had cash
- 20                   drop offs linked to Paul King Jin."
- 21                   Correct?
- 22          A     Yes.
- 23          Q     It then lays out the process, which is that the
- 24                   project leader work with Great Canadian Gaming
- 25                   Corporation on contacting the 13 players who are

1                   apparently listed in appendix A as having a  
2                   connection with Mr. Jin; correct?

3           A     Yes.

4           Q     Then on page 117 it sets out the information  
5                   that will be provided to the patrons. "Advise  
6                   the patron that." Do you see that?

7           A     Yes.

8           Q     And the information that's going to be provided,  
9                   if you look at the second paragraph, includes  
10                  that cash buy-ins over \$10,000 are required to  
11                  be reported to the federal government; correct?

12          A     Yes.

13          Q     And that the CRA -- in the next paragraph that  
14                  the Canada Revenue Agency and law enforcement  
15                  has unfettered access to that information;  
16                  correct?

17          A     Yes. That's not entirely correct, but yes.

18          Q     Was there a concern that providing that advice  
19                  to players might result in structuring of  
20                  buy-ins?

21          A     It's a risk.

22          Q     Okay. If you look at the paragraph in the  
23                  middle of the page, the paragraph there reads:

24                         "We appreciate your patronage if we  
25                         receive any information that the cash used

1                   by you is suspected to be derived from  
2                   proceeds of crime then BCLC will be unable  
3                   to accommodate any further cash buy ins  
4                   and you are putting yourself at risk and  
5                   we would strongly advise you utilize a PGF  
6                   account."

7                   Correct?

8           A       Yes.

9           Q       Didn't you -- didn't BCLC already suspect at  
10           this time that cash delivered by Mr. Jin was  
11           proceeds of crime?

12          A       There was a suspicion, but I don't think that  
13           suspicion -- I'm not sure how I would describe  
14           the level, but -- on a balance of probabilities  
15           maybe not, but there was certainly a suspicious.

16          Q       BCLC here expresses the view that the patron is  
17           putting themselves at risk. What risk was that  
18           that's being alluded to?

19          A       That if it was found to be proceeds of crime,  
20           they're putting themselves at risk. Most of  
21           them were here on a -- most of them are here as  
22           immigrants, so there would be ramifications from  
23           that respect. As well as the whole notion of  
24           carrying around large amounts of cash just  
25           inherently puts them at risk. It's a public

1 safety issue.

2 Q Was there an additional risk if it was thought  
3 that the cash was proceeds of crime?

4 A Of course. I think when -- I said in the  
5 beginning when -- if the funds were -- if the  
6 funds were found to be proceeds of crime, then  
7 they would likely be -- they would likely be  
8 caught up within that and perhaps investigated  
9 by the police.

10 Q It goes on to say:

11 "By accepting funds believed to be the  
12 proceeds of crime this also puts the  
13 Casino business in BC at risk."

14 And what was the risk that you perceived for the  
15 casino business in BC at that time?

16 A Well, there was a variety of risks, the least of  
17 which was reputational. And the fact that if we  
18 were -- if there were known criminals operating  
19 in and around the casinos, then that obviously  
20 is a risk.

21 Q Okay. In August and September of 2015 BCLC  
22 started imposing conditions on a list of patrons  
23 who would no longer be permitted to buy in at BC  
24 casinos with any unsourced cash or unsourced  
25 chips; correct?

1 A Yes.

2 Q And did that list include the 13 patrons known  
3 to have had cash drop-offs associated to  
4 Mr. Jin?

5 A I believe so.

6 Q Is it fair to say those conditions had negative  
7 revenue implications for service providers and  
8 especially the River Rock?

9 A I'm not sure that those particular transactions  
10 had a material impact. I know that  
11 subsequent -- the subsequent interviews and cash  
12 conditions that were put in place as a result  
13 of our increased understanding around cash  
14 facilitation and I guess the lowering of our  
15 risk around that, that had a -- that definite  
16 lip had an impact on the high limit business at  
17 the River Rock.

18 Q Okay. I'd like to ask you to turn to  
19 exhibit 26, please. And I'm at page 131. And  
20 sort of near the bottom of the page is an email  
21 there from Michael Graydon dated September 11th,  
22 2015. Do you see that?

