

**PROCEEDINGS AT HEARING
OF
FEBRUARY 11, 2021**

COMMISSIONER AUSTIN F. CULLEN

INDEX OF PROCEEDINGS

Witness	Description	Page
	Proceedings commenced at 9:30 a.m.	1
	Discussion re exhibits	1
	Discussion re redactions to exhibits 574 and 575	2
	Discussion re redactions to exhibit 532	4
Michael Graydon (for the commission)	Examination by Mr. McGowan	6
	Examination by Ms. Chewka	66
	Examination by Ms. Gardner	83
	Examination by Mr. Stephens	85
	Examination by Mr. McFee	95
	Proceedings adjourned at 11:36 a.m.	106
	Proceedings reconvened at 11:50 a.m.	106
John Mazure (for the commission)	Examination by Ms. Mainville	107
	Examination by Ms. Tweedie	146
	Examination by Mr. Butcher	151
	Proceedings adjourned at 1:14 p.m.	164
	Proceedings reconvened at 1:22 p.m.	164
John Mazure (for the commission)	Examination by Ms. Hughes	165
	Examination by Ms. Mainville (continuing)	224
	Examination by Mr. McFee	228
	Examination by Mr. Smart	230
	Examination by Mr. McCleery	232
	Colloquy	239
	Proceedings adjourned at 2:54 p.m. to February 12, 2021	239

INDEX OF EXHIBITS FOR IDENTIFICATION

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

No exhibits for identification marked.

INDEX OF EXHIBITS

No.	Description	Page
573	Overview report: Ross Alderson	1
574	Overview report: Casino Surveillance Footage	2
575	Overview Report: Briefing Documents, Briefing Notes, Issues Notes and Similar Documents Related to Suspicious Cash Transactions and Money Laundering in British Columbia Casinos	2
576	Affidavit no. 1 of Michael Graydon made on February 8, 2021	7
577	Email from Michael Graydon re Revenue – March 23, 2012	66
578	Email from Byron Hodgkin to Michael Graydon re Fintrac audit - December 14, 2012	79
579	Email from Bryon Hodgkin to Michael Graydon re GPEB letter - Privileged and Confidential - January 7, 2013	90
580	Presentation titled “Gaming Policy and Enforcement Branch Anti-Money Laundering (AML) Briefing” - January 2015	114
581	Presentation entitled “Gaming Policy and Enforcement Branch and the British Columbia Lottery Corporation Present Exploring Common Ground, Building Solutions” - June 4, 2015	164
582	Presentation by GPEB, entitled “Minister of Finance Briefing Anti-Money Laundering (AML) Gaming Facilities” - April 4, 2016	165
583	Email chain re BCLC Briefing Note date January 22, 2017 - January 26, 2017 (with attachment)	204
584	MOF Briefing Document, Title “Minister’s Directive to Refuse Un sourced Cash in British Columbia Gambling Facilities” - January 2017	217
585	Email chain re BN for Minister - 2016 MNP Report on Anti-Money Laundering Practices in BC - October 4, 2016 (with attachment)	222
586	Compliance Under the <i>Gaming Control Act</i> - An opinion prepared for BC GPEB and BCLC - by Dr. Peter German - December 4, 2016	237

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

February 11, 2021

(Via Videoconference)

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

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

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

MR. McCLEERY: Good morning, Mr. Commissioner.
Before we get to today's first witness, we have two very brief matters to address.

THE COMMISSIONER: Yes.

MR. McCLEERY: The first of these is we have three new overview reports we'd like to file and have marked as the next three exhibits. And I believe Madam Registrar has a list of those that we can pull up.

THE COMMISSIONER: Thank you.

MR. McCLEERY: These have been circulated to the gaming sector participants for comments and have been revised in accordance with feedback we received, and we're going to be seeking directions with respect to two of these three.

THE COMMISSIONER: All right. So the overview report respecting Ross Alderson will be 573.

EXHIBIT 573: Overview report: Ross Alderson

1 THE COMMISSIONER: The overview report respecting
2 casino surveillance footage will be 574.

3 **EXHIBIT 574: Overview report: Casino**
4 **Surveillance Footage**

5 THE COMMISSIONER: And the overview report of the
6 briefing documents will be 575.

7 **EXHIBIT 575: Overview Report: Briefing**
8 **Documents, Briefing Notes, Issues Notes and**
9 **Similar Documents Related to Suspicious Cash**
10 **Transactions and Money Laundering in British**
11 **Columbia Casinos**

12 THE COMMISSIONER: And I'm just going to briefly move
13 away from my camera to close my door. All
14 right.

15 MR. McCLEERY: Thank you. So we're seeking direction
16 with respect to two of these. The first I'll
17 address would be number 3 on this list, which is
18 the overview report addressing briefing
19 documents and other related documents. We've
20 been advised that some of the appendices to this
21 report contain sensitive information that would
22 not be captured by the redactions required by
23 your rulings number 13 and 22. We'd like to
24 provide participants with an opportunity to
25 propose additional redactions to this report and

1 its appendices, so I'm seeking a direction that
2 this report not be posted to the commission
3 website or otherwise made public until further
4 direction from you.

5 THE COMMISSIONER: All right. I'll make that
6 direction, unless there are any objections to
7 that. Thank you.

8 MR. McCLEERY: And then with respect to the second
9 report on this list, that's the one titled,
10 "Casino Surveillance Footage," appendix 1 to
11 that report is an electronic folder that
12 contains a fairly large collection of casino
13 surveillance footage. Due to privacy
14 considerations, commission counsel's position is
15 that this footage should not be posted to the
16 commission website or otherwise made directly
17 available to the public. But we do want to
18 ensure there's an avenue by which media can
19 access these videos with appropriate
20 protections. So we're seeking the following
21 three-part direction: part one, the video
22 footage found at appendix 1 to the overview
23 report shall not be posted to the commission
24 website or otherwise made available to the
25 public except in accordance with the following

1 procedure. Part 2, members of the media may
2 apply to the Commissioner pursuant to rule 60 of
3 the rules of practice and procedure for access
4 to specific videos identified in the overview
5 report. And then part 3, applications for
6 access to specific videos identified in the
7 overview report must identify the steps that
8 will be taken to prevent public dissemination of
9 personal information contained in the video
10 footage, including processes for obscuring the
11 identities of individuals, licence plates and
12 other personal information depicted in the video
13 footage and processes and timelines for the
14 destruction of the original unedited video
15 files.

16 THE COMMISSIONER: All right. I'll make that
17 direction, then.

18 MR. McCLEERY: Thank you. And then the second matter
19 to address relates to exhibit 532, which was
20 entered into evidence on February 3rd during the
21 testimony of Mr. Patrick Ennis.

22 THE COMMISSIONER: Yes.

23 MR. McCLEERY: That exhibit includes descriptions of
24 alleged criminal activity committed against
25 casino staff members and incidents that I

1 believe were discussed in Mr. Doyle's evidence
2 as well over the last two days. The victims of
3 the alleged activity are not people who have
4 come up in the commission's evidence to date
5 outside of the incidents described in that
6 exhibit, and we're requesting a direction that
7 the names of those two individuals be redacted
8 from the exhibit. We have circulated a version
9 of the exhibit prepared by BCLC with those
10 redactions applied and we received no objections
11 from participants to that version being made
12 available to the public.

13 THE COMMISSIONER: All right. I'll certainly make
14 that order. It seems to me that the order
15 should include redaction of any identifying
16 information about them in addition to their
17 names.

18 MR. McCLEERY: Thank you, Mr. Commissioner. I'll
19 ensure that those redactions are made as well.

20 THE COMMISSIONER: Thank you. All right. So
21 directed.

22 MR. McCLEERY: I think we're now prepared to proceed
23 with Mr. Graydon's evidence.

24 THE COMMISSIONER: Thank you.

25 MR. McGOWAN: Yes, Mr. Commissioner. I have conduct

1 of this examination.

2 Madam Registrar, if you could please attend
3 to affirming the witness.

4 **MICHAEL GRAYDON, a**
5 **witness called for the**
6 **commission, affirmed.**

7 THE REGISTRAR: And please state your full name and
8 spell your first name and last name for the
9 record.

10 THE WITNESS: Michael Graydon, M-i-c-h-a-e-l,
11 Graydon, G-r-a-y-d-o-n.

12 THE REGISTRAR: Thank you.

13 THE COMMISSIONER: Yes, Mr. McGowan.

14 MR. MCGOWAN: Thank you.

15 **EXAMINATION BY MR. MCGOWAN:**

16 Q Mr. Graydon, can you hear me okay?

17 A Yes. Thank you, Mr. McGowan.

18 Q We do periodically run into some technical
19 difficulties, so if at any point your sound or
20 video is causing you any issue, let us know
21 right away, please.

22 A Appreciate that. Thank you.

23 Q You were the President and CEO of the British
24 Columbia Lottery Corporation from April 2008
25 until January 2014?

1 A Correct.

2 Q And you have, in an effort to assist the
3 commission in providing your evidence, prepared
4 an affidavit setting out some of your
5 experiences and observations during your time
6 with the lottery corporation?

7 A Yes, I have.

8 MR. MCGOWAN: Mr. Commissioner, Madam Registrar has
9 that affidavit. If it could be the next
10 exhibit, please.

11 THE COMMISSIONER: 576.

12 **EXHIBIT 576: Affidavit no. 1 of Michael Graydon**
13 **made on February 8, 2021**

14 MR. MCGOWAN: Thank you.

15 THE REGISTRAR: Exhibit 576. Mr. McGowan, do you
16 need me to display the affidavit?

17 MR. MCGOWAN: Not at this time.

18 THE REGISTRAR: Thank you.

19 MR. MCGOWAN: We will momentarily.

20 Q Mr. Graydon, you describe in your affidavit the
21 British Columbia Lottery Corporation having a
22 dual mandate. Do you recall that portion of
23 your affidavit?

24 A I do.

25 Q I wonder if you could just take a moment and

1 explain the dual aspects of the British Columbia
2 Lottery Corporation's mandate as you understand
3 it to the Commissioner?

4 A As I understood it, it was sort of two-fold.
5 One was to provide economic [indiscernible] to
6 British Columbia through the revenue that we
7 generated, but on the same side doing that in an
8 ethical and responsible manner.

9 Q Thank you. You discuss in your affidavit -- and
10 I gather from your affidavit that you oversaw a
11 period of substantial income growth for the
12 lottery corporation during your time?

13 A Yes, that's correct.

14 Q And you speak of the efforts you made to
15 accomplish this financial growth in a socially
16 responsible manner?

17 A Correct.

18 Q And one area where revenue grew substantially
19 during your time was the high-end table gaming?

20 A It was one of the contributing factors to the
21 growth.

22 Q Yes. And is it your assessment that the growth
23 of the high-end table game business was
24 accomplished and managed by the lottery
25 corporation during your time in a socially

1 responsible manner?

2 A Yes.

3 Q If we could turn up paragraph 11 of the
4 witness's affidavit, please. Madam Registrar,
5 if we could have paragraph 11 of the witness's
6 affidavit, please.

7 A That's not mine.

8 MR. MCGOWAN: That's not the affidavit, Madam
9 Registrar. This is Mr. Graydon. We're looking
10 for his affidavit.

11 Q Maybe I can do it without the affidavit being
12 displayed, sir, while Madam Registrar looks for
13 that. You say in your affidavit, and I'll just
14 read it out to you:

15 "Accordingly, BCLC -- and I personally --
16 were fully committed to meeting, if not
17 exceeding, federal and provincial
18 anti-money laundering regulations,
19 including through the development and
20 implementation of AML-specific compliance
21 policies and programs to strengthen and
22 enhance the AML measures already in
23 place."

24 And it's the reference to "federal and
25 provincial anti-money laundering regulations" I

1 wanted to ask you about. I wonder if you could
2 tell the Commissioner what you're referring to
3 when you speak of federal and provincial
4 anti-money regulations.

5 A Well, from the provincial side of things, it was
6 within the sort of guidelines or the regulations
7 provided by GPEB and the Province of British
8 Columbia and from the federal it was the FINTRAC
9 reporting requirements.

10 Q Okay. You also speak in your affidavit about
11 bet limit increases that were implemented during
12 your time. Do you recall that?

13 A Yes, I do.

14 Q We can pull down the affidavit, Madam Registrar.
15 What was the bet limit on table games when
16 you started in 2008, if you recall?

17 A I don't recall what it was in -- I think it was
18 \$45,000, but I don't have clear recollection of
19 what it was in 2008.

20 Q Yes. And the \$45,000, I think, accords with
21 some other evidence we've had and that was
22 accomplished by way of a \$5,000 per spot or per
23 hand bet limit for the table. Does that accord
24 with your recollection?

25 A Yes.

1 Q And subsequently during your time the bet was
2 increased to \$10,000 per hand, so \$90,000 per
3 table?

4 A Correct.

5 Q And ultimately in 2013 you've set out in your
6 affidavit that the limit was increased such that
7 a single player on a single hand could bet
8 \$100,000?

9 A Correct.

10 Q What motivated these bet increases during your
11 time?

12 A The lottery division in consultation with
13 high-value players and with the service
14 providers believed that there was an opportunity
15 to be more competitive with other gambling
16 markets like Macao, Las Vegas, Singapore and an
17 opportunity to attract more high-value players
18 to our business. And so it was put in place for
19 those purposes.

20 Q Do I take it from your answer that it was
21 motivated by a desire to increase revenue?

22 A To increase revenue and attract more players to
23 our business.

24 Q Okay. Did you consider in the process where you
25 were determining whether to approve these bet

1 limit increases the advisability of bet
2 increases of this magnitude in the context of an
3 industry that remained largely cash driven?

4 A We did. We did a full risk assessment on the
5 proposal. Theoreticals were run in regards to
6 the feasibility of the incremental revenue that
7 would be generated and any sort of risks should
8 the theoreticals not play out. We also did a
9 responsible gambling review and an AML review.

10 Q Okay. Was it your -- we've heard some evidence
11 about revenue increases and also the increase in
12 the magnitude of cash that was entering casinos.
13 Was it your understanding that from 2008 to 2014
14 year after year that the magnitude and frequency
15 of large cash buy-ins increased year over year?

16 A Well, a couple of variables did in fact take
17 place during that time, and one was the increase
18 in sort of the reporting protocol that we
19 undertook, and so the numbers of cash -- large
20 cash transactions through that vehicle
21 increased. We invested significantly in regards
22 to training with our service providers. We
23 expanded our training team from two to 14
24 individuals. So there were some significant
25 increases in reporting due to those variables,

1 and we were in the analytical process of trying
2 to determine how [indiscernible] those changes
3 in process had on the increases versus what were
4 real increases with regards to incremental cash
5 coming into the facilities.

6 Q What you're speaking of there, sir, is some work
7 that was being done to analyze the increase in
8 STR reporting. Is that --

9 A Yes.

10 Q Right, so there are certain transactions that
11 are identified as suspicious and reported as
12 such and one of the issues that arose was
13 whether there was an increase in suspicious
14 transactions or just an increase in reporting of
15 the number of transactions; is that fair?

16 A Yes.

17 Q Leaving aside the level of reporting, was it
18 your understanding that the actual number of large
19 cash buy-ins was increasing year over year?

20 A I don't have a recollection at that time. I'm
21 sorry.

22 Q You don't recall sort of exponential growth of
23 large cash buy-ins over the period between 2008
24 and 2014?

25 A At this point I have no recollection of that.

1 Q Okay. Were you kept apprised by your
2 investigative team and your Vice Presidents of
3 the extent and nature of large and suspicious
4 cash buy-ins during your tenure as president and
5 CEO?

6 A I had regular meetings and debrief with my
7 senior team and they would have provided any
8 information to that context.

9 Q Were you advised by your team that members of
10 the gaming policy and enforcement branch were
11 communicating to their BCLC counterparts a
12 belief that these large -- a number of these
13 large and suspicious transactions were funded by
14 the proceeds of crime?

15 A I don't recall those communications. They may
16 have taken place, but I can't recall them at
17 this particular point.

18 Q During the period of 2008 to 2014 did your team
19 advise you that their counterparts at the Gaming
20 Policy and Enforcement Branch were raising
21 concerns that British Columbia casinos were
22 being used to facilitate the laundering of
23 significant sums of proceeds?

24 A There was some communication on that front. It
25 came from their investigative group. It didn't

1 come from their policy or from the ADM.

2 Q Okay. Did you accept that the risks they were
3 identifying were real risks that demanded
4 attention?

5 A My comments to my team would have been on the
6 basis of let's fully understand the magnitude;
7 let's understand where the roots are; let's
8 understand exactly what is going on; let's not
9 make assumptions; let's try to develop some
10 analytical facts to the situation so that we can
11 sort of address them directly.

12 Q Okay. Did you form a view during your six years
13 with the lottery corporation whether -- as to
14 whether or not significant sums of proceeds were
15 entering British Columbia casinos?

16 A Again, I can't recall what my thinking was back
17 in 2008, '09 or '10 at this particular juncture,
18 but I think the efforts that we undertook at
19 BCLC to ensure the reliance on cash and try to
20 change the economics of the business were in a
21 good position with regards to hopefully trying
22 to address these potential issues.

23 Q You can't recall your thinking in 2008, '09 or
24 '10. What about '11, '12 or '13? Did you,
25 during those years, form a view as to the

1 likelihood that significant sums of proceeds
2 were entering British Columbia casinos?

3 A At that point I think my sense was we were doing
4 everything in our power to restrict the amount
5 of cash coming in for money laundering through
6 all the initiatives we had put in place.

7 Q Okay. Were you advised by your team that in
8 sort of the period 2010 through 2012 sort of at
9 an increasing level buy-ins in the range of
10 \$100,000 or more in cash became commonplace?

11 A I wouldn't suggest they were commonplace. I
12 think when we start to look at the magnitude of
13 cash that transitioned through our facilities
14 across the province and then looked at the
15 magnitude of the numbers of large cash
16 transactions, they were in transaction terms
17 quite a small percentage.

18 Q Okay. Well, let's focus on Lower Mainland
19 casinos and specifically the large Lower
20 Mainland casinos. Were you advised that hundred
21 thousand dollar buy-ins and larger buy-ins in
22 cash were frequently occurring during the years
23 of 2010, '11 and '12?

24 A Again, I was aware that large cash transactions
25 were taking place. There had been efforts to

1 attract those larger high-value players.

2 Investments had been made in the facilities to
3 be able to do that. Again, I would suggest it
4 wasn't necessarily high frequency and the number
5 of players were clearly identified and we were
6 fully aware of who they were.

7 Q Were you advised by your team that the -- a
8 large proportion of these buy-ins were funded by
9 \$20 bills?

10 A There was an understanding that \$20 bills were a
11 big part of the buy-ins, yes.

12 Q Okay. And were you told by your team that were
13 often presented in \$10,000 bricks wrapped in
14 elastic bands?

15 A I don't have any recollection of those details.

16 Q Okay. Did your team advise you that they were
17 frequently presented in the cash cage in things
18 like grocery store bags, cardboard boxes and
19 duffel bags?

20 A There were various means of bringing the cash
21 into the facilities, yes.

22 Q Okay. And were you advised by your team that
23 these buy-ins often occurred outside of regular
24 banking hours?

25 A Yes.

1 Q Commission has heard evidence, for example, that
2 one player over the span of four days in 2010 or
3 '11 bought in for a million dollars in cash, all
4 but \$6,000 of which was in \$20 bills. Were you
5 hearing about buy-ins like this in your time?

6 A I was aware that there was situations like that
7 that occurred.

8 Q Okay. Were you being advised that surveillance
9 and security and members of your team through
10 review were observing that cash was being
11 delivered to patrons on the premises?

12 A Yes, we understood that was happening on
13 occasion, too.

14 Q Yes. And to be fair, your investigators and the
15 service providers were making efforts to deal
16 with loan sharks or cash facilitators?

17 A Yes, and we in our role is to observe and report
18 wherever those situations occurred, they were
19 reported both to our regulator and to police.

20 Q Okay. Were you advised that through
21 surveillance there were examples of patrons
22 coming to a facility, losing their initial
23 buy-in, leaving the property for a short period
24 of time, often late in the evening or early in
25 the morning, and returning after a short break

1 with hundreds of thousands of dollars in \$20
2 bills? Were you hearing of scenarios like this?
3 A Not to that level of specifics, but I was aware
4 that some of those occurrences did happen.
5 Q Okay. With all of these factors in mind, how
6 concerned were you that this money might be from
7 illicit sources?
8 A Concerned enough that the efforts that we
9 undertook to reduce and change the economic
10 model by putting in measures to reduce the
11 reliance on cash became a key priority for the
12 organization.
13 Q Where did you think this money was coming from?
14 A I'm not an investigator, and we -- our role was
15 to observe and report to both the regulator and
16 to the police and sort of left it to them to
17 inform us in regards to that factor.
18 Q Whether or not you're an investigator, could you
19 conceive of any legitimate source for \$200,000
20 being presented in a grocery store bag at
21 midnight at the cash cage?
22 A I appreciate it's a unique situation, but the
23 gaming environment is unique. The community of
24 high-value players are unique. Many of the
25 players that were of high value tended to come

1 from the Asian market, and in many cases cash
2 was a very predominant mechanism in regards to
3 their economy. So we certainly understood that.
4 But, again, we went back to what our role and
5 responsibility in this process was, was to
6 observe and report to our regulator, report to
7 FINTRAC and to report any situations directly to
8 the police for their own investigations.

9 Q Yes. Your role was to observe and report. Was
10 it also to protect the integrity of gaming in
11 British Columbia?

12 A Yes, it was. And that's why we continued to put
13 measures in place to address the reliance on
14 cash, why we continued to invest in training so
15 that our service providers were better equipped
16 to deal with the situation and why we continued
17 to work directly with our regulator in trying to
18 find further solutions to be able to enhance our
19 efforts.

20 Q Were you concerned that the gaming industry in
21 British Columbia might be being funded to a
22 significant degree by proceeds of crime during
23 your time?

24 A I don't think I had that point of view, no.

25 Q Were you concerned that these hundred thousand

1 dollar buy-ins in \$20 bills might be from an
2 illicit source?

3 A We provided the information to the police. We
4 didn't have the investigative and I certainly
5 didn't have the investigative powers to
6 understand that, but that was part of our role
7 as part of the triangular aspect of this
8 business was to provide that information so that
9 the police were in a position to be able to make
10 those determinations.

11 Q Your investigators were reporting these
12 transactions by and large as suspicious?

13 A Excuse me. Could you repeat that.

14 Q Yes. Your investigators were reporting these
15 transactions by and large as suspicious?

16 A That was the protocol that we undertook when the
17 money was coming in to that magnitude that it
18 would be allocated as a suspicious transaction.

19 Q Did you consider whether or not you had an
20 obligation to turn your mind to the likely
21 source of these funds and consider whether or
22 not as the entity charged with conducting and
23 managing gaming you had an obligation to step in
24 and prevent the receipt of these suspicious
25 funds?

1 A We were a highly regulated business, and never
2 once did our regulator come to us with a
3 specific directive not to accept this cash.
4 FINTRAC, and from my understanding of the
5 regulations as I recall it today, actually
6 wanted us to accept the cash so that they had
7 the data and they were in a position to be able
8 to continue to put their information together in
9 our dealings with the police community. They
10 never came to us and said stop taking the cash.
11 Their perspective was always continue to take it
12 and continue to report so that we can add it to
13 our investigative needs.

14 Q Did FINTRAC communicate to the British Columbia
15 Lottery Corporation that they wanted them to
16 accept the cash regardless of whether there were
17 indicators that it might be proceeds of crime?

18 A I did not have a direct conversation. It's just
19 a recollection that I have with regards to the
20 actual requirements that they wanted us to
21 continue to accept the cash so that the accuracy
22 of the information was intact and also any sort
23 of measures from an investigative perspective
24 that they were going to undertake were based on
25 the facts of these cash transactions.

1 Q Can you provide me -- provide the Commissioner
2 any further information about the source of your
3 belief that FINTRAC wanted the lottery
4 corporation and the service providers to
5 continue to accept this cash?

6 A No. It's just my recollection from the time.
7 Sorry, I don't have anything specific.

8 Q Thank you. Did your team advise you that the
9 Gaming Policy and Enforcement Branch in 2010
10 advised your manager of casinos, security and
11 Vice President Mr. Towns that the RCMP IPOC unit
12 was aware of the issue of large cash buy-ins
13 predominantly in \$20 bills and was seriously
14 concerned that British Columbia casinos were
15 being used as a method to launder large sums of
16 money for organized crime?

17 A I don't have any recollection of that, no.

18 Q Did you make any efforts during your time to
19 reach out to banks to determine the manner in
20 which they would provide large sums of money to
21 somebody who was seeking it and whether it would
22 be even possible to walk into a bank and walk
23 out with \$200,000 in \$20 bills?

24 A We dealt with the banking community on a number
25 of fronts. Most of it was with regards to our

1 abilities to transition away from cash in some
2 of the measures that we had put in front of
3 them, such as electronic transfers, et cetera.

4 Q Did you ask them whether or not somebody could
5 walk in and get \$100,000 in cash in 20s?

6 A I personally didn't have the conversations with
7 the bank. Those were had by our compliance and
8 security folks.

9 Q Okay. Did you receive any information from your
10 compliance and security folks about the
11 plausibility that these cash buy-ins might have
12 come from a bank?

13 A I have no recollection of that. I'm sorry.

14 Q I'm trying to get a sense from you, sir, as
15 you're seeing this, the pattern of cash buy-ins
16 develop, how worried were you about the source
17 of these funds?

18 A My concern was making sure that we continued to
19 work with our regulator and other stakeholders
20 in putting as many measures in place that we
21 could to create a very strong anti-money
22 laundering environment within our casino
23 operations.

24 Q Did any of those measures put in place rules
25 that would prevent the receipt of cash that

1 might be proceeds in entering the casino as part
2 of a money laundering scheme?

3 A My recollection is some of those conversations
4 took place. The challenge was sort of the
5 identification, what was actually proceeds of
6 crime, the identification of, what was actually
7 money laundering, and the identification which
8 was what was legitimate cash coming in. It
9 wasn't -- the burden of proof was not always
10 sort of omnipresent in front of you, so it
11 required in many cases multiple stakeholders to
12 assist in the identification of those
13 situations, and I think our part and role in
14 that was more a function of observing and
15 reporting so that those determinations could be
16 made by both the regulator and by the police
17 organizations.

18 Q Was there any scenario in which you would have
19 instructed your team to intervene to prevent the
20 receipt of suspicious cash?

21 A I think the efforts that we undertook under my
22 tenure in regards to the reduction in the
23 reliance to cash sort of signaled the importance
24 that it represented within the organization. I
25 think by the time at one point we had moved

1 almost a billion dollars into these different
2 measures, which were very effective in regards
3 to protecting the legitimate players and our
4 business.

5 Q Okay. Did you understand that the quantity of
6 cash coming in through large cash buy-ins was
7 increasing or decreasing over time as you were
8 the president?

9 A They increased over the time that I was there,
10 but again I think there were many variable
11 factors that influenced that and I don't think
12 there was a clear determination. We sort of
13 hadn't established a strong baseline in regards
14 to the impact of our changing reporting protocol
15 and the impact of our training, and then sort of
16 subtracting that from the increases to try to
17 understand what the magnitude of growth was, and
18 I have no recollection of sort of the outcomes
19 of that analysis.

20 Q Okay. Was there any scenario in which you would
21 have instructed your team to intervene to
22 present -- prevent the receipt of suspicious cash?

23 A I can't think of one at this particular time,
24 no, in going back those many years.

25 Q The lottery corporation's primary response to

1 these suspicious cash buy-ins during your time
2 was the introduction of cash alternatives?

3 A That was a good portion of it, yes.

4 Q Okay. And the cash alternatives were voluntary
5 in the sense that no player during your time was
6 mandated to use them?

7 A No. Though we did have players that were barred
8 from participating in gambling within our
9 facilities in the province for various reasons,
10 and one of them may have been because of
11 attempted money laundering.

12 Q But repeatedly buying in with six-figure buy-ins
13 in \$20 bills in your time wasn't going to get
14 somebody barred?

15 A It depends on the direction that we had from
16 police and the regulator as to whether they were
17 players of interest that they had investigations
18 and they recommended them be barred. We shared
19 those types of player information with the
20 police and in many cases took their counsel in
21 regards to the severity of the situation and
22 whether a barring was required.

23 Q Okay. The cash alternatives included the
24 introduction of the player gaming fund account?

25 A Correct.

1 Q We've heard some evidence that there was a slow
2 uptake on the part of patrons to make use of
3 these accounts. Is that your recollection?

4 A Yeah. It got off to a good start at the
5 beginning and I don't think it sort of achieved
6 our expectations. It -- but there was still
7 decent enough uptake in regards to the dollar
8 values that were accumulated in those accounts.

9 Q Did the fact that these large and suspicious
10 cash buy-ins were increasing in the face of the
11 introduction of new cash alternatives cause you
12 to question whether the cash alternatives were
13 effective or at least whether they were
14 sufficient?

15 A Again, I think we were still trying to ascertain
16 what the reasons for the increases were, was it
17 the increase in reporting, the increasing
18 training or the actual increase in suspicious
19 transactions.

20 Q But regardless of level of reporting, more cash
21 was coming in; is that fair?

22 A I don't have any recollection from that
23 perspective.

24 Q Do you have a recollection of whether from 2008
25 to 2014 that the quantity, volume of large cash

1 buy-ins increased significantly?

2 A Again, I don't have recollection with regards to
3 the -- what was the factor contributing to the
4 increase, was it the reporting, was it the
5 training, was it a physical increase in the
6 amount. I just have no recollection of the
7 analytics that accompanied that analysis.

8 Q Okay. Revenue was increasing year over year?

9 A As an organization, but it was coming from many
10 facets of the business.

11 Q Okay. One of the things that was suggested as a
12 possible response from members of the Gaming
13 Policy Enforcement Branch and perhaps other
14 circles was the introduction of a cap on the
15 quantity of cash received in respect of any
16 individual buy-in or during a 24-hour period.
17 Was that proposal brought to your attention?

18 A No.

19 Q Did you ever consider whether it might be
20 advisable to cap the quantity of cash somebody
21 could buy in either generally or in \$20 bills in
22 a particular buy-in?

23 A I really don't at this point have a point of
24 view of that. I think, again, we had a lot of
25 legitimate players albeit bringing cash into the

1 business, but that's not something that I can
2 recall any conversations or any plans
3 accordingly to undertake that.

4 Q Okay. Did you consider whether it might be
5 advisable to mandate the use of a PGF account
6 for buy-ins over a certain dollar figure?

7 A I think our first approach to this was to
8 establish it as voluntary. It was -- we had
9 identification because of our process of knowing
10 who the players were. We had contact with them
11 and the ability to talk to them, and I think we
12 wanted to take the approach of a voluntary
13 process before we put in place any sort of
14 mandatory requirements.

15 Q You've talked about the process of knowing who
16 your clients were and there was -- a focus of
17 the lottery corporation was identifying the
18 clients and making efforts to determine whether
19 or not they had sufficient wealth to game at the
20 levels they were gaming at; is that fair?

21 A M'mm-hmm. Yes.

22 Q And we've heard from Mr. Scott, who was the
23 General Manager of GPEB during part of your
24 time, that he was encouraging a transition from
25 a focus not just on source of wealth to a focus

1 on source of funds. Do you recall that?

2 A I do.

3 Q Okay. Why did the lottery corporation not in
4 addition to assessing the source of wealth of
5 its patrons focus efforts on identifying the
6 source of the actual funds being used to buy in?

7 A My recollection at that time is it would have
8 been a collaborative discussion between GPEB and
9 BCLC, and I just don't think we got to that
10 point in regards to identifying how those
11 questions would be asked.

12 Q From -- the six years you were there, 2008, to
13 2014, is it fair to say there was a constant and
14 perhaps increasing concern about what the source
15 of this cash might be?

16 A I think there was a significant desire to
17 understand and to get better clarity of
18 information and why we made the investments in,
19 you know, creating task forces that included our
20 regulator and police organizations, the
21 establishment of analytical teams within our own
22 BCLC environment, et cetera, to really get a
23 better sense and to increase the amount of
24 communication and transparency with those
25 stakeholders to better ascertain the issue.

1 Q You had investigators on site at the large Lower
2 Mainland casinos such as River Rock?

3 A We did.

4 Q You've talked about sort of expanding
5 relationships and partnerships with law
6 enforcement. If you wanted to know where these
7 patrons were getting the 100- or \$200,000 in
8 \$20 bills, why didn't you just ask your
9 investigators to ask them?

10 A My understanding is that we didn't have the
11 authority to be able to have those conversations
12 directly with the players. And again, that's my
13 recollection that authority resided with -- I
14 believe GPEB and the police, but that's my
15 recollection as we sit today of what the
16 environment was like.

17 Q You didn't think your investigator had the
18 authority to just ask a patron, where did you
19 get that money?

20 A No. And I think that was part of the challenge
21 that we had is that we didn't. We were to
22 observe and report and not investigate. And I
23 think that was part of the challenges that some
24 of our investigators actually experienced.

25 Q I wonder if you could help the Commissioner

1 understand, as the body charged with conducting
2 and managing gaming in the province of British
3 Columbia, what would have prevented your
4 investigators from asking a patron where they
5 got the \$200,000 in the grocery store bag from?

6 A I can't recall the specifics, Mr. McGowan, with
7 regards to that, but there was a lot of
8 inconsistency with regards to the
9 responsibilities between GPEB and BCLC, and my
10 sense is is that we just didn't have the
11 responsibility to do that. We were there to
12 observe and report. And one of the reporting
13 entities was our regulator and with the
14 understanding that if they were valid complaints
15 that they would undertake the investigation.
16 That's how I recall it.