23 A Yes.

24 Q Mr. Graydon was providing some feedback.

25 Mr. Graydon was at this time at Parq Casino;

1 correct?

2 A Yes, he was.

3 Q He's providing some feedback on the short-term  
4 consequences of these actions which he  
5 identified as a drop in revenue; correct?

6 A That he identified as ...

7 Q A drop in revenue.

8 A Yes.

9 Q And your response to that at the top of the page  
10 is that you couldn't agree more and you're  
11 pressing the regulator for disruption of illegal  
12 gaming and for cash alternatives; correct?

13 A Yes.

14 Q In the last paragraph of your email you refer to  
15 restrictions and bannings. And you say at the  
16 second line:

17 "We do neither lightly and are acutely  
18 aware of the revenue implications for both  
19 of us."

20 Correct?

21 A Yes.

22 Q And in or around September 2015 you also had  
23 communications with Rob Baker of Great Canadian  
24 Gaming Corporation; correct?

25 A Can you direct me to a document for that.

1 Q Yeah. I'm at exhibit 28, and it's page 138.

2 A Yes.

3 Q And you'll see here it's an email from Jim  
4 Lightbody to you, and it's dated September 18th,  
5 2015. And perhaps it's a communication between  
6 Mr. Lightbody and Mr. Baker. It says:

7 "I called Rod today --"

8 Did you understand that to be Rod Baker?

9 A I do.

10 Q And the concern he communicates here -- or he  
11 says:

12 "I called Rod today and told him that we  
13 have raised the issue and we should expect  
14 action soon. I also told him we  
15 reinforced out AML solutions with GPEB and  
16 the Ministry and expect actions on that  
17 front too. I reiterated that Brad and Rob  
18 would work with Terrance, Pat, etc to  
19 ensure we are handling our customers  
20 appropriately.

21 He seemed to have calmed down and  
22 appreciated what we have done."

23 What was the concern that Mr. Baker was  
24 expressing in and around this time? Do you  
25 recall?



1           A     That I -- my understanding is that BCLC  
2                   investigators were reaching out and dealing with  
3                   customers and River Rock was feeling the  
4                   backlash from that -- from those interviews.

5           Q     And Mr. Baker was unhappy about that; correct?

6           A     Yes. As I mentioned a few times, the service  
7                   providers never really pushed back on the -- on  
8                   our AML measures even when it did mean a loss of  
9                   revenue, but what they did -- what -- was a  
10                  constant source of -- a constant issue for them  
11                  is how their players are -- how their players  
12                  are interacted with. And, you know, gambling in  
13                  this province is not something that is  
14                  engrained. It's simply an entertainment option  
15                  and these folks can go elsewhere. And so they  
16                  wanted to ensure that the relationship between  
17                  the service provider and the customer remains  
18                  strong even though BCLC had to, and they  
19                  understood it, resolute that we were going to  
20                  deal with high-risk patrons appropriately.

21          Q     They were concerned about their relationships  
22                  with customers because they were concerned about  
23                  a loss of revenue. Am I right?

24          A     Certainly.

25          Q     And despite those concerns, BCLC took these

1                   actions even though they would have negative  
2                   revenue implication for both BCLC and for the  
3                   service provider; is that also right?

4           A       That's right.  And as I mentioned, Great  
5                   Canadian started issuing material notices of  
6                   loss of revenue, or decreased revenue.

7           Q       Okay.  I'm now looking at exhibit 27 of your  
8                   affidavit, and that's page 134.  And you'll see  
9                   this is an email from you to Rob Kroeker dated  
10                  September 15th, 2015.  Do you see that?

11          A       Yep.

12          Q       And you're saying you'd better come to -- saying  
13                  you had "better confirm Edgewater isn't  
14                  accepting cash from the flagged players."  
15                  Do you see that?

16          A       Yes.

17          Q       If you turn to page 135.

18          A       135?

19          Q       Yes.  It should be the next page.

20          A       Yep.

21          Q       At the bottom there's sort of a table, and it  
22                  sets out -- under the table there are some  
23                  bullet points and it sets out that the total  
24                  drop Friday to Monday was 10 million at RR,  
25                  which I take it is River Rock, which was down

1                   35 percent from the Friday to Monday last week.  
2                   And that it looks like some of this drop went to  
3                   Edgewater as they had a 64 percent increase in  
4                   the same time period; correct?

5           A       Yes.

6           Q       Is that the information that informed your  
7                   advice to Mr. Kroeker that you'd better confirm  
8                   Edgewater was not accepted cash from these  
9                   flagged players?

10          A       Yes.

11          Q       Did you make a determination of whether or not  
12                   that was in fact occurring?

13          A       That would be a conversation -- that would be a  
14                   question for Mr. Kroeker.

15          Q       You don't have any --

16          A       I don't have that, no.

17          Q       And back at your affidavit at paragraph 97,  
18                   which is at the bottom of page 21.

19          A       Yes.

20          Q       You describe how in the fall of 2014 BCLC  
21                   investigators began noticing instances where  
22                   patrons would buy in for large amounts at the  
23                   River Rock and then leave the site with their  
24                   chips without play; correct?

25          A       Right.

1 Q And you [indiscernible] efforts that were made  
2 to arrange a chip swap, which you mentioned  
3 briefly already; correct?

4 A Yes.

5 Q And then can you just turn to exhibit 76,  
6 please. And I'm -- I'd like to start with  
7 page 516, please.

8 A 76?

9 Q 76, and it's page 516?

10 A Yes.

11 Q This is an email from Ross Alderson to you and  
12 copying Kevin Sweeney and it's dated July 23rd,  
13 2015. Do you have that?

14 A July 2015, yes.

15 Q You're discussing that -- the subject line is  
16 RRRCR, so River Rock chip swap.

17 A Yes.

18 Q And it says -- if you go to the third paragraph  
19 after the numbered list.

20 A Yes.

21 Q It says:

22 "Right now I understand the liability for  
23 BCLC is more reputational. Although we  
24 suspect that there is an underground  
25 Casino or organized crime figures

1                   utilizing the chips there does not appear  
2                   to be concrete evidence of that. I know  
3                   some chips have been linked to Jin (unless  
4                   you have further info than what I obtained  
5                   from FSOC). Yes, there may be good  
6                   intelligence in a chip recall but that is  
7                   only if they come back and are drawn to  
8                   our attention."

9                   So the question is July 2015 had you learned  
10                  that some of the chips that were outstanding had  
11                  been linked to Mr. Jin?

12                A     Mr. Alderson had -- it seems as though  
13                  Mr. Alderson had made that link. I don't recall  
14                  if that link had been made.

15                Q     Okay. And -- okay. Do you recall receiving  
16                  this email?

17                A     Oh, yeah, I recall receiving this email. And  
18                  the email I sent in return.

19                Q     Okay. Did you disagree with Mr. Alderson's  
20                  assessment that the liability for BCLC was  
21                  reputational? You did disagree with that;  
22                  correct?

23                A     Reputation was part of it, but there's --  
24                  there's so much more.

25                Q     Right. And your response to that is at

1 page 515?

2 A Yes.

3 Q And I'm looking about 12 lines down, it's a long  
4 paragraph, but I'm about 12 lines down. There's  
5 a word "in," period, and then it says "I  
6 somewhat disagree." Are you with me?

7 A Yes.

8 Q You say:

9 "I somewhat disagree that BCLC's exposure  
10 in this matter is simply reputational. I  
11 believe there is a bigger issue and that  
12 is we and the SP --"

13 Which is service provider; correct?

14 A Yes.

15 Q "-- are responsible for millions of  
16 dollars of what could be criminal stored  
17 value instruments which strikes at the  
18 heart of our corporate social  
19 responsibilities as well as what some  
20 might perceive as an [money laundering]  
21 enablement issue. I agree there is direct  
22 evidence that an unauthorized casino is  
23 operating with [River Rock Casino' chips,  
24 that was a theory advanced as a potential  
25 reason why such a large liability exists;



1 connected to a known [organized crime]  
2 group and find \$millions in chips. Given  
3 the current emphasis the police are  
4 putting on disrupting criminal flows of  
5 funds such as a scenario is more likely  
6 now than ever before."

7 And I've read that correctly?

8 A Yes.

9 Q Was this a theoretical concern or was this a  
10 concern tied to the investigation that you  
11 believe was going on focused on Mr. Jin?