17 Q Okay. Did you ever hear anyone from BCLC or
18 otherwise raise privacy concerns as a barrier to
19 inquiring about the source of cash?

20 A I have no recollection of that, no.

21 Q Okay. Was one of the reasons the lottery
22 corporation was slow to mandate use of PGF
23 accounts or put in place a cash cap a concern
24 about the impact on revenue?

25 A No.

1 Q Did you receive pressure from government to
2 maximize revenue during your time?

3 A I was always asked to deliver on our budgets and
4 we were a significant contributor to treasury
5 within the government of British Columbia, so
6 our continued growth of the organization was one
7 of the mandates that had been provided to me.

8 Q Okay. If we could turn up paragraph 24 of the
9 witness's affidavit, please.

10 I just wanted to ask you about a report you
11 reference here. You mention being provided with
12 a draft "Anti-Money Laundering in BC Gaming -
13 Measuring Performance Progress." What was that
14 report?

15 A It was a report put together by GPEB with
16 regards to the metrics with all the initiatives
17 we had undertaken and fundamentally how they
18 were doing.

19 Q Okay. And who was the report prepared for?

20 A I assume for government.

21 Q And you provided some feedback on this report?

22 A We did.

23 Q You and your team. And you say "both Brad" --
24 I'm just reading from paragraph 24, third
25 sentence in:

1 "Both Brad Desmarais, BCLC's Vice
2 President of Corporate Security and
3 Compliance, and I thought the report
4 contained statements that did not
5 accurately reflect the circumstances at
6 the time, and we asked GPEB to reconsider
7 specific statements or characteristics,
8 and in particular to avoid using
9 speculative language or asserting
10 conclusions that were not based in fact."

11 What was the speculation or assertions not based
12 in fact that you were concerned about?

13 A I think there were some terminology in sort of
14 utilizing the term "belief" which were
15 speculative, and I think in a report like this
16 it was designed to provide a clear assessment as
17 we knew it from a factual representation, so
18 there were a couple of issues that we suggested
19 maybe the wording change a little bit to reflect
20 that and not have a speculative nature to it.

21 Q I wonder if you can assist with what the
22 speculative beliefs that you objected to were.

23 A I think it -- I can't remember specifically what
24 particular issues there were, but I think it was
25 probably more around, again, as you have

1 questioned on numbers of occasions, the
2 situation with regards to the increase in large
3 cash transactions, and a lot of it would have
4 been on the function of making sure that we are
5 allocating fair representation of the efforts
6 that we've undertaken to increase our reporting
7 protocols, training and those types of things.

8 Q Were you objecting to or concerned about the
9 Gaming Policy and Enforcement Branch raising to
10 government a concern that British Columbia
11 casinos might be being used to launder proceeds
12 of crime?

13 A No, not at all.

14 Q I wonder if we could please have exhibit 18 to
15 Doug Scott's affidavit displayed.

16 Mr. Scott gave some evidence and he's put
17 before the commission this email. It's an email
18 to him and others from Suzanne Dolinsky. Do you
19 know who Ms. Dolinsky is?

20 A Yes.

21 Q Who is she?

22 A She was the Vice President of government
23 relations and responsible gaming for BCLC.

24 Q Okay. And she is copying you and Mr. Desmarais
25 with this?

1 A M'mm-hmm, yes.

2 Q And was this a -- this is an email communicating
3 some of the concerns that you reference in
4 paragraph 24?

5 A Correct.

6 Q And one of the -- and did you approve the
7 sentiments expressed in this prior to it being
8 sent over?

9 A I wasn't in the meeting, and so this would have
10 likely been a collection of feedback from the
11 security and compliance group and Susan's team,
12 I would suspect.

13 Q Did you review the email at the time?

14 A I don't believe I did review this email. I was
15 copied on it. When I say I didn't review it,
16 before it went out.

17 Q Thank you. That can come down now, Madam
18 Registrar.

19 Were you concerned -- were you objecting to
20 or your team objecting to, to your recollection,
21 communicating to government that the funds that
22 were being bought in were believed to be
23 proceeds of crime?

24 A No.

25 Q You were aware of that concern. Is that a

1 concern that you communicated to government?

2 A I have no recollection of what I communicated to
3 government on that particular subject, but --
4 sorry.

5 Q You speak in your affidavit about BCLC's
6 relationship with police, and at paragraph 26
7 you say:

8 "During my time as President and CEO,
9 BCLC's Security and Compliance Division
10 had strong relationships with police and
11 worked cooperatively with them when
12 significant issues arose requiring police
13 involvement."

14 Did you see the issue of these large cash
15 buy-ins as a significant issue that required
16 police involvement?

17 A We did report them to them, yes. And there were
18 other sort of stakeholder groups that were
19 established where these types of transactions
20 were discussed and our security and compliance
21 people would have been in fairly regular contact
22 with the police in regards to the patterns and
23 the individuals, et cetera.

24 Q Did you think the patterns and magnitude of
25 these cash buy-ins was a significant enough

1 issue that it required police involvement?

2 A Part of from our perspective is we had a mandate
3 to observe and report, and one of those mandates
4 was to report to police any activity of a
5 suspicious nature, and we undertook that
6 responsibility and engaged them accordingly.

7 Q Okay. And did you think the issue was such that
8 it warranted a police investigation?

9 A We provided the information to them. Whether it
10 warranted investigation was a decision the
11 police needed to make, not us.

12 Q You presumably had a -- well, did you have a
13 desire to determine what the source of this cash
14 was?

15 A Yes. And I think as we continued to sort of
16 increase our efforts of observing and reporting,
17 getting a sense of where those cash came from
18 was important. Where and when it was identified
19 through investigative means by other
20 stakeholders, we took action like barring
21 customers that had been identified by police or
22 the regulator as potentially bringing
23 significant cash into the business that would
24 have maybe been proceeds of crime.

25 Q Was your team undertaking any efforts that was

1 going to enlighten you as to the source of the
2 cash?

3 A I have no recollection. But I'm going to make
4 the assumption yes, that they were continuing to
5 look at those avenues as well.

6 Q Well, can you point to any action undertaken by
7 BCLC personnel that was going to provide further
8 insight into the source of the cash?

9 A I can't recall anything offhand now. It's been
10 many years since I was there, so ...

11 Q In some senses were you waiting for police to
12 investigate and come to a conclusion and advise
13 you of that?

14 A I think at the -- we were looking for input from
15 all of our stakeholders in regards to direction.
16 We sort of undertook our role to observe and
17 report. There was a lot of interface between
18 the regulator and police and ourself through
19 different task forces, so we, you know,
20 continued to provide what had been required and
21 agreed, sort of in this triangular sort of
22 relationship to ensure we were all working and
23 rowing in the same direction in regards to
24 trying to get better identification and better
25 resolve to some of these issues that were in

1 hand.

2 Q During your time with the lottery corporation
3 did you ever understand there to have been an
4 investigation undertaken by law enforcement
5 related to the large sums of suspicious cash
6 entering British Columbia casinos?

7 A I'm not aware of any, no.

8 Q Did you ever reach out to the minister
9 responsible and seek assistance in prompting
10 such an investigation?

11 A I don't recall. I'm sorry. Whether those
12 conversations took place or not.

13 MR. MCGOWAN: Turn up paragraph 38 of the witness's
14 affidavit, please.

15 Q You're speaking here, sir, I think you'll agree,
16 of the report authored by Mr. Kroeker?

17 A Yes.

18 Q In, I believe, 2011.

19 A M'mm-hmm.

20 Q And he made several recommendations related to
21 the lottery corporation?

22 A Correct.

23 Q And I want to ask you about one.

24 Subparagraph (c) you reference the

25 recommendation that the lottery corporation

1 cease viewing gaming losses as evidence that the
2 patron is not involved in money laundering. Let
3 me ask you first, prior to the report coming out
4 is that a view that you held?

5 A I can't recall what my view back in 2011 was.
6 I'm sorry.

7 Q What did you understand Mr. Kroeker to be
8 suggesting with this recommendation?

9 A I think he felt that sort of the investigative
10 side of our business the pendulum was too far to
11 one side in regards to unbiased reflection on
12 money laundering and that they needed to broaden
13 their perspective in regards to the different
14 layerings that could take place, et cetera, and
15 that though it seemed at the time the feeling
16 within that group was that if you lost all your
17 money you weren't money laundering that that
18 wasn't necessarily an accurate approach to take.
19 And, you know, I think the value of these
20 reports is they validate the work that you're
21 doing and they also provide recommendations and
22 insights into things you're missing, and I think
23 in this particular situation Mr. Kroeker's
24 recommendations were very valid and we undertook
25 to broaden that perspective with our people.

1 Q One of the other things Mr. Kroeker recommended
2 in that recommendation was that the corporation
3 should better align its corporate view and staff
4 training on what constitutes money laundering
5 with that of enforcement agencies. Do you
6 recall that?

7 A Yes.

8 Q What steps did you take to implement the
9 recommendation that gaming losses not be viewed
10 as evidence that there's no money laundering and
11 to realign the corporate culture?

12 A Yeah, really to enhance the training and ensure
13 that all the individuals who are related to this
14 went through a process and fully understand one,
15 the issues that Mr. Kroeker put forward, but
16 two, the opportunity to change the culture and
17 start to look at it with a different
18 perspective.

19 Q Did you have brought to your attention a theory
20 that high-level patrons might be borrowing
21 street cash or proceeds of crime and buying in
22 with it and that was the source of the 20s and
23 that those debts were being repaid in some other
24 fashion, perhaps in some other jurisdiction, and
25 through that process the street cash was being

1 laundered?

2 A I had heard that as a theory, but it was
3 never -- I can't say to you today whether that
4 concept was validated or not.

5 Q Okay. Regardless of whether it was validated,
6 could you conceive of a theory that would
7 explain in a legitimate way the nature and
8 magnitude of buy-ins that were occurring at
9 Lower Mainland casinos?

10 A There was a lot of theories about the potential
11 of, you know, underground banking and different
12 mechanisms that existed in the community, being
13 able to have accessibility to cash, and there
14 was a lot of work undertaken by the team during
15 my time there, and I understand after, in
16 regards to getting a better understanding of
17 that sort of environment that existed.

18 Q Okay. You reference in your affidavit a letter
19 from a Mr. Schalk to a Mr. Hodgkin?

20 A M'mm-hmm.

21 Q And I gather from your affidavit that you had
22 some real concerns about the tone of that
23 correspondence and some of the conclusions that
24 were reached in it?

25 A Correct.

1 Q Leaving aside the tone of the letter, did the
2 facts contained communicated in that letter
3 cause you concern about what might be taking
4 place at British Columbia casinos?

5 A What I did when we saw the letter is have our
6 folks go back and validate the facts in regards
7 to what was actually happening, which
8 Mr. Hodgkin did, and that was contained in my
9 response to Mr. Scott and the certain areas
10 where we believed that the information that he
11 was providing was inaccurate.

12 Q Okay. I wonder if we can turn up exhibit C to
13 Mr. Graydon's affidavit. The letter dated
14 December 27th, 2012.

15 Thank you. One of the things that
16 Mr. Schalk communicates in this letter --
17 leaving aside the tone for a second -- is that
18 during a period of September 1st, 2010, to
19 August 31st, 2011, during that one-year period,
20 there was suspicious cash transactions in the
21 amount of approximately \$40 million. Did you
22 validate that figure?

23 A I believe they did, yes.

24 Q Okay. Was that volume of suspicious cash
25 transactions over the period of a year something

1 that caused you to be concerned?

2 A I think our protocols with regards to reporting
3 is any large transaction to that magnitude was
4 classified as suspicious.

5 Q Okay. Looking at the bottom two bullet points,
6 Mr. Schalk communicates that the top patron, I
7 assume in terms of dollar value:

8 "... had suspicious currency buy-ins in an
9 amount totalling almost \$6 million over
10 the span of a year."

11 He goes on to say:

12 "The vast majority of suspicious currency
13 buy-ins were in \$20 [bills]."

14 Did it concern you that a patron over the span
15 of a single year bought in with almost
16 \$6 million in cash?

17 A To those outside the gaming industry, it seems
18 like a lot of money, but there was some very
19 significant high net value players that did
20 gamble with that magnitude of velocity within
21 our facilities.

22 Q But regardless of the wealth of the patron, did
23 you turn your mind to where somebody gets
24 \$6 million in cash in predominantly \$20 bills?

25 A Our team was working on trying to identify that,

1 working with our regulator and working with
2 police to ascertain sort of the source of cash,
3 yes.

4 Q Can you turn your mind to whether the most
5 likely explanation would be one that involved
6 illicit proceeds?

7 A It is potentially one of the alternatives, but I
8 think there were other alternatives that
9 existed, and I think, again, our process was to
10 try to bring as much factual information to the
11 discussion as possible. And that's what we
12 endeavoured to do.

13 Q What were the other alternatives?

14 A Well, there was a philosophy out there that
15 there was a significant underground banking
16 community that existed within the gambling
17 community, shall we say, the people that had
18 access, so trying to better understand that, was
19 it, you know, the intensity of that, was it
20 illicit dollars, was it not. Again, we didn't
21 have a lot of investigative authority, so our
22 portion of the contribution to that
23 investigative process was to provide the
24 information we could to our regulator and to
25 police and hopefully find cooperative actions

1 that could be undertaken.

2 Q If we could turn the page, please. Page 2 of
3 the letter.

4 Mr. Schalk said -- so we saw on the
5 previous page a 12-month period of almost
6 \$40 million in cash buy-ins. He sets out that
7 between the period -- the nine-month period
8 between January 1st and September 30th, 2012,
9 there were 63 million and change in large
10 suspicious buy-ins, 44 million of which over
11 70 percent was in \$20 bills. Did you confirm
12 that figure?

13 A I believe they did, yes.

14 Q Were you concerned about what appeared to be a
15 substantial increase in cash buy-ins largely in
16 \$20 bills in the face of your organization
17 pushing cash alternatives?

18 A Again, I think it was also at a time that we
19 were increasing our reporting protocols and
20 increasing the amount of training that we were
21 doing, so there were a number of factors that
22 impacted these numbers going up.

23 Q Was the quantity of cash buy-ins in
24 predominantly \$20 bills of concern to you when
25 you read this letter?

1 A I was aware. This letter didn't provide me any
2 information that we didn't already have. We
3 knew that there was a high dominance of
4 \$20 bills within cash buy-ins.

5 Q Was that a concern to you?

6 A Enough that we worked to try to create cash
7 alternatives so that we could reduce the
8 reliance on cash within the facilities and
9 reduce the amount of \$20 bills coming in, any
10 cash coming into the facility.

11 Q But did you see the increase and the magnitude
12 of cash buy-ins as evidence that your cash
13 alternatives weren't having the desired effect?

14 A Our cash alternatives had just been put in place
15 and it took time for them to materialize into
16 value. As I said, we took almost a billion
17 dollars out of the cash transactions that
18 existed within our facilities, which is a fairly
19 significant, I think, measure moving forward to
20 try to eliminate the 100 percent reliance on
21 cash.

22 Q Do I take it from your answer that you were
23 satisfied with the performance of cash
24 alternatives in this time period?

25 A They were continuing to have effect, yes, and

1 needed to continue to be improved, expanded, so
2 to review, analyze, establish new best practice.
3 And money laundering, you know, during this time
4 was still to a certain extent in its infancy in
5 regards to this industry, and I think the
6 measures that we took based on many third party
7 evaluations that we were putting the proper
8 measures in place to deal with money laundering.

9 Q The letter sets out at the top third paragraph
10 from the bottom the top 22 patrons had
11 suspicious cash transaction buy-ins totalling
12 \$45 million. That's over 2 million per patron.
13 Did you consider in the face of this evidence
14 whether you should put in place some mechanism
15 to inquire of these 22 patrons where they were
16 sourcing the cash?

17 A Again, I don't think that at the time -- and
18 this is, please understand, my recollection of
19 the situation almost 10 years ago -- I didn't
20 think that we had the authority to question the
21 customers, is my recollection today, that that
22 was the responsibility of other stakeholders.

23 Q You're referring to Gaming Policy and
24 Enforcement Branch?

25 A Yes. I believe so. Again, it's my recollection

1 of the situation.

2 Q Mr. Scott's evidence was that he was encouraging
3 you and BCLC to interview the patrons regarding
4 the source of the cash they were buying in with.
5 Do you recall that?

6 A No, I don't. And if that was the case, then,
7 you know, we worked very cooperatively with
8 GPEB, then, you know, potentially those things
9 started to happen. I just have no recollection
10 of what undertook based on Doug's recommendation.

11 Q If we could turn up paragraph 47 of the
12 witness's affidavit, please. It's page 18.
13 Page 18.

14 You're speaking here, sir, about a
15 perceived tension between certain members of the
16 British Columbia Lottery Corporation and the
17 Gaming Policy and Enforcement Branch, and I
18 gather from your affidavit and some evidence
19 we've heard that was primarily focused on the
20 security and investigation teams.

21 A Entirely.

22 Q Okay. And you've set out what you viewed to be
23 certain reasons for this and the first you say
24 is potential personality conflicts and the
25 second is the scope of authority. It's the

1 third reason I'd like to ask you about. You
2 say:

3 "Third, GPEB investigators sometimes
4 appeared to assume that any increase in
5 the number of large or suspicious
6 transactions necessarily indicated that
7 money laundering was on the rise in
8 casinos, while BCLC thought it advisable
9 not to draw such conclusions without there
10 having been an appropriate investigation
11 into the facts by the appropriate
12 regulatory or law enforcement agency."

13 So I wanted to ask you why was it advisable not
14 to draw conclusions based on the evidence you
15 had before you?

16 A I think from our experience, or at least my
17 experience, as the Kroeker Report identified in
18 regards to BCLC that maybe we were too far over
19 to the right on the pendulum in regards to
20 identification of money laundering, I think our
21 sense was that the GPEB investigators were on
22 the far left-hand side, that every large
23 transaction was in fact money laundering or
24 proceeds of crime. So I think it was more about
25 how do we get facts and get to a middle ground

1 in regards to understanding. And I think both
2 organizations to a certain extent looked at it
3 differently and, you know, the Kroeker Report
4 identified the flaws in the perspective for BCLC
5 and we worked to address that.

6 Q Is the concern arising here a perception that
7 GPEB was forming its viewed based solely on the
8 amount of cash coming in?

9 A That was the sense that I had in regards to it,
10 yes. You know, when relationships at that level
11 go sour, objectivity sometimes isn't always
12 applied, so there was this very strong sort of
13 competitive sense that existed between those two
14 groups.

15 Q Did it occur to you that their conclusion might
16 be based not just on the value but also on the
17 fact it was primarily \$20 bills often arriving
18 late in the evening in \$10,000 bricks wrapped in
19 elastic bands being presented at the cash cage
20 in grocery store bags and the like?

21 A I have no idea what sort of drove their
22 perspective to it. From our perspective, there
23 was an element of this does happen. Time of day
24 from my perspective probably is irrelevant, but
25 it's -- it is how the business was conducted.

1 Q Looking back, do you think it might have been
2 appropriate for the lottery corporation to take
3 a look at the facts before it and make a
4 reasonable assessment based on the evidence
5 available to it and take action based to prevent
6 a risk even if in the mind of BCLC that risk had
7 not been established or confirmed beyond any
8 doubt?

9 A Well, again, when you start to look at it the
10 number of players involved was actually a fairly
11 small group of players in comparison to the
12 overall magnitude of customers that we had in
13 our businesses, and so I think there were
14 potentially opportunities as we move forward,
15 but our efforts were very much focused on the
16 reduction of cash in the business, and we felt
17 strongly that those measures would have an
18 effect in regards to minimizing the amount of
19 potential for money laundering in our
20 facilities.

21 Q What did you -- did you come to form a view as
22 to the likelihood that this cash or some of it
23 was proceeds or that there might be laundering
24 that was actually taking place in British
25 Columbia casinos?

1 A The amount of time, effort and investment that
2 we made in this would indicate that we wanted to
3 make sure that we created a safe regime, and if
4 there was no intention or no probability of
5 money laundering, then we obviously wouldn't
6 need anti-money laundering programs. The fact
7 that we were primarily a cash-based business, we
8 were vulnerable to those types of things and
9 invested heavily in regards to trying to
10 mitigate the risks that exist.

11 Q You reported to four successive ministers during
12 your time with the lottery corporation?

13 A I did, yes.

14 Q Mr. van Dongen, Mr. Coleman, Ms. Bond and Mr. de
15 Jong?

16 A Correct.

17 Q And you say in your affidavit that you had
18 regular one to one communications with the
19 ministers?

20 A Yeah, they varied depending on the individual
21 minister, but yes, we did have lots of --

22 Q Did you -- sorry, go ahead.

23 A No, it's fine.

24 Q Did you have routine personal meetings, whether
25 in person or over the telephone, with each of

1 the ministers?

2 A Yes.

3 Q And did you address with each of them the issue
4 of large cash coming into casinos and concerns
5 surrounding it?

6 A We had conversations with regards to that and
7 the efforts that we were undertaking in
8 collaboration with GPEB to address it.

9 Q Did you advise each of the ministers that there
10 were large cash buy-ins, six-figure cash buy-ins
11 predominantly in \$20 bills being used to buy in
12 at Lower Mainland casinos?

13 A I believe they were familiar with that, yes.

14 Q You believe that based on your conversations
15 with them?

16 A I can't recall the specifics, but I could
17 suggest that either myself or the ADM for GPEB
18 would have brought them up to speed on those
19 facts.

20 Q Did you raise with them the possibility that
21 some of these funds might be proceeds of crime?

22 A I have in recollection of that.

23 Q Okay. Did you communicate them the manner in
24 which these funds were regularly being presented
25 in the cash cage in the way we've discussed?

1 enhance.

2 Q Were you provided direction or pressure from any
3 of the ministers to maximize revenue or increase
4 revenue?

5 A Achieving our goals was something that was an
6 expectation of each of the ministers that I
7 reported to. We put a budget in front of them
8 at the beginning of the year and there was an
9 expectation that we would achieve that and
10 during my tenure we accomplished that.

11 Q Did you have discussions about how to accomplish
12 that in the face of your -- responsibly in the
13 face of your dual mandate given the concern that
14 some of the proceeds that were being -- some of
15 the funds that were being used to buy in with
16 might be illicit?

17 A Yeah, two major conversations that took place on
18 a regular basis were our AML efforts in making
19 sure that we were doing everything we could to
20 address that and the other one was responsible
21 gaming. Each minister that I had the privilege
22 of reporting to believed strongly in social
23 licence, and it was very important that we
24 maintain that, and that was a strong principle I
25 brought to this role. I believe strongly that

1 the growth and success of the organization was
2 dependent on our social license, and it was
3 importance for us to establish that, take as
4 many measures as we could, and we did. We took
5 significant efforts on AML, and we developed a
6 world-class, world-recognized responsible gaming
7 program and GameSense as well, and so government
8 continued to reenforce the importance of those
9 initiatives were within the overall scheme of
10 the business.

11 Q Okay. And was there a sense of pressure within
12 your organization partly driven by you to ensure
13 that financial targets were hit?

14 A I -- my business philosophy is pretty simple.
15 We take accountability for the budgets. We have
16 the ability to create them. They're usually
17 zero-based budgeting. And we have
18 accountability to deliver on those, so we take
19 the measures that we can to achieve that.

20 MR. MCGOWAN: If we could have exhibit 518, please.

21 Q Sir, this is an email to a number of individuals
22 and I gather that's the -- those are BCLC
23 executives?

24 A That's my senior leadership team at the time.

25 Q From you?

1 A Yes.

2 Q Just skipping the first sentence, the letter
3 says:

4 "I want to stress to the group that it's
5 absolutely critical that we come in on
6 budget from a net income perspective this
7 year and I expect every one of you to make
8 all-out effort to achieve that. If we do
9 not, I want to be very clear that there
10 will be no opportunity to pay out
11 incentives this year. The tone in
12 government is not good these days, and to
13 not achieve budgets and then pay out
14 incentives will not fly. So remember the
15 consequences you will unleash if you do
16 not participate with some energy through
17 this process."

18 When you say "the tone in government is not good
19 these days" what are you referring to?

20 A My sense is they had more initiatives that they
21 wanted to undertake than they did money, and so
22 they counted on the contribution that we had
23 agreed to in our budget, and they were insistent
24 that we deliver on what we had planned. And
25 this note was designed to reinforce that.

1 Q And I gather to reinforce that bonuses or
2 holdbacks will not be paid if those targets are
3 not hit?

4 A It's a tool that a CEO has at their disposal
5 with regards to trying to incentivize people to
6 action. In some cases it was as much as
7 20 percent of these individuals' compensation.
8 So we were a large organization with lots of
9 opportunities for creative sources of revenue
10 through new product development, and we also had
11 fairly significant discretionary funds within
12 the organization that needed to be reviewed on
13 the premise of achieving our targets.

14 MR. MCGOWAN: If we could have exhibit 519, please.

15 Q Again, just skipping the first sentence, again,
16 an email from you to your leadership team:

17 "I want to ensure everyone understands
18 that it is not a process of negotiation
19 but rather targets I have signed off on
20 with the full expectation of you hitting
21 these numbers. It's imperative that your
22 division comes in with these numbers or
23 better. As I have said before, Victoria
24 is not keen to pay incentives if budgets
25 are not met, and I do not want the company

1 to be put in that position, so let's

2 please work together to ensure success."

3 Sir, again, I take it "Victoria" is a reference
4 to government.

5 A Yes.

6 Q Who in government was telling you that they're
7 not going to be keen to pay incentives if you
8 don't hit your budgets?

9 A Well, we know that's the process in regards to
10 our incentive programs if we do not hit targets,
11 then they will not pay -- that our board would
12 not authorize the payment of incentive payments.

13 Q Had anyone in government during the time period
14 of this correspondence, December 2011,
15 communicated to you that government's desire to
16 have you hit targets?

17 A I think it was part of the ongoing discussion
18 with government, how are you doing against your
19 budget; any surprises; are you going to achieve,
20 and those were discussions that took place on a
21 regular basis, and I updated them on our
22 performance related to plan.

23 Q Was it also communicated, if you don't hit those
24 targets, we won't be inclined to pay incentives?

25 A They didn't need to tell me that. I already

1 knew that. That was sort of the arrangement in
2 regards to how incentive payouts were designed
3 within our organization.

4 MR. MCGOWAN: Could we please have BCLC0013084.

5 Q Another email, sir, from you to your leadership
6 team. This is one that was --

7 THE REGISTRAR: Sorry, I just need one second.

8 MR. MCGOWAN: March 23rd is the date, Madam
9 Registrar.

10 Q Is this, again, an email from you to your
11 leadership team?

12 A Correct.

13 Q You start off, you say:

14 "As you all know, our shareholder has a
15 real keen desire to increase revenue. The
16 real focus is the 2013/14 year, and the
17 target I have been challenged to think
18 about is an incremental \$40 million in net
19 income."

20 I think -- yeah, incremental --

21 A Yes.

22 Q -- \$40 million in net income. When you refer
23 to the shareholder, who are you referring to?

24 A Government.

25 Q Okay. And this is, again, encouraging your team

1 to maximize revenue and in fact increase by
2 \$40 million in net income?

3 A Correct.

4 Q And I've read through these -- and these are a
5 few examples but communications like this were
6 sent periodically from you to your leadership
7 team?

8 A Correct.

9 Q Looking through this correspondence, some other,
10 what I don't see here, sir, is any reference to
11 the dual mandate. Were you at all concerned
12 that correspondence of this nature focusing
13 solely on one aspect of the mandate might lead
14 your team to the view that the organization
15 prioritized revenue over social responsibility?

16 A No. That was not part of the principles of the
17 organization, and I would -- as each of the
18 emails indicated, please bring your thoughts and
19 ideas to our executive committee meeting. Those
20 would have been discussed in collective terms
21 and no sacrifices on things like responsible
22 gambling or AML would have entered into these
23 discussions whatsoever. We took our mandate in
24 regards to responsibly manage and conduct true
25 to heart and it would have no implications in

1 regards to these types of communications, nor
2 did I feel I needed to remind them because I
3 think it was engrained within the organization.

4 Q Are those other aspects of your mandate such as
5 AML considerations referenced in these revenue
6 letters -- revenue emails?

7 A Not in these particular ones, but we -- this
8 was -- again, we're a very large, complex
9 organization that had significant discretionary
10 expenses. We also had significant creative
11 projects underway in regards to new revenue
12 generation and the opportunity to increase or
13 reduce the amount of time to market, et cetera,
14 could all be undertaken. And that was the
15 essence and theme of these was about that, not
16 turning a back onto the social requirements or
17 anything. That was far from it. And the
18 investments in those areas continued even
19 through these challenging times on occasion when
20 we were under pressure.

21 Q With the benefit of reflection and given the
22 information now available to you, do you believe
23 that significant quantities of proceeds entered
24 British Columbia casinos during your time as
25 president?

1 A I really don't have -- I don't have the facts on
2 that in regards to the actual quantities and
3 numbers, so it would be only speculative in
4 nature, and I'm not prepared to speculate.

5 MR. MCGOWAN: Thank you for answering my questions,
6 sir.

7 Mr. Commissioner, those are my questions.

8 THE WITNESS: Thank you, Mr. McGowan.

9 THE REGISTRAR: Sorry, Mr. McGowan. Sorry to
10 interrupt. Do you need to mark the last
11 document as an exhibit?

12 MR. MCGOWAN: Yes. I neglected to ask that. Thank
13 you for the reminder.

14 THE COMMISSIONER: Yes. That will be the next
15 exhibit then, Madam Registrar. Thank you.

16 THE REGISTRAR: Exhibit 577.

17 **EXHIBIT 577: Email from Michael Graydon re**
18 **Revenue - March 23, 2012**

19 THE COMMISSIONER: Thank you. I'll now call on
20 Ms. Chewka on behalf of the province, who has
21 been allocated 25 minutes.

22 MS. CHEWKA: Thank you, Mr. Commissioner.

23 **EXAMINATION BY MS. CHEWKA:**

24 Q Mr. Graydon, can you hear me okay this morning?

25 A Yes, Ms. Chewka. Thank you.

1 Q Thank you. Mr. Graydon, in your affidavit and
2 in your testimony this morning you describe BCLC
3 as having a dual mandate; is that correct?

4 A Correct.

5 Q And am I right in understanding that the dual
6 mandate is on the one hand to generate revenue
7 for the province but to do so in a way that is
8 consistent with the legal and regulatory
9 framework?

10 A Correct.

11 Q Now, the legal and regulatory framework which
12 you refer to in your affidavit, that would
13 include the FINTRAC requirements, for example?

14 A Yes.

15 Q And it would also include the *Gaming Control*
16 *Act*; is that right as well?

17 A Correct.

18 Q And under the *Gaming Control Act*, BCLC is
19 responsible for the conduct and management of
20 gaming?

21 A Correct.

22 Q And you depose that that means conducting and
23 managing gaming in a socially responsible
24 manner?

25 A Yes.

1 Q And today I think you elaborated to say that it
2 also means in an ethical and responsible manner
3 as well?

4 A Correct.

5 Q And that your growth as a business was dependent
6 on your social licence. Would you agree with
7 that?

8 A Yes. It was a contributing factor to it, yes.

9 Q And so with that context, you'll agree with me
10 that BCLC was committed to tackling issues like
11 money laundering in its casinos?

12 A Yes, we were.

13 Q And at paragraph 11 of your affidavit you state
14 that BCLC -- and you can turn to that if it's
15 helpful. And I'm just reading from the first
16 line but the second sentence:

17 "It never let the realization of
18 government's financial targets come at the
19 expense of its mandate to conduct and
20 manage gaming in a socially responsible
21 and legally compliant manner."

22 Do you agree with that?

23 A I do.

24 Q And so as President and CEO of BCLC, you took
25 the anti-money laundering initiatives seriously?

1 A Very much so.

2 Q And you were receptive to suggestions on how to
3 improve anti-money laundering efforts?

4 A Yes, we were.

5 MS. CHEWKA: Madam Registrar, if I could please have
6 exhibit 511, please. Thank you.

7 Q Mr. Graydon, you'll see here this is an email
8 chain from 2009, and in the first email -- this
9 is an email from Mr. Bill McCrea, and he notes
10 here that:

11 "Derek and I had a conference call with
12 BCLC -- "

13 And he refers to yourself and Terry Towns and
14 other individuals.

15 " -- this afternoon to review their
16 progress toward understanding risks and
17 controls around large and suspicious cash
18 transactions."

19 And then he says further down:

20 "The attached two files provide work done
21 by BCLC since our last discussion in
22 April."

23 I'm going to skip a couple lines again, and it
24 says:

25 "The second document develops a comparison

1 transactions, and/or situations where cash
2 is involved, within a commercial gaming
3 facility, that must be refused by a
4 service provider and reported to GPEB,
5 Investigation Division via a Section 86
6 Report."

7 A M'mm-hmm.

8 Q And so would you agree with me that GPEB
9 identified in this document their concerns
10 regarding suspicious activity?

11 A Sure, yes.

12 Q And would you agree that GPEB is suggesting that
13 service providers should be refusing the cash?

14 A It's not how I interpreted it at the time,
15 but -- and there were no official directives to
16 us to do that that I can recall.

17 Q Well, I mean, I'm going to read it again, it
18 says:

19 "Suspicious activity in relation to the
20 handling of cash."