12 A I think that's a great way to put it. I think  
13 it was a theoretical concern that had its  
14 genesis in the investigation going on with  
15 Mr. Jin. But I had no evidence that Mr. Jin --  
16 or at least I wasn't aware of evidence that  
17 Mr. Jin was actually behaving in this manner.

18 Q Okay. If you go back to paragraph 104 of your  
19 affidavit, which is page 22.

20 A Yes.

21 Q You indicate that the night before the planned  
22 chip swap GPEB directed BCLC to stop the swap  
23 because of a request from the police; correct?

24 A Yes.

25 Q And at -- you say you still don't know



1 specifically why GPEB directed that that chip  
2 swap be stopped.

3 A Yes.

4 Q Okay. If you turn now to exhibit 28. Sorry,  
5 this is the wrong exhibit number. One second.  
6 It's actually exhibit 29. This is the BCLC  
7 interview intelligence summary of an interview  
8 you conducted with a patron on September 25th,  
9 2015; correct -- or 25th, 2015; correct?

10 A Yes.

11 Q Lisa Gao acted as a translator for that  
12 interview; is that right?

13 A She did. It was -- yes. Yes, she did.

14 Q Lisa Gao was a VIP guest relations employee at  
15 the River Rock at this time; correct?

16 A Yes.

17 Q And this player indicated to you that he  
18 obtained cash through an arrangement with  
19 individuals in China, Hong Kong, Macao, where he  
20 makes a call and cash is delivered to him here;  
21 correct?

22 A Yes.

23 Q And he advised that he and most of his friends  
24 use this underground banking service everywhere  
25 they gamble; right?

1           A     Throughout the world, yes.

2           Q     He had no idea about the source of the cash  
3                 here, and he indicated that he did have to repay  
4                 it with a small handling fee through a domestic  
5                 ETF [sic] in China; correct?

6           A     Yes.

7           Q     Did that information cause you to be concerned  
8                 about the source of this individual's cash?

9           A     We had concerns about the source of his cash  
10                even before this because by this time I know  
11                this particular player had been banned by that  
12                time.

13          Q     Was this one of the players who was associated  
14                to Mr. Jin for cash deliveries?

15          A     I'm not certain.

16          Q     Okay. Did the information that the cash loan  
17                was being repaid in China cause you to be  
18                concerned that casinos might be used to launder  
19                proceeds of crime?

20          A     That was an -- that was certainly one solution,  
21                but I also know that that -- that that mechanism  
22                is used for non-criminal means as well.

23          Q     Okay. You say at paragraph 5 of your affidavit  
24                that BCLC's approach today is to deter the use  
25                of proceeds of crime in casinos even if BCLC or

1 law enforcement can't prove the funds used by  
2 any particular patron are in fact the proceeds  
3 of crime; correct?

4 A Sorry, what paragraph?

5 Q Paragraph 5.

6 A 5?

7 Q 5.

8 A Yes.

9 Q And you describe that as a fundamental change in  
10 how BCLC tries to identify and deter criminally  
11 implicated funds; correct?

12 A Yes.

13 Q Do you agree that the approach that BCLC is  
14 describing here today is more closely aligned  
15 with what the GPEB investigation unit was asking  
16 for back in 2010?

17 A No, I do not.

18 Q Why not?

19 A Because the approach that GPEB was asking in  
20 2010 was simply a -- if I recall correctly, was  
21 simply a ban on a certain amount of cash based  
22 on a certain amount of denominations without any  
23 customer due diligence, without any analysis on  
24 what the unintended consequences of that might  
25 be. This was an evolution. It took time. And,

1           you know, as I say in my affidavit, GPEB -- I  
2           also want to make absolutely certain that  
3           Mr. Commissioner, you're aware when we've been  
4           referring to GPEB and some of the conflicts,  
5           we're largely referring to GPEB investigations,  
6           not GPEB as a whole.

7                     But at the end of the day we all wanted the  
8           same thing. We all wanted to ensure that the  
9           gambling was done in a safe manner with the  
10          highest levels of integrity. How we got there  
11          and how GPEB suggested we get there starting in  
12          2010 was just different. We took more time. We  
13          got to know our players better. We were able to  
14          move our players from a cash-based risky  
15          approach to where we are now. In fact really in  
16          2017 where suspicious transactions had fallen  
17          off a cliff and revenue had maintained, we  
18          had -- we feel we were able to mitigate the cash  
19          coming out or the cash going into the facilities  
20          that was challenging for us but at the same time  
21          maintaining our revenue mandate. And as we sit  
22          here, we've got a good balance.