21 And it refers to "within a commercial gaming
22 facility that must be refused by a service
23 provider and reported to GPEB." I mean, how
24 else can we interpret that but --

25 A Yeah.

1 Q -- refuse the cash --

2 A Now I don't -- again, this is a long time ago.
3 I don't remember the specifics of this
4 particular situation, but -- I don't know what
5 else --

6 Q But you would agree -- I apologize.

7 A No, it's okay. Go ahead.

8 Q Do you agree with me that the language here is
9 quite clear that GPEB is commenting on
10 suspicious activity and indicating that it ought
11 to be refused by a service provider?

12 A Yes.

13 Q And the next column over sets out the applicable
14 FINTRAC requirements in this context. It sets
15 out the reporting requirements for suspicious
16 transactions. Would you agree with that?

17 A Yes.

18 Q And then BCLC's commentary is set out in the
19 next two boxes, both the one directly to the
20 right and the one below. And I'll draw your
21 attention to the first paragraph of the box
22 below. It states -- this is BCLC's commentary:

23 "The FINTRAC requirement is to report, not
24 refuse suspicious transactions. The only
25 transactions that are currently refused

1 are those where the information
2 requirements are not met (i.e. no ID is
3 provided)."

4 A Okay.

5 Q Would you agree with me at that point in time
6 that would accurately summarize BCLC's position
7 on suspicious activity and it's consistent with
8 your evidence, the idea was you're responsible
9 for observing and reporting?

10 A Correct.

11 Q But would you agree with me that BCLC's
12 obligations were broader than simply the FINTRAC
13 reporting obligations?

14 A Yes.

15 Q In fact, BCLC was responsible for the conduct
16 and management of gaming?

17 A Correct.

18 Q I'd suggest to you that the reason why BCLC
19 didn't want service providers refusing the cash
20 is because you were concerned with the potential
21 loss of revenue that could have. Is that an
22 accurate assertion?

23 A Not totally accurate, no.

24 Q But partially accurate?

25 A Our perspective was is that we wanted to

1 identify the cash that was coming in that was
2 money laundering and eradicate it from the
3 system, and make sure that we had good, clear
4 identification of the money that was legitimate
5 so that it could be transitioned into revenue.

6 Q You'll see in the bottom right-hand corner
7 commentary box, if we continue reading it says:

8 "The impact of refusing all transactions
9 is uncertain and could lead to missing
10 opportunities to detect money laundering
11 as well as probable loss of business and
12 over-reporting to FINTRAC."

13 So would you agree to me one of the concerns you
14 had with service providers refusing cash would
15 be a potential loss of business and loss of
16 revenue?

17 A If they were legitimate players that potentially
18 would have been turned away from the facility
19 incorrectly, then yes, it would have had an
20 impact, but we weren't in a position where we
21 wanted to necessarily take money into the
22 organization that was for the sole purpose of
23 money laundering. It wasn't sort of in the
24 principles and it wasn't part of that process of
25 ascertaining potential revenue. It was quite

1 the contrary.

2 Q But you would agree that one of the reasons why
3 BCLC didn't take steps to direct service
4 providers to refuse cash is because of the
5 potential loss of business?

6 A No. We didn't direct them at the time until we
7 fully understood what was truthfully money
8 laundering and/or significant criminal intent
9 versus legitimate play. In our dual mandate we
10 also had a requirement in regards to the
11 financial performance of the corporation, and so
12 we didn't want to necessarily impact that
13 negatively by making mistakes in regards to
14 refusing play from legitimate players so that it
15 required a process of investigation and
16 understanding so that the magnitude of the issue
17 and the clarity of the issue could be better
18 determined.

19 MS. CHEWKA: Madam Registrar, if I could have
20 document number BCLC0013118 on the screen,
21 please.

22 Q Mr. Graydon, this is an email dated
23 December 14th, 2012, and it's addressed to you,
24 and it's from Bryon Hodgkin. Would you agree
25 with that?

1 A Yes.

2 Q Can you advise Mr. Commissioner who Mr. Hodgkin
3 is, please.

4 A Bryon was in our security and compliance group
5 and my impression had the lead on money
6 laundering initiatives within the organization.

7 Q And the subject line of this email is "FINTRAC
8 audit." And in the first paragraph there
9 Mr. Hodgkin is describing a debrief that he had
10 with FINTRAC and he states that it was -- it's
11 been completed and that it was generally good.
12 But what I'd like to draw your attention is to
13 is actually the fourth paragraph down where
14 Mr. Hodgkin states:

15 "They --"

16 Being FINTRAC.

17 "-- also feel that we need to have the
18 service providers ask where the money
19 comes from if someone attends with an
20 inordinate amount of cash. We will move
21 forward on this."

22 A Correct.

23 Q But would you agree with me that in the
24 circumstance BCLC didn't actually create a
25 policy or a direction to service providers to

1 source the funds of cash during your time as
2 President and CEO of BCLC?

3 A I have no recollection of that. All I do know
4 is that when recommendations of these matters
5 were put in front of us, we were diligent in
6 regards to responding to them.

7 Q But you don't recall if BCLC actually followed
8 on this recommendation to source the funds?

9 A I have no recollection of it. But FINTRAC
10 audits are done on a regular basis. This would
11 have been a reoccurring if it wasn't resolved.
12 And so my sense is that as an organization we
13 always worked to ensure that the recommendations
14 from our regulators were applied. So I'm going
15 to make the assumption that we did move forward
16 with this.

17 Q I realize that you left BCLC, but I'll just
18 advise you that in fact BCLC didn't implement a
19 general source of funds policy until 2018. Were
20 you aware of that?

21 A No, I'm not.

22 Q Mr. Graydon, this morning in answer to my
23 friend's questions, you gave evidence with
24 respect to your own team's ability, in
25 particular BCLC investigators' ability to ask

1 patron questions, and on the one -- with respect
2 to the source of the funds. And you had given
3 evidence that you assumed your team would have
4 been looking at the source of funds. Is that
5 accurate?

6 A Yes.

7 Q But you also gave evidence that you didn't think
8 BCLC investigators had authority to ask
9 questions about the source of the funds. Do you
10 recall giving that evidence as well?

11 A Yes. I think their -- in regards to
12 investigation was really sort of understanding
13 the player frequency, et cetera, et cetera.

14 Q I guess my question is which one is it? On the
15 one hand were your investigators doing this or
16 on the other hand did they not have authority to
17 ask questions? They seem to be inconsistent,
18 those answers.

19 A I don't think that it was -- the information was
20 ascertained through the asking of questions of
21 the patron. It was more in regards to their
22 observation as to, for instance, did they leave
23 the facility for a short period of time and come
24 back with cash and the reporting of those
25 activities by the player as well as the database

1 in regards to ongoing buy-ins, behaviour,
2 cash-outs, win ratios, et cetera, et cetera.

3 MS. CHEWKA: Mr. Commissioner, I'd ask that this
4 document be marked as the next exhibit, please.

5 THE COMMISSIONER: Very well. That will be marked as
6 the next exhibit.

7 THE REGISTRAR: Yes. Exhibit 578, Mr. Commissioner.

8 **EXHIBIT 578: Email from Byron Hodgkin to**
9 **Michael Graydon re Fintrac audit - December 14,**
10 **2012**

11 MS. CHEWKA: Madam Registrar, I'm done with that
12 exhibit now, please. Thank you.

13 Q Mr. Graydon, in your affidavit at paragraph 12
14 you depose that there were incentive payments
15 were BCLC executives; is that correct?

16 A Correct.

17 Q And you also depose that you often encouraged
18 your leadership team to meet their financial
19 targets?

20 A Correct.

21 MS. CHEWKA: Madam Registrar, could I please have
22 exhibit 519 on the screen.

23 Q I realize that Mr. McGowan just took you to
24 this, but I'd ask -- I'd like to refer your
25 attention to this again. Thank you.

1 Mr. Graydon, the email that Mr. McGowan just
2 read to you, but it begins with:

3 "I want to ensure everyone understands
4 this is not a process of negotiation but
5 rather targets I have signed off on with
6 the full expectation of you hitting these
7 numbers. It is imperative that your
8 division comes in with these numbers or
9 better. As I have said before, Victoria
10 is not keen to pay incentives if budgets
11 are not met, and I do not want the company
12 to be put in that position so let's please
13 work together to ensure success."

14 And that you'll discuss it at next Wednesday's
15 exec meeting. That was your email to your
16 executive team?

17 A Correct.

18 Q Mr. Graydon, I'm going to suggest to you that
19 contrary to what's set out in your affidavit
20 that emails such as this and the other ones that
21 Mr. McGowan took you to go beyond simple
22 encouragement. This is a direction from BCLC's
23 president and CEO that it was imperative to meet
24 revenue targets. Would agree with that?

25 A Yes, of course.

1 Q And --

2 A Remember, this isn't just revenue targets. This
3 is net income targets. So there are costs
4 related to it and cost management within the
5 organization as well, so this isn't just
6 generated by revenue. It's also generated by
7 cost management.

8 Q But part of that equation is revenue; is that
9 correct?

10 A Certainly.

11 Q Mr. Graydon, would you agree with me that at
12 least on some occasions BCLC prioritized revenue
13 generation rather than take steps necessary to
14 address money laundering in BC's casinos?

15 A Totally disagree with that comment.

16 Q We've discussed two examples of this. One was
17 the direction to refuse or the suggestion or
18 GPEB's raising their concern about refusing
19 cash. Did BCLC take steps to direct service
20 providers to refuse cash in those circumstances?

21 A Not in all circumstances. Some where players
22 had been identified as high risk they were
23 barred from participating in having any buy-ins
24 whatsoever. So we weren't totally void from
25 that concept.

1 Q And the second example we discussed BCLC not
2 taking these steps was the source of funds
3 again. I mean, as early as 2012, we have emails
4 from FINTRAC identifying their concerns about
5 the source of funds, but did BCLC take steps to
6 implement a source of funds policy?

7 A I can't recall. I'm sorry.

8 MS. CHEWKA: Mr. Commissioner, those are my questions
9 for this witness. Thank you.

10 THE COMMISSIONER: Thank you, Ms. Chewka.

11 MR. MCGOWAN: Mr. Commissioner, I'm just interject.

12 Ms. Gardner has made a request to ask some
13 questions. She hadn't been given an allocation,
14 but some evidence has arisen and I think it's
15 appropriate to allow her a few questions. I
16 think she would normally come at this stage in
17 the lineup.

18 THE COMMISSIONER: Yes. Thank you, Mr. McGowan.

19 Ms. Gardner, how much time do you think you
20 need?

21 MS. GARDNER: Yes, thank you, Mr. Commissioner. If I
22 could seek leave, I anticipate that I might be
23 no more than five, perhaps 10 minutes at the
24 longest.

25 THE COMMISSIONER: That's fine. Go ahead.

1 MS. GARDNER: Thank you.

2 **EXAMINATION BY MS. GARDNER:**

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

4 A Yes, Ms. Gardner, thank you.

5 Q Now, earlier today in response to some questions
6 from Mr. McGowan you gave evidence that it's
7 your understanding that FINTRAC wanted BCLC and
8 service providers to accept suspicious cash so
9 that data related to that cash would be
10 reported. Do you recall that evidence?

11 A I do. But, again, it is based not on -- it's my
12 recollection of the situation some 10-plus years
13 ago.

14 Q Yes. And I think you've said a number of times
15 today that given the amount of time that's
16 passed your recollection may not be perfect at
17 this point of --

18 A Correct. And I apologize for that. I've been
19 away from the industry for a long time now.

20 Q And your recollection, then, it isn't based on
21 any letter or email that you recall receiving
22 from FINTRAC that contained that request?

23 A No.

24 Q You don't recall having a phone conversation
25 with someone at FINTRAC in which that was

1 communicated?

2 A No.

3 Q And did anyone on your team to your knowledge
4 have communications with FINTRAC in which that
5 request was made?

6 A No. This was just -- this was just a
7 recollection from an observation perspective. I
8 don't think I have any recollection of anything
9 specific that took place. It's just my sense of
10 things. And, again, with probably a decade in
11 between.

12 Q And your recollection, it doesn't include who
13 specifically at FINTRAC would have asked this of
14 you --

15 A No.

16 Q -- or who on your team would have told you about
17 this?

18 A No.

19 Q So it's possible you're mistaken that FINTRAC
20 ever communicated this?

21 A Very likely. Very possible. As I said in my
22 testimony, it is just a recollection, and I have
23 no fact or response to it. It would just -- as
24 I try to think back and remember the situation.

25 MS. GARDNER: Thank you. Those are all my questions.

1 THE WITNESS: Thank you.

2 THE COMMISSIONER: Thank you, Ms. Gardner.

3 I'll now call on Mr. Stephens on behalf of
4 the BC Lottery Corporation, who has been
5 allocated 20 minutes.

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

7 **EXAMINATION BY MR. STEPHENS:**

8 Q Mr. Graydon, can you hear me?

9 A Yes, Mr. Stephens. Thank you.

10 Q Mr. Graydon, Mr. McGowan made reference to the
11 fact that we've heard evidence from Doug Scott,
12 the former General Manager of GPEB at the
13 commission of inquiry. You recall Mr. Scott?

14 A Very much so, yes, I do.

15 Q Mr. Graydon, do you recall attending a meeting
16 between Doug Scott, Rod Baker and someone at
17 Gateway in late fall 2011 to discuss GPEB's AML
18 strategy?

19 A I do recall that the meeting took place, yes.

20 Q Do you recall at that meeting whether Mr. Scott
21 talked to you about a three-phased AML strategy
22 where phase 3 could involve GPEB interviewing
23 patrons directly?

24 A I do remember that there was a three-phased
25 process. I have recollection of phase 1 and 2,

1 which were sort of to implement the strategies
2 that we had in front of us. Phase 2 was more
3 the analytical of success factoring. I have no
4 recollection of phase 3, unfortunately, but ...

5 Q And just to flesh that out, you recall one was
6 the cash alternatives portion?

7 A Yes.

8 Q And that was the primary the focus of GPEB's AML
9 strategy; is that right?

10 A I think it was our cooperative strategy, yes.

11 Q At this meeting in late fall 2011, did you ever
12 say to Doug Scott that BCLC was opposed to GPEB
13 conducting interviews directly with casino
14 patrons about the source of their funds?

15 A I don't recall. I'm sorry.

16 Q And do you recall saying to Mr. Scott that
17 patron interviews were properly BCLC's role and
18 BCLC was concerned if GPEB were to take action
19 by interviewing patrons?

20 A I don't recall that conversation.

21 Q Mr. Graydon, do you recall during Mr. Scott's
22 tenure as ADM and General Manager of GPEB
23 Mr. Scott advocating or arguing for BCLC to
24 interview patrons about the source of their
25 funds?

1 A No, I don't have any recollection of that
2 request.

3 Q Do you have any knowledge of him -- did he
4 encourage you or do you have any knowledge of
5 him encouraging anyone else at BCLC, for example
6 Brad Desmarais, to conduct source of funds
7 interviews with casino patrons?

8 A I don't have any recollection of that, and he
9 may have spoken to Brad, but I don't know.

10 Q Just turning to [indiscernible] related
11 Mr. Graydon, did GPEB ever direct BCLC to refuse
12 suspicious cash transactions of any amount?

13 A I don't recall any directive or any sort of
14 official request of that. I just don't recall
15 any of them. And I would have probably
16 suggested that if they did, we likely would have
17 followed their recommendations.

18 Q And so within what you just said, you don't
19 recall Mr. Scott ever directing BCLC to refuse
20 suspicious transactions?

21 A I have no recollection. No recollection of him
22 doing that, no.

23 Q Leaving aside direction, did he ask you to do it
24 or suggest you should do it?

25 A I have no recollection of those conversations.

1 Q Mr. Graydon, I'll ask you -- or Madam Registrar,
2 if I could ask that an exhibit to Mr. Graydon's
3 affidavit be pulled up. It's exhibit D. I
4 don't believe you have been taken to this,
5 Mr. Graydon, although you were taken to the
6 letter from Mr. Schalk to which this relates.
7 This is an email that Mr. Scott wrote you on
8 January 18th, 2013. You can see that okay?

9 A Yes, I can.

10 Q And this email concerns the letter that
11 Mr. Schalk wrote to BCLC, Mr. Hodgkin, in
12 December 2012; is that correct?

13 A Correct.

14 Q And in the first sentence of the second
15 paragraph it says:

16 "By way of this email I want you to know I
17 regret this communication from our
18 office."

19 Correct?

20 A Correct.

21 Q And Mr. Graydon, did this email follow a
22 conversation that you had with Mr. Scott about
23 Mr. Schalk's letter?

24 A Yes. I had reached out to Doug and sort of
25 commented on our disappointment in the letter

1 and mainly it's tonality. It wasn't in keeping
2 with the cooperative relationship that we had
3 established through the development of a strong
4 AML strategy, and Doug wasn't, I don't believe,
5 aware that the letter had been sent.