23                     And this may not be the time to talk about  
24          it, but we're not done yet. I'm hoping that at  
25          some point we're going to be able to start

1                   looking through the front windshield instead of  
2                   the rear windshield and talk about how we can  
3                   continue this journey.

4                   Q    Do you -- in hindsight after all that due  
5                   diligence and efforts you've described by BCLC  
6                   in the intervening years, do you now assess GPEB  
7                   assessment made in 2011 that, win or lose, the  
8                   patrons using these large quantities of  
9                   \$20 bills at least could be facilitating the  
10                  transfer of or laundering of proceeds of crime  
11                  because the patron had to pay back the money  
12                  somewhere else?

13                  A    No, because that may have occurred and probably  
14                  did occur in some proportion of circumstances,  
15                  but we still don't clearly understand it. We  
16                  still don't clearly understand the movement of  
17                  cash [indiscernible] in 2014. What is clear is  
18                  that we weren't going to be able to unravel it  
19                  to anybody's satisfaction. Certainly to our  
20                  satisfaction. So at the end of the day, as we  
21                  learned more, put more mitigating factors in  
22                  place, our tolerance for risk went down and in  
23                  the end -- at the same time educating our  
24                  players so they began using cash alternatives,  
25                  which were with GPEB's support, although we had

1           some challenges with getting things approved.  
2           At the end of the day we're in a transitory  
3           phase now, I guess would be the way to describe  
4           it. So I wouldn't accept that \$20 bills as set  
5           out by GPEB in 2011, had we done that that we  
6           would be in this place today. We wouldn't.

7           Q    Okay. You made reference to -- you've spent a  
8           long time in the industry, you've spent a long  
9           time in law enforcement looking into these  
10          issues and enhancing the anti-money laundering  
11          program and doing due diligence. I'm hoping  
12          that you will share with the Commissioner your  
13          looking through the front window views on how  
14          the system can be improved.

15          A    Now?

16          Q    Yes.

17          A    All right. So, Mr. Commissioner, it's been a  
18          long journey to get where we are now. Sir, no  
19          one in this exercise that we've gone through  
20          has, in my view, being acting in bad faith.  
21          We've just had different views of how we were --  
22          how we were approaching the issue.

23                        Moving forward I think now BCLC and GPEB  
24          have never been aligned better to move forward  
25          with some really forward-looking, cutting edge

1                   mitigating strategies that will make BC's  
2                   casinos and quite frankly all of our business  
3                   lines, including online, the safest and continue  
4                   to be the most profitable in the -- in Canada,  
5                   if not in North America.

6                   In my view -- and this is my personal view,  
7                   Mr. Commissioner -- the next step is we need to  
8                   know every single player that comes through the  
9                   front door. Not only when they come through the  
10                  front door. We need to know when they -- every  
11                  single game they play, every -- whether it be  
12                  putting money into a slot machine or whether  
13                  they're playing on a table game, we need to  
14                  understand that. That will solve a lot of  
15                  problems.

16                  That will solve -- first and foremost, which  
17                  is quite frankly and with no disrespect to the  
18                  intent of this commission, right now my biggest  
19                  focus is on player health. Our products from  
20                  time to time do cause harm, and we've got to do  
21                  something to make sure that we eliminate that  
22                  harm. There should be no revenue,  
23                  Mr. Commissioner, from high-risk play. You will  
24                  find those in our strategic plan. For us to  
25                  accomplish that we need to know our players

1 better.

2 We need to know our players better across  
3 the entire -- our entire product line. They're  
4 tied to each other. Most of our players -- most  
5 of our casino players play online, or at least  
6 most of our online players play in casinos. 98  
7 percent of our players buy lottery. We have  
8 some products that over time we now know that  
9 were traditionally not considered to be that  
10 risky are in fact risky from a player health  
11 perspective.

12 We have to do better and the way we do that  
13 is by knowing them. We eliminate -- when people  
14 make the great decision to voluntarily  
15 self-exclude from our products, we have to help  
16 them to continue to -- continue in the spirit of  
17 that great decision that our products just  
18 aren't right for them. 100 percent known play,  
19 Mr. Commissioner, will solve all of that. A  
20 hundred percent known play will also reduce the  
21 amount of criminality in our facilities.

22 There are other technologies available to  
23 us. You've heard quite a bit about the chip  
24 swap. Everyone was uncomfortable with that. We  
25 still have liability around chips. It still



1           exists today. There is technology today,  
2           however, that will mitigate, virtually eliminate  
3           that risk through automated chip tracking, which  
4           is in use in Macao and elsewhere with virtually  
5           a hundred percent accuracy. That would reduce  
6           problematic play. It would reduce issues around  
7           who owns what chip. If somebody bought a series  
8           of chips, they left the casino and they come  
9           back with those chips in somebody else's  
10          possession, we would know and they wouldn't be  
11          permitted to play with them. That's in the  
12          short term.

13                 As we move forward we need to ensure that  
14          we have account-based gaming across all our  
15          lines of business. Account-based gaming will  
16          allow our players an option to move away from  
17          cash and to create accounts, properly managed,  
18          properly overseen accounts where we can put  
19          limits on how much players can play if they have  
20          issues or if they preset -- if they preset their  
21          player amounts themselves, which we have in a  
22          limited fashion now in slot machines on casinos.  
23          But also that will enable us to start using  
24          digital wallets.

25                         We're behind, Mr. Commissioner. We need to

1           step into the digital age, particularly on  
2           land-based casinos, and we need to -- we need to  
3           utilize digital payment forms not only as a  
4           means to keep our players safe, but also as a  
5           means to reduce the risk and potential of crime,  
6           whether it be money laundering or anything else.  
7           Those are the first and second stairs -- steps.

8                     The third step, Mr. Commissioner, is once we  
9           get those options really available and incent  
10          our players to start using them more, at some  
11          point -- we're probably talking years down the  
12          road, but at some point we'll reach a critical  
13          mass where we'll be able to -- where we'll be  
14          able to make a decision -- and so it will be a  
15          part -- a decision on the part of the province,  
16          as well, I suppose, make a decision we're just  
17          not -- all of the play in casinos will be  
18          cashless. That's not going to occur overnight.

19                    I have to credit Mr. Bill McCrea from GPEB,  
20          who is no longer an employee there, who wrote  
21          the AML plan that -- with respect, Mr. German  
22          said was a failure. I don't think it is. I  
23          think that what he said in the beginning that  
24          we -- that ought to be the end game, that we  
25          ought to move towards cashless play, is what we

1                   should all be striving for. It makes sense on  
2                   so many levels. That doesn't mean there will  
3                   never be cash in casinos, but the way the cash  
4                   would come in would be very regulated to a single  
5                   point in my view and create a single portal  
6                   which can be monitored much more effectively.

7                   I could go on for hours on this,  
8                   Mr. Commissioner, but I imagine we're running  
9                   out of time.

10                  MS. LATIMER: Thanks very much, Mr. Desmarais. And I  
11                  know you've discussed some of those issues in  
12                  more detail in your affidavit.

13                  And, Mr. Commissioner, those are all my  
14                  questions for this witness.

15                  THE COMMISSIONER: Thank you, Ms. Latimer.

16                  Where are we at in terms of timing,  
17                  Mr. McGowan?

18                  MR. MCGOWAN: Yes, Mr. Commissioner. I'll invite  
19                  Ms. Latimer so jump in and tell me if she thinks  
20                  we're further behind than I do, but I think we  
21                  now are at a stage where we can have some  
22                  reasonable confidence that we should be able to  
23                  conclude with Mr. Desmarais tomorrow in a  
24                  reasonable day's sitting.

25                  THE COMMISSIONER: All right. Ms. Latimer, any

1 thoughts?

2 MS. LATIMER: I think that's correct. I share that  
3 assessment.

4 THE COMMISSIONER: All right. I think we'll adjourn,  
5 then, until tomorrow morning at 9:30.

6 THE REGISTRAR: The hearing is adjourned until  
7 February 2nd, 2021, at 9:30 a.m. Thank you.

8 **(WITNESS STOOD DOWN)**

9 **(PROCEEDINGS ADJOURNED AT 1:42 P.M. TO FEBRUARY 2,**  
10 **2021)**

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