6 MR. STEPHENS: Madam Registrar, could I ask that BCLC
7 document 15772 be pulled up.

8 Q Mr. Graydon, this is an email string from
9 January 17th, 2013. Do you see that?

10 A I do.

11 Q And if -- towards the bottom of the screen, at
12 least my screen, there's an email from you to
13 Mr. Hodgkin on January 7th, 2013?

14 A Correct. M'mm-hmm.

15 Q And what's that email, Mr. Graydon?

16 A This is in response to my phone call with Doug
17 relevant to the letter. And so this is my
18 characterization of that particular
19 conversation.

20 Q And in it you said you:

21 "Just got off the phone with Doug Scott
22 and he is extremely disappointed in the
23 letter Joe sent and was floored by its
24 inaccuracies and assumptions."

25 A Correct.

1 Q He does not know why it was sent. And then
2 later "he was very apologetic"?

3 A Correct.

4 Q And does that email -- you said that you wrote
5 that right after you spoke to Mr. Scott;
6 correct?

7 A Almost immediately after, yes.

8 Q And does that email accurately summarize the
9 conversation that you had just had with
10 Mr. Scott to the best of your recollection?

11 A To the best of my recollection, yes.

12 MR. STEPHENS: Madam Registrar or -- I think actually
13 I would ask, Mr. Commissioner, if we could mark
14 that as the next exhibit.

15 THE COMMISSIONER: Yes, very well. That will be the
16 next exhibit.

17 THE REGISTRAR: Yes, exhibit 579, Mr. Commissioner.

18 **EXHIBIT 579: Email from Bryon Hodgkin to**
19 **Michael Graydon re GPEB letter - Privileged and**
20 **Confidential - January 7, 2013**

21 MR. STEPHENS:

22 Q Now, just trying to stay chronological -- and
23 Madam Registrar, I'm finished with that document
24 now. Thank you.

25 Mr. Graydon, so around this time that we

1 just left the document that was January 2013,

2 shortly thereafter Mr. Desmarais joined BCLC.

3 Do you remember that?

4 A I do.

5 Q And could you just tell the Commissioner about
6 your thinking when Mr. Desmarais was hired to be
7 in the position of BCLC's VP of corporate
8 security and compliance?

9 A Sure. With the retirement of Terry Towns, it
10 left a big hole in our organization, and we
11 hired a party to recruit a replacement. One of
12 the mandates we had was strong, strong policing
13 background, strong background in money
14 laundering, anti-money laundering, proceeds of
15 crime, organized crime, et cetera, so that they
16 could bring strong leadership to the
17 organization internally in our efforts to build
18 strong strategies to address these things. And
19 Brad ticked all the boxes in regards to his
20 competency and his experience and capabilities
21 on that front.

22 Q And you were confident in Mr. Desmarais'
23 abilities when you hired him in that role?

24 A Yes. And I had the opportunity to work with
25 Brad for almost a year before my departure, and

1 he was everything that we had hoped for in
2 regards to his skills and his leadership and his
3 capabilities.

4 Q Did you and Mr. Desmarais discuss his thinking
5 and views as vision for the AML program?

6 A Yes. You know, one of the benefits of having
7 somebody come in with fresh perspective from the
8 outside, not sort of 10 years of sort of being
9 internal, it gave us a really good opportunity
10 to get Brad's perspective. He was also just
11 coming out of the police community, so his
12 involvement was very significant and hands-on at
13 the particular time, so we certainly welcomed
14 his vision and his strategies and his
15 recommendations in regards to how to move
16 forward, how to improve our protocols.

17 Q And were you supportive of Mr. Desmarais's
18 efforts and initiatives to enhance the AML
19 program at BCLC?

20 A Yes, very much so.

21 Q What was your approach in general to approving
22 resources requested by BCLC executives seeking
23 funding for enhanced AML initiatives?

24 A Whatever you need, it was always the philosophy.
25 It wasn't an area that was deemed as

1 indispense -- the sort of expenses related to it
2 were kind of non-negotiable. Whatever was
3 required. And we invested and I think if you
4 look at the amount of investment we made over my
5 tenure there it was quite significant in regards
6 to giving the team the tools they needed to be
7 effective.

8 Q And I said I was going to stay chronological,
9 but if I could just ask you about something a
10 bit different with regard to Mr. Kroeker.
11 Mr. Kroeker following the Kroeker Report, you --
12 BCLC engaged or asked Mr. Kroeker to assist
13 developing the cash alternative program; is that
14 right?

15 A Correct. We reached out to the deputy minister
16 and asked her because Rob was still, I believe,
17 part of forfeiture, and we asked if we could
18 have some of his time to help implement and
19 develop the programs.

20 Q And what was your thinking or rationale for
21 seeking that type of additional support?

22 A Rob was a seasoned lawyer, ex-RCMP. I think he
23 understood this area very strongly, and I think
24 any time that you can bring in third party
25 support can help maybe broaden the perspective a

1 little bit rather than just relying on your
2 internal resources. And I think also as --
3 because Rob had been very effective in the
4 development of the report, the execution of the
5 recommendations would have been, I think, very
6 effective to have him support the transition to
7 the service providers in regards to how these
8 things would be undertaken and why.

9 Q Mr. Graydon, just another question on a
10 different topic. Mr. McGowan asked you about
11 your meeting with ministers who are responsible
12 for BCLC. Do you recall that?

13 A Yes.

14 Q During your time as President and CEO of BCLC,
15 did a minister responsible ever direct you that
16 BCLC should place a cap on the amount of cash it
17 could receive from players at BCLC casinos?

18 A I have no recollection of an ask of that nature,
19 no.

20 Q Was it suggested you should do so?

21 A Not that I can recall.

22 Q Did any deputy minister suggest this to you?

23 A Not that I can recall.

24 Q Did the minister responsible ever direct you
25 that BCLC should place a cap on the amount of

1 funds that could be used to buy in with
2 \$20 bills?

3 A No.

4 MR. STEPHENS: Thank you, Mr. Commissioner. Thank
5 you, Mr. Graydon. Those are my questions.

6 THE WITNESS: Thank you, Mr. Stephens.

7 THE COMMISSIONER: Thank you, Mr. Stephens.

8 I'll now call on Mr. McFee on behalf of
9 Mr. Lightbody, who had been allocated
10 10 minutes.

11 MR. McFEE: Thank you.

12 **EXAMINATION BY MR. McFEE:**

13 Q Mr. Graydon, my client, Jim Lightbody, was a
14 member of your senior leadership team while you
15 were the President?

16 A He was, yes.

17 Q And do you recall that you appointed him as
18 BCLC's Vice President Casinos and Community
19 Gaming in June of 2011?

20 A Yes.

21 Q Just focusing on that time frame, you've been
22 asked some questions about the development of
23 the AML strategy after the receipt of
24 Mr. Kroeker's report?

25 A Correct.

1 Q Do you recall the Kroeker Report was issued in
2 February of 2011?

3 A Yes, I do.

4 Q And do you recall after that GPEB developed its
5 own AML strategy and you referred to it as a
6 three-phased strategy. Do you recall that?

7 A I do.

8 Q And you told Mr. Stephens, and I think you
9 alluded to it in some of your answers to
10 Mr. McGowan's questions, that phase 1 of that
11 strategy, the GPEB strategy, was development of
12 cash alternatives for patrons?

13 A Correct.

14 Q And I take it from your evidence, and correct me
15 if I'm wrong, but that sort of mirrored BCLC
16 strategy in that you were similarly working on
17 implementing cash alternatives?

18 A Correct.

19 Q And in terms of the cash alternatives that were
20 developed, there's been some reference in --
21 some considerable reference to the patron gaming
22 fund in your evidence, and that patron gaming
23 fund was enhanced to make it more attractive to
24 patrons?

25 A Yes.

1 Q But in addition to that, were there a number of
2 other measures taken, including allowing patrons
3 to use debit cards and having cheque holds so
4 that they could access funds?

5 A Yes. There was a number of measures put in
6 place to -- it wasn't just the player accounts.

7 Q And in answer to Mr. McGowan's questions, as I
8 understood your evidence, from your perspective
9 these efforts to move patrons to cash
10 alternatives were quite successful.

11 A We believed they were successful. We took -- as
12 I indicated, 900 to a billion -- \$900,000 to a
13 billion dollars out of the system and we sort of
14 collectively characterized that as success, yes.

15 Q From your perspective, then, was Mr. Lightbody
16 in his capacity as the Vice President of Casinos
17 and Community Gaming instrumental in developing
18 and implementing the cash alternatives program?

19 A Yes. Jim was very instrumental in working in
20 collaboration with first Terry Towns and then
21 Brad Desmarais.

22 Q And once you realized this initial success with
23 the cash alternatives, did BCLC under your
24 leadership stop there or did you continue to
25 develop further AML measures?

1 A No, it was one of those situations that we
2 believed it would be ongoing, and I don't think
3 we felt we had solved all the problems. Some of
4 the initiatives we put in place weren't as
5 successful as others possibly, but it was a
6 continuous improvement, continuous application,
7 continuous development mindset in the
8 organization. So they never stopped. They just
9 continued to look to initiatives to undertake.

10 Q And do you recall relatively soon after the
11 implementation of the cash alternatives -- I
12 think it was in 2014 -- BCLC created a dedicated
13 AML unit?

14 A That started -- the sort of nucleus of that idea
15 started while I was there, and I believe it was
16 sort of officially after my departure.

17 Q And you supported that?

18 A 100 percent.

19 Q Just want to turn to this issue about \$20 bills
20 for a moment. If I could ask you to look at
21 paragraph 32 of your affidavit, please.

22 A M'mm-hmm.

23 Q And you say at the beginning of paragraph 32:

24 "I do not recall when, but at some point
25 during my time at BCLC certain individuals

1 within GPEB's investigatory team suggested
2 that prohibiting the use of \$20 bills in
3 BC casinos would address the risk of money
4 laundering, and urged the elimination of
5 \$20 bills."

6 Now, you say "within GPEB's investigatory team."
7 Do you recall who that was?

8 A It was -- I don't -- I think it was Larry Vander
9 Graaf and Joe Schalk, but I'm not 100 percent
10 sure. Those are the two that we had the most --
11 my team had the most contact, and so I'm
12 assuming it came from them.

13 Q And you say in the last sentence of the same
14 paragraph:

15 "To my knowledge, however, GPEB did not
16 issue a formal directive or position on
17 the use or prohibition of \$20 bills."

18 And that was certainly the case through your
19 time there?

20 A Correct.

21 Q But even beyond that, in the time period after
22 GPEB developed its three-phased AML plan and
23 your departure in 2014, did GPEB executives that
24 you were liaising with ever put forward a
25 proposal that casinos, that service providers

1 should stop accepting \$20 bills?

2 A There was nothing official ever came across to
3 us with regards to that strategy.

4 Q And similarly, did the GPEB executives that you
5 were dealing with ever put forward a proposal
6 that a cap be imposed on the value of \$20 bills
7 that a patron could buy in with?

8 A I have no recollection of any proposal of that
9 kind ever coming across.

10 Q That kind of a proposal is a fairly significant
11 change. If it had have come forward, do you
12 expect you would have recalled it?

13 A Yes.

14 Q I just want to focus for a moment on the bet
15 limit increases that Mr. McGowan questioned you
16 about. And I just want to be clear. Did you
17 understand that increases in bet limits had to
18 be approved by GPEB?

19 A I think our perspective was that out of courtesy
20 we would provide them the opportunity to
21 comment. Betting limits previously had been
22 made, and we didn't require GPEB's approval, but
23 I think it was part of our philosophy of
24 cooperation in giving them an opportunity to
25 review the risk assessments that we had put in

1 place. But we did believe that we had the
2 authority to make those decisions.

3 Q And with respect to these bet limit increases
4 that Mr. McGowan took you through, did you give
5 GPEB the opportunity to review the proposals and
6 comment?

7 A Yes. We sent them a full detailed package which
8 included the high-limit changes that we wanted
9 to make I think back in September 2013 in hopes
10 of getting a decision fairly quickly so that we
11 could implement the program as quickly as
12 possible.

13 Q And to the best of your recollection did GPEB
14 register any objection to the bet limit
15 increases that were being proposed?

16 A We never actually heard from them through the
17 whole process on that particular part of the
18 proposal, and so we took it to the minister to
19 get ministerial signoff on it because there was
20 some risk factors related to revenue that we
21 thought important that he was aware of and we
22 also reviewed the risk assessment as it related
23 to AML.

24 Q And what response did you get from the minister
25 when you took this proposal?

1 A He approved -- he approved us making the changes
2 in the betting limits.

3 Q And do you recall that contemporaneously with
4 the increase in bet limits BCLC developed and
5 implemented a table game strategy?

6 A Correct.

7 Q And do you recall that that strategy included a
8 number of measures aimed at growing the business
9 arising from the light, casual and medium
10 players?

11 A Yes, very much so.

12 Q And therefore decreasing the reliance on VIP and
13 high-limit players?

14 A That was the strategy, yes.

15 Q Do you recall if that strategy was conceived and
16 advocated by Mr. Lightbody when he was the Vice
17 President of Casinos and Community Gaming?

18 A That was Jim's vision, and it was a very solid
19 one.

20 Q And did you support it?

21 A 100 percent.

22 Q Just want to turn to the topic of BCLC's
23 relationship with police.

24 A M'mm-hmm.

25 Q And in your evidence I understood that you

1 indicated BCLC had a good relationship with the
2 police.

3 A We did, yes.

4 Q And you were providing, as you said, information
5 to them?

6 A Yes, we were.

7 Q And you also in answer to Mr. McGowan's
8 questions, as I understood it, that you weren't
9 aware of -- and I'm paraphrasing here -- any act
10 of law enforcement investigations or actions
11 concerning potential proceeds of crime coming
12 into BC casinos at the time?

13 A No, I wasn't aware of anything.

14 Q Do you recall your investigations team reaction
15 to that?

16 A Reaction to which?

17 Q To what appeared to be the lack of law
18 enforcement action with the various reports that
19 were going to law enforcement?

20 A Yeah, I think there was an element of
21 frustration at times that the police weren't as
22 responsive, shall we say, especially to the
23 money laundering issues and whether it was
24 capacity or what, I'm not sure why, but I think
25 there was a level of frustration. Our security

1 and compliance people almost were entirely were
2 ex-police officers, so they had very strong
3 principles on these types of things and I think
4 there was an element of frustration.

5 Q And Mr. McGowan took you to this letter from
6 Mr. Schalk to Mr. Hodgkin that showed an
7 increasing frequency of the number of suspicious
8 cash transaction reports. Do you recall that?

9 A Correct, yeah.

10 Q Now, a suspicious cash transaction report, as
11 you understood it, is generated as a result of a
12 risk-based assessment and a number of variables
13 being evaluated. Did you understand that?

14 A Yes.

15 Q But did you equate a suspicious cash transaction
16 report with the cash that is being identified
17 there necessarily being illicit cash?

18 A No. I think it was just in the magnitude of the
19 cash. Not necessarily -- and it could have been
20 illicit depending on the individual situation,
21 but I think the reporting of it was really done
22 on the basis of just the receipt of the large
23 cash itself.

24 Q And as I understood your evidence at the time,
25 you appear to be taking the position that there

1 may be suspicion, but nobody's telling us that
2 these are in fact proceeds of crime. Is that
3 accurate?

4 A Yes. Because we didn't have sort of those
5 strong investigative authority, we relied on
6 sort of the triangular approach of interface
7 with police and interface with GPEB.

8 MR. McFEE: Those are my questions for you,
9 Mr. Graydon. Thank you.

10 THE WITNESS: Thank you, Mr. McFee.

11 THE COMMISSIONER: Thank you, Mr. McFee. Anything
12 arising from that, Mr. Stephens?

13 MR. STEPHENS: No, Mr. Commissioner. Thank you.

14 THE COMMISSIONER: Ms. Gardner.

15 MS. GARDNER: Nothing arising, Mr. Commissioner.
16 Thank you.

17 THE COMMISSIONER: Ms. Chewka.

18 MS. CHEWKA: Nothing arising Mr. Commissioner.

19 THE COMMISSIONER: Mr. McGowan.

20 MR. MCGOWAN: No, thank you.

21 THE COMMISSIONER: Thank you, Mr. Graydon. We
22 appreciate you taking the time to share your
23 experiences and insights with us, and you're now
24 excused from further testimony.

25 **(WITNESS EXCUSED)**

1 THE COMMISSIONER: I think what we'll do now,
2 Mr. McGowan, is take 15 minutes and then put
3 Mr. Mazure on at the end of that. Thank you.

4 THE REGISTRAR: This hearing is adjourned for a
5 15-minute recess until 11:51 a.m.

6 **(PROCEEDINGS ADJOURNED AT 11:36 A.M.)**

7 **(PROCEEDINGS RECONVENED AT 11:50 A.M.)**

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

10 THE COMMISSIONER: Yes. Thank you, Madam Registrar.
11 I wonder if Mr. Mazure should be either
12 resworn or reaffirmed.

13 THE REGISTRAR: Yes.

14 **JOHN MAZURE, a witness**
15 **for the commission,**
16 **recalled, reminded.**

17 THE COMMISSIONER: Thank you. All right.

18 Ms. Mainville on behalf of Mr. Kroeker has been
19 allocated 15 minutes.

20 MS. MAINVILLE: Thank you, Mr. Commissioner. I might
21 also just make you aware right now, I had given
22 early notice that I would be requesting more
23 time. I believe that was made reference to on
24 the last occasion. So like Mr. McFee, I would
25 appreciate being given additional time with this

1 witness. I do -- you know, I've taken the time
2 over the last couple of days to try to focus my
3 questions, and I'll endeavour to be as succinct
4 as I can, but I do have a few records to put to
5 Mr. Mazure.

6 THE COMMISSIONER: All right. Thank you,
7 Ms. Mainville. Carry on.

8 MS. MAINVILLE: Thank you.

9 THE COMMISSIONER: We'll simply see where you get to
10 and --

11 MS. MAINVILLE: Absolutely.

12 THE COMMISSIONER: I have been fairly open to
13 granting additional time, so I think you can
14 rely on that.

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

16 **EXAMINATION BY MS. MAINVILLE:**

17 Q Hello, Mr. Mazure.

18 A Hello.

19 Q I'd like to first talk to you about
20 presentations that GPEB gave to government;
21 okay?

22 A Okay.

23 Q Do you recall these included occasionally
24 PowerPoint presentations?

25 A Occasionally, yeah.

1 Q So could I take you to one. Madam Registrar,
2 it's GPEB0729. As one example, this is from
3 January 2015.

4 THE REGISTRAR: Sorry, Ms. Mainville. I just need
5 one second to find it.

6 MS. MAINVILLE: Certainly.

7 THE REGISTRAR: Sorry, I don't think I have received
8 notice with that document, and I don't have it
9 with me. 70 -- 0729.

10 MS. MAINVILLE: 0729.

11 THE REGISTRAR: Okay, sorry.

12 MS. MAINVILLE: Yes. Thank you.

13 Q Mr. Mazure, do you recognize this PowerPoint?

14 A Sorry, I've just lost the -- January 2015.
15 Yeah, it looks familiar. Well, the first page
16 does, yeah.

17 Q Right. So you'll see it says "Gaming Policy and
18 Enforcement Branch (AML) briefing," so I take it
19 it's -- it was prepared by GPEB.

20 A Yes.

21 Q And I take it it would be a briefing to
22 government?

23 A I don't know without seeing the rest of the
24 presentation.

25 Q Certainly. And we'll go through a little bit of

1 money laundering. This is simply a false
2 conclusion."

3 You'd agree with me that this was GPEB's view at
4 the time that the media were not fairly
5 representing the situation in BC casinos?

6 A I think in this situation the false conclusion
7 being referred to here is that each STR, each
8 and every one of them filed is not evidence of
9 money laundering.

10 Q Right. But you agreed that GPEB took issue with
11 the way this was being portrayed in the media?

12 A Yes. Yep.

13 MS. MAINVILLE: And if we could now go, Madam
14 Registrar, to page 14 of the PowerPoint.

15 Q This discusses phase 3 of the AML strategy, and
16 you'll see there it says:

17 "Utilizing the results and recommendations
18 of the customer due diligence study --"
19 Which I gather from the remainder of the
20 presentation is referencing the Malysh report.

21 "-- GPEB will determine how to use the
22 information in fulfilling our role of
23 ensuring the integrity of gaming."

24 So I take it that as of January 2015 GPEB was
25 still in the process of determining how to use

1 understanding of the BCLC AML regime,
2 develop and provide direction (new
3 regulation, directive, public interest
4 standard, or other solution) for customer
5 due diligence and the treatment of
6 suspicious transactions."

7 So, again, this was the plan in early 2015 to
8 look at all of this and look at these avenues
9 that GPEB had; correct?

10 A Yes. I would say that this was the direction
11 that was going to be -- that was being provided.
12 We didn't necessarily have a plan in place at
13 this point.

14 Q Right.

15 A Based on the slides I've seen and the timing of
16 this presentation, I believe this was a
17 presentation to GPEB staff that was prepared.
18 We have recently began a restructuring. We had
19 combined what used to be divisions, audit
20 investigations and horse racing into one
21 division, and this was outlining for our staff
22 sort of the shift -- shift or the direction that
23 we wanted to -- that we were going to be
24 focusing on moving forward.

25 Q And one thing you were going to look at, as of

1 early 2015, were public interest standards;
2 correct?

3 A That was one of the tools available to us, yeah.

4 Q Right. And you've indicated previously in your
5 testimony that you had that -- you did have the
6 authority to issue such a standard, but none was
7 issued during your time as GPEB GM; correct?

8 A Not with respect to AML. I can't speak to other
9 public interest standards.

10 MS. MAINVILLE: Right. If we could just file this as
11 an exhibit, please, Mr. Commissioner.

12 THE COMMISSIONER: Yes. Very well. That will be the
13 next exhibit.

14 THE REGISTRAR: Exhibit 580, Mr. Commissioner.

15 THE COMMISSIONER: Thank you.

16 **EXHIBIT 580: Presentation titled "Gaming Policy**
17 **and Enforcement Branch Anti-Money Laundering**
18 **(AML) Briefing" - January 2015**

19 MS. MAINVILLE: And if we could now go to GPEB0750.

20 Q Now, Mr. Mazure, you'll see here this is a
21 presentation dated June 4th, 2015, which I
22 understand was prepared for the purpose of the
23 AML summit led by Mr. Meilleur?

24 A Yeah. I think it was jointly led by
25 Mr. Meilleur and BCLC. I'm not sure who from

1 BCLC. I'm guessing it might have been
2 Mr. Desmarais, but yes, this was -- it's
3 called -- it's been called the summit or the AML
4 workshop, but yes, that event.

5 Q And you'll see here it's -- at the bottom it
6 says "Compliance Division Gaming Policy and
7 Enforcement Branch," and I'll suggest to you
8 that this particular presentation was prepared
9 by Mr. Meilleur or at his direction. Does that
10 seem consistent with your recollection?

11 A Yeah. I think Len or staff under Len's
12 direction would have prepared this.

13 Q Right. If we could go to page 6 of this
14 document. So you'll see here there's a
15 statement of GPEB's -- or the province's AML
16 strategy. And you'll see in the notes further
17 down on the slide after "read strategy," the
18 notice is:

19 "Explain the delicate balance of enabling
20 and constraining an industry. Overall
21 2.6 billion, net 1.2 to 1.4 billion what
22 it pays for and sensitive issue of
23 considering how directives or guidelines
24 impact the industry. Is it reasonable and
25 more importantly, is it feasible. I.e.

1 interdiction by staff, questions about
2 source of funds leads to interruption of
3 service. How do you balance all of this."

4 So let me pause there. Is it fair to say based
5 on this that GPEB was figuring out at this time
6 what is reasonable and feasible, including with
7 respect to source of funds at this point in
8 time?

9 A First off, I'm not sure I saw this presentation
10 at the time before it went.

11 Q Okay.

12 A And I definitely wouldn't have seen -- these are
13 notes, I think, that Mr. Meilleur or someone --

14 Q Right.

15 A Someone else from GPEB would have viewed, so
16 interpreting what this means, I'm the wrong
17 person to ask.

18 Q So let me rephrase. Is this consistent with
19 your assessment of things at the time in terms
20 of --

21 A Let me just read it again.

22 Q Sure.

23 A Okay. Sorry, what was your question?

24 Q Is this consistent with your recollection that
25 at this point in time GPEB was figuring out what

1 was reasonable and what was feasible, including
2 with respect to source of funds at this point in
3 time?

4 A I'm not sure what's being suggested here. I
5 think in terms of reasonable in what sense.

6 Q Okay. Well, let's go to page 8, if we could.
7 This may be a bit clearer. Here there is a
8 discussion of cash alternatives, and you'll see
9 there in the notes it says:

10 "Limited group contribute most of
11 revenues, so how do we service their needs
12 and prevent the bad money from arriving
13 and entering the gaming venue?"

14 So my question is was GPEB at that point in time
15 still trying to figure out how to get rid of the
16 dirty cash without necessarily getting rid of
17 the patrons and the revenue that they generated?

18 A Sorry, if you're asking whether we were looking
19 at ways of ensuring proceeds of crime weren't
20 coming in while at the same time not -- in our
21 recommended actions for doing so don't dissuade
22 or cause patrons with legitimate funds from
23 coming to the casino, then that would have been
24 a consideration.

25 Q Right. So GPEB did want to parse out what --

1 which cash was actually proceeds of crime and
2 which wasn't; is that fair?

3 A I think that's probably oversimplifying and the
4 ability and solution for doing that, I think, to
5 the extent you're suggesting there. It was
6 probably -- maybe a little unrealistic, but
7 ultimately that was kind of the high level
8 objective. We didn't want to dissuade the
9 gambler with legitimate cash from coming in and
10 obviously pointing them to cash alternatives,
11 for example, was one way of saying, you know, if
12 you don't like the questions we're asking about
13 cash, well then we've got these other
14 alternatives that you may be more comfortable
15 with.

16 Q Right, right, fair enough. No one was
17 suggesting, even BCLC I'm going to suggest, that
18 we would be able to arrive at a point where we
19 could identify with clarity what was actually
20 proceeds and that that was going to be the
21 extent of the action taken, but there was some
22 consideration of trying to distinguish and
23 attempt and efforts made to take a more measured
24 approach; right? In terms of -- yeah.

25 A I think that was always the -- I think the

1 intent, is we wanted to, you know, to get the --
2 if I could use the words the illicit funds out
3 of the system without impacting, you know, the
4 legitimate business.

5 Q Right. And so if we go to page 10, please.
6 You'll see, again, there there's a reference to
7 the challenge, which is that suspicious cash
8 transactions do not prove the existence of money
9 laundering. And then there's a question posed
10 on the last bullet:

11 "How do we counter the public and media
12 perception?"

13 So, again, you agree that there was an effort by
14 GPEB to counter the public and media perception
15 that all of these suspicious cash transactions
16 represented money laundering in BC casinos; is
17 that fair?

18 A Yeah, I think the "we" there is the audience for
19 the presentation, so the "we" was not just GPEB,
20 it was all the participants at the workshop or
21 summit. It was a question for, like -- for the
22 group.

23 Q Right.

24 A What are we doing and we need to make sure we
25 clearly communicate what that is. And that was,

1 I think from our perspective, the way of -- you
2 know, in my view the best way of, you know,
3 making sure the message gets out, right, is to
4 actually demonstrate that you're taking action
5 and that that's communicated out.

6 Q Well, not just that you're taking action, but as
7 you say, this is common ground, as the title
8 suggests, as between the other participants in
9 the forum and GPEB; correct? It included GPEB?

10 A Yes.

11 Q Yeah. And it says -- so you'll see, for
12 instance, in the note where it talks about:

13 "How does the public interpret the
14 difference about what is reported on
15 reasonable grounds without them having
16 expertise or all of the information? The
17 dilemma is simply they believe that the
18 money is bad money because it is being
19 reported. I don't have the answer."

20 So my question is -- because we've heard,
21 Mr. Mazure, including today, commission counsel
22 suggesting to various actors in the industry
23 that they ought to have taken immediate action
24 in the face of these large cash transactions and
25 suspicious transactions involving bundled 20s

1 arriving in bags outside of banking hours and
2 that this was evident from the fact that --
3 including from the fact that STRs or UFTs, UFTs
4 were being filed.

5 MR. MCGOWAN: Mr. Commissioner, I'm just going to
6 interject. I'm not sure the question fairly
7 characterizes the questions that were put by
8 commission counsel. I don't have any objection
9 to my friend asking this witness about it, but I
10 don't agree with the characterization she's
11 given to the questions that were asked earlier.

12 THE COMMISSIONER: Thank you.

13 MS. MAINVILLE: I'll proceed to my question. I was
14 simply of course paraphrasing what I understand
15 the thread of commission counsel's questionings
16 to have been.

17 Q But let me ask you this, Mr. Mazure: you agree
18 that the dilemma, including at this point in
19 June 2015 for GPEB, was that not all suspicious
20 cash transactions represented bad money;
21 correct?

22 A We just didn't know.

23 Q Right.

24 A The SCTs in and of themselves -- and I'm not
25 familiar with the information that's included in

1 those, but in and of themselves didn't
2 demonstrate money laundering.

3 Q Right.

4 A But that says money laundering. And I know that
5 in my time as General Manager money laundering
6 and proceeds of crime were kind of used
7 synonymously. And I'm not an expert, but there
8 might not have been money laundering per se
9 going on in the casinos, but there might have
10 been proceeds of crime. So I think all we're
11 saying here is, you know, a dollar of SCT is not
12 necessarily a dollar of money laundering, but,
13 you know, with the growth that we were seeing in
14 SCTs and information that we were gathering and
15 in fact shortly -- shortly, I think, it was
16 within a month or two of this workshop, we got
17 information that did indicate that we did have a
18 problem. So this was, I think, the struggle for
19 both organizations -- and when I say "both,"
20 BCLC and GPEB -- you know, getting enough
21 evidence to understand exactly what was going
22 on.

23 Q Right. Exactly. And if we go to page 13 indeed
24 this is what's stated here again. So there's a
25 report of the SCT totals reported by way of

1 Section 86 Reports and then it says:

2 "The number is a number. What does it
3 really mean, represent? How much is truly
4 a concern, how much is unnecessary
5 reporting, how much can be reduced by
6 providing alternatives?"

7 And so, again, you would agree with me that in
8 mid-2015 GPEB and perhaps others were still
9 trying to figure that out, which suspicious cash
10 is truly a concern; fair?

11 A Yes. I think the number was growing, but like
12 it says there, "the number is a number." We
13 were trying to understand and our concern was
14 growing because the number was growing, but we
15 just didn't have enough information. We were
16 gathering it, we had certain opinions and
17 different explanations for what might be going
18 on, but -- yeah, we were just making the point
19 here that -- and I think this is largely -- and
20 I'm not sure why it was framed this way, but it
21 was probably framed this way in order to get
22 everyone that was attending the session to buy
23 into what we were trying to accomplish here,
24 which was one way of doing that was to reference
25 what the media was saying and so, you know, how

1 do we correct what's going on and so this focus
2 on SCTs and whether it is or is not money
3 laundering was obviously a way to get everyone's
4 attention.

5 Q Okay. And I will get to discussing with you
6 GPEB's view later on. But let's go to page 15,
7 if we could. You'll see here in the notes,
8 again, it says:

9 "Training is one thing, but what level of
10 interdiction should a regulator expect?
11 Again the need for balance to maintain a
12 healthy industry."

13 Now, again, I'll pause here. This is GPEB, I'm
14 going to suggest, believing that there was a
15 need to balance action taken with maintaining
16 the health of the industry. Is that fair?

17 A Well, again, the notes aren't mine. I'm not
18 sure what is meant by "a healthy industry."

19 Q Did you -- okay.

20 A I would -- you know, "healthy" could mean
21 sustainable. It could mean, you know, revenues
22 are increasing. I don't know what was meant by
23 this. I think that -- yeah, I guess that's all
24 I can say about this. I'm not sure what -- and
25 training I'm not sure how that links in with

1 this. So, again, they're not my words. They're
2 notes that's made by somebody that's giving the
3 presentation. These aren't even proper
4 sentences, so it's probably just cues to remind
5 the speaker of what they want to get across. So
6 I'm not about to interpret what that is.

7 Q Right. Because you testified you would never
8 balance your mandate to ensure the integrity of
9 gaming with revenue; correct?

10 A That's correct.

11 MS. MAINVILLE: And so on that, can we take this
12 down, Madam Registrar, and go to GPEB0868.

13 Q This one is a briefing, it appears to me, from
14 the Gaming Policy and Enforcement Branch to the
15 Minister of Finance. Is that your recollection
16 of this, or are you aware of this presentation?

17 A I wasn't aware of it until I saw it. Or sorry,
18 I shouldn't say "aware." I don't recall this
19 particular presentation until I saw it, so ...

20 Q Do you know who prepared it?

21 A I don't know. It would have been probably our
22 compliance division working with our policy
23 division to prepare it, that would be my --
24 that's usually what happened, our policy folks
25 would usually assist our other divisions in

1 pulling information for briefings.

2 Q So likely including Mr. Meilleur?

3 A Yeah. I think Mr. Meilleur or his -- someone in
4 his staff would have provided content.

5 Q And so would you not have been there for a
6 briefing of the Minister of Finance?

7 A I don't know whether I was there for a briefing,
8 for this briefing.

9 Q So it's possible that you viewed this at the
10 time, you just didn't recall -- you just don't
11 recall?

12 A I don't recall. Yeah, I don't recall.

13 Q And would it be the normal course for you to
14 review a presentation that was going to be made
15 to the minister before it being delivered?

16 A Yes, it would.

17 Q Okay. So it is quite possible, let's put it
18 that way, that you reviewed it at the time
19 before it was presented; is that fair?

20 A That would be the normal course of -- I would
21 see it. It would usually go to -- well, not
22 usually. Depending on the issue it would go to
23 the Associate Deputy Minister as well, and she
24 would have been provided with the information
25 anyway, but in terms of -- I think what you're

1 driving at is the approval for the content and
2 the presentation.

3 Q M'mm-hmm?

4 A Yeah, that was my responsibility.

5 Q Okay. And BCLC is not involved in this briefing
6 by all appearances; correct? This is GPEB to
7 government?

8 A Looking at the date and, sorry, there's a lot of
9 presentations in the --

10 Q Sure, sure.

11 A -- in the information that I've had to review,
12 so if we can go through it, it may refresh --

13 Q Certainly.

14 A -- my memory on it.

15 Q My apologies. I didn't mean to interrupt you.

16 A No, I'm just saying. It may have refreshed my
17 memory on this a bit.

18 Q Let's go to page 10, then. So this is a
19 discussion of GPEB's phase 3 work, and you'll
20 see in the note it says:

21 "GPEB needed to be certain that any
22 guidelines implemented would be
23 practicable and not cripple the revenue
24 stream."

25 Do you recognize that GPEB in conducting its

1 work through phase 3 had a concern about any
2 guidelines it implemented not crippling the
3 revenue stream?

4 A Sorry, what's the question? I recognize that --

5 Q Do you recognize that GPEB, as it was developing
6 its phase 3 approach, wanted to be certain that
7 any guidelines it implemented would not cripple
8 the revenue stream?

9 A So I approved presentations. I did not usually
10 have speaking notes to them, so I would -- I
11 don't recall approving presentations with the
12 speaking notes as well. If I was giving the
13 presentation, there typically wouldn't be any.

14 Now, I think what I've indicated in earlier
15 testimony is that I had a responsibility under
16 the *Gaming Control Act* to advise the minister on
17 policy, so if we were going to be taking any
18 action, I would have -- we would have identified
19 the implications of a particular policy or
20 action. So those could be the impact on
21 responsible gambling, problem gambling, and
22 revenue, if it was applicable in the
23 circumstance. What I then said, I believe, was
24 that was not something as the General Manager
25 for GPEB -- under the act our responsibility was

1 practicable and not cripple the revenue stream.
2 And I'm going to suggest that is entirely
3 inconsistent with the evidence you've given to
4 this commission.

5 MR. MCGOWAN: Mr. Commissioner, I'm just going to
6 interject here. I'm not suggesting the
7 questions are irrelevant to our mandate, but I
8 wonder the extent to which they tie to
9 Ms. Mainville's client's grant of standing.
10 They seem to be getting a little far afield from
11 evidence that might impact on Mr. Kroeker and
12 his reputation.

13 THE COMMISSIONER: Yeah, I --

14 MS. MAINVILLE: [Indiscernible] Mr. Commissioner.

15 THE COMMISSIONER: I'm sorry?

16 MS. MAINVILLE: If I could comment on that.

17 THE COMMISSIONER: Well, yeah, I think if you would
18 direct your attention to specifically the
19 portion of the grant of standing that requires
20 you to ensure that your participation is limited
21 to Mr. Kroeker's interest as it diverts from
22 BCLC as a whole. Because frankly, I don't see
23 that right now.

24 MS. MAINVILLE: Right. And so -- and,
25 Mr. Commissioner, what's happened is -- and

1 frankly I believe to a certain extent it was not
2 anticipated from Mr. Mazure's testimony -- is
3 that he effectively has testified that BCLC
4 during the entire time that Mr. Kroeker was VP
5 of Compliance never ended up taking the steps
6 that Mr. Mazure and GPEB expected them to take.
7 And this, again, was under Mr. Kroeker's lead as
8 VP of Compliance. And Mr. Mazure has made many
9 statements during the course of his testimony
10 that, again, were not entirely anticipated and
11 particularly in respect of revenue generation,
12 and I have statements attributable to GPEB that
13 I believe entirely undermines his credibility.
14 And of course Mr. Mazure's credibility, then, is
15 central to my ability to show that what he
16 says -- and I will come to this certainly --
17 that what he says in respect of the actions he
18 expected BCLC under Mr. Kroeker's lead to take
19 are false and it is untrue and he is misleading
20 the commission on. And so respectfully -- and I
21 only have one additional slide on this point to
22 put to Mr. Mazure before addressing the briefing
23 notes directly, but I think it is fair game for
24 me to elicit evidence that undermines or tends
25 to undermine Mr. Mazure's credibility.

1 THE COMMISSIONER: All right. Well, so far the
2 statements you put to him aren't his statements.

3 MS. MAINVILLE: Right. But I have asked him if --
4 first of all, he says he would have endorsed
5 this presentation. He would have looked at it
6 and approved it and was responsible for the
7 content.

8 THE COMMISSIONER: The presentation, yes, the notes
9 no, is what he said.

10 MS. MAINVILLE: Okay. So let me -- let me go to,
11 Mr. Mazure, page 14 so I can clarify that.

12 MR. MCGOWAN: Well, Mr. Commissioner, I still haven't
13 heard from my friend the manner in which her
14 client's interest diverges from that of BCLC,
15 and we've granted her a fairly broad licence to
16 explore matters that touch on her client even
17 where they don't divert, but we're in a day
18 today and tomorrow with limited hearing time,
19 and I'm struggling a bit with how some of this
20 questioning is advancing your understanding. So
21 I'll leave it in your hands, Mr. Commissioner,
22 but those are my observations.

23 THE COMMISSIONER: Well, first of all, let's do this,
24 Ms. Mainville: how much longer do you
25 anticipate you'll be?

1 MS. MAINVILLE: A half hour, Mr. Commissioner.

2 THE COMMISSIONER: Another half hour?

3 MS. MAINVILLE: Yes. I have several documents to put
4 to Mr. Mazure.

5 THE COMMISSIONER: I'll give you another 15 minutes.
6 I don't -- you've already taken over double the
7 time you've been allocated, and so far I haven't
8 heard a great deal that touches on Mr. Kroeker's
9 interests as it diverges from BCLC. So I think
10 you've got to focus in on that.

11 MS. MAINVILLE: Sure. And there has been -- let me
12 say this to Mr. Mazure.

13 Q There's been a number of suggestions that BCLC
14 employees or executives were motivated by
15 revenue generation somehow, and I'll submit at
16 the end of the day that we see no evidence of
17 that. But here let me point to the actual
18 PowerPoint, Mr. Mazure, where it says:

19 "Next Steps (Requiring Consideration)

20 - Balance revenue generation with risk
21 mitigation."

22 Right? And that would have been something you
23 would approve; correct?

24 A If I could just say I said in the normal course
25 of events I approved all presentations that gone

1 to the minister. I wouldn't have approved this.

2 Q You would not have approved that? Okay. Thank
3 you.

4 A No, that last bullet I would not have approved
5 it unless -- unless we're talking about -- I
6 don't know what -- it says "requiring
7 consideration." Consideration by who? The
8 minister or me?

9 Q Okay. So we'll have to ask Mr. Meilleur or
10 someone else who prepared it; correct?

11 A I'm just telling you -- yeah. I wouldn't have
12 approved.

13 Q Okay. Madam Registrar, could we please go to
14 exhibit 553, which is your September 2015
15 briefing note for Minister de Jong. And you'll
16 recall this is what you've testified to as being
17 the first directive that GPEB -- the first time
18 GPEB directly seeks a directive from the
19 minister on source of funds directed at BCLC.
20 Do you recall that?

21 A This is the first one I'm certain went forward.
22 I've seen earlier briefing notes that I frankly
23 didn't recall off the top of my head, but based
24 on information provided. There might have been
25 earlier attempts. I just don't recall if the

1 note ever went to the minister. But this one
2 I'm certain did.

3 Q Right. And you've -- let's go to page 7 of that
4 briefing note because you've testified that
5 you -- what you wanted BCLC to do was consider
6 source of funds prior to accepting the cash to a
7 greater extent than they were doing; correct?

8 A Yes. We were -- our risk tolerance or our
9 tolerance for risk and the information we were
10 receiving from our intelligence unit and from
11 our relationship with JIGIT -- actually, it
12 wouldn't have been -- sorry. Those weren't set
13 up yet, so the information from our
14 investigations division and audit would have
15 informed us that, you know, we were looking for
16 additional --

17 Q Right, okay.

18 A Yeah. Sorry.

19 Q And this was the letter that you -- or the
20 directive that you were proposing the minister
21 would send to BCLC; correct?

22 A These were -- these were examples for the
23 minister to consider. There was an -- I think
24 there's options, a series of options here.

25 Q Yes, and I'm going to suggest this is option 1

1 and it was the recommended option in the
2 briefing note. That's your recollection?

3 A If that's what it says below, then yes.

4 Q Okay. And so you'll see there the directions
5 that's suggested is (2):

6 "Determine all high-limit players' source
7 of funds and source of wealth."

8 Do you see that?

9 A Sorry, where are you?

10 Q Sub(2):

11 "Determine all --"

12 So the directive to BCLC would be:

13 "Determine all high-limit players' source
14 of funds and source of wealth."

15 Right?

16 A Right, yeah, I see that.

17 Q So I'm doing to suggest that that was the extent
18 of the expectation from GPEB at the time that it
19 look at high-limit players' source of funds.

20 Not in every instance, in every case. That was
21 the threshold that GPEB was looking for, higher
22 limit players. Do you accept that?

23 A I accept what's written there, yes.

24 Q Right. And so you'll agree with me that it was
25 not the case that your letters to BCLC around

1 this time were intended to apply -- and you've
2 gone back and forth on this with Mr. McFee, but
3 they were not intended to apply to all
4 circumstances; correct? You ended up agreeing
5 that it was a matter of where to set that
6 threshold; right?

7 A Sorry, if you're asking me -- which letter are
8 you referring to?

9 Q To -- there was an exchange -- and I don't
10 propose given the lack of time to take you
11 through all the correspondence, but there was
12 back and forth and you said as of August 2015
13 you indicated that what you wanted BCLC to do
14 was look at source of funds prior to acceptance
15 of cash. And you recall sometimes it said in
16 all circumstances. And what I'm going to
17 suggest based on the fact that this is the
18 directive you're seeking from the minister is
19 that the expectation and what you were looking
20 for was that BCLC assess high-limit players'
21 source of funds. Do you accept that?

22 A This would have been put forward to the minister
23 as part of the briefing that we had with him in
24 the middle of September.

25 Q Right.

1 A It wasn't approved. We didn't get the -- we
2 didn't get a directive.

3 Q No, and that's not my question. Do you agree
4 that that is -- that was your intention, that is
5 what you wanted BCLC to do?

6 A These are examples for the minister to consider.
7 We would have -- we would have had to go back
8 and draft this. And I think we would have -- we
9 would have been remiss not to talk to BCLC about
10 what we meant by this because it was a
11 directive. And so it is written as an example
12 for the minister. I know it's written like we
13 needed a decision on this, but -- and we did
14 this in past briefing notes. We provided
15 examples or we just said we think we need a
16 directive on this. We were looking for approval
17 to go -- to go away and develop a direct -- a
18 specific directive with the language. These
19 things weren't something that we just -- we
20 could just whip up. We were giving examples to
21 the minister of the types of things that could
22 be done. That's my view of this note, to the
23 extent I can see it.

24 Q But, Mr. Mazure, this was the recommended
25 option, option 1. If you go to the previous

1 page, page 5. And you have testified before
2 this commission in answer to the question of if
3 you had been able to issue a directive to BCLC
4 when abouts would you have issued that
5 directive, yourself, independently, and you said
6 you believe that your August 2015 letter would
7 have been a directive to BCLC; okay? And here
8 the option in September 2015 you are
9 recommending to the minister is that BCLC look
10 at source of funds with respect to high-limit
11 players. Do you agree with that?

12 A Could I see the date on this note, please.

13 MR. MCGOWAN: Mr. Commissioner, the witness has
14 referenced several times that he can't see the
15 whole document and may need it for context. I'm
16 going to suggest that the witness -- perhaps you
17 may wish to inquire of the witness whether he
18 would like to see further pages in the document
19 for context.

20 MS. MAINVILLE: Sure.

21 THE COMMISSIONER: Yeah, I think that would be a good
22 idea.

23 THE WITNESS: So I don't -- sorry. If I could
24 just -- can I speak?

25 MS. MAINVILLE: Yes.

1 THE COMMISSIONER: Yes.

2 THE WITNESS: So this was prepared on August 31st. I
3 wasn't -- I was on vacation at the time. I
4 don't know if this was a final note.

5 MS. MAINVILLE:

6 Q Well --

7 A Again, I would have -- I don't recall. Like,
8 this is a shock to me to see that -- the focus
9 on high limits. Because I think what's being
10 pointed out, it's inconsistent with the
11 direction I gave on August 7th. On August 7th I
12 know I sent that letter and I know I approved
13 it. I don't recall seeing that particular --
14 the focus on high limits here.

15 Q Is it possible that your recollection of events
16 is not the same today -- or that your
17 recollection may be wrong about what in fact
18 were the expectations back in 2015 of BCLC?

19 A Sorry --

20 Q That you may be misremembering what the
21 expectations of BCLC were in September of 2015?

22 A No. And the reason I say that is I had
23 subsequent letters to BCLC basically indicating
24 the same thing.

25 Q Right.

1 A This note was -- I did not prepare this note.
2 It would have been prepared by staff. I'm very
3 surprised to see that particular clause focusing
4 on high-limit tables only. The only thing --
5 like I said, it was meant to be an example. If
6 we're putting forward an option to the minister,
7 it would have been consistent with the
8 August 7th letter, and in fact the minister's
9 letter, I forget the exact date, but it was in
10 late September or early October to the
11 corporation that basically reenforced the
12 request I had made on August 7.

13 Q And you made clear to -- in response to
14 questions from Mr. McFee that you didn't
15 understand the details of BCLC's sourced-cash
16 conditions program at this time around September
17 2015; correct?

18 A I understood at a high level. I'm not sure I
19 ever understood the details. That wasn't my
20 job. But yeah, I understood that I believe this
21 was in the spring that they were taking action
22 with respect to high-limit -- or not high limit,
23 with high-risk patrons based on a risk rating
24 that they did, and I was aware of that when I
25 wrote the August 7th letter, and what I was

1 looking for was based on the concern we had with
2 what we heard from the police and what we saw in
3 terms of suspicious cash in July of 2015, that
4 we needed to go further.

5 Q Is it fair to say you never conveyed directly to
6 Mr. Kroeker anything -- you didn't articulate
7 anything, what exactly it was that you wanted
8 BCLC to do beyond what it was doing with its
9 source of fund program? Is that fair?

10 A I communicated to Mr. Lightbody on this, not to
11 Mr. Kroeker.

12 Q And even in the context, then, of joint
13 executive meetings, you never raised with the
14 BCLC team what you -- precisely what you
15 expected of them on source of funds; is that
16 fair?

17 A Our joint executive meetings weren't focused on
18 issues like this. It was focused on clarifying
19 roles and responsibilities and rebuilding the
20 relationship between the two organizations.

21 Q Okay. So you didn't take that opportunity to
22 raise this issue directly with the VP of
23 Compliance?

24 A No. Because I had raised it with the CEO.

25 Q Okay. And then --

1 THE COMMISSIONER: I think you've run out of time,
2 Ms. Mainville.

3 MS. MAINVILLE: Yes. Could I just, Mr. Commissioner,
4 put the one record that I do need identified by
5 Mr. Mazure to him at this point. Because --

6 THE COMMISSIONER: What record is it and what does it
7 have to do with your client as opposed to BCLC?

8 MS. MAINVILLE: It is about -- just your indulgence.
9 About his lack of recollection of the cash cap
10 proposal from BCLC which was a proposal brought
11 forward by Mr. Kroeker.

12 THE COMMISSIONER: I'm sorry. I didn't follow that.
13 Could you repeat what --

14 MS. MAINVILLE: Sorry, sorry. It is regarding the
15 cash cap proposal that Mr. Mazure in his
16 affidavit indicates he does not recall. It was
17 a cash cap proposal brought forward by
18 Mr. Kroeker.

19 THE COMMISSIONER: All right. Well, if --

20 MS. MAINVILLE: Sorry. It's just intended to refresh
21 his memory on this, Mr. Commissioner.

22 THE COMMISSIONER: Well, all right. Please be quick
23 about it.

24 MS. MAINVILLE: Yes. Thank you.

25 Q Mr. Mazure, could we bring up, then, BCLC6332.

1 This is an email, Mr. Mazure, from -- it's from
2 Mr. Lightbody to Mr. Kroeker, but it relates to
3 a conversation Mr. Lightbody had with you. So I
4 just want to see if it refreshes your memory:

5 "I spoke with John Mazure today."

6 You'll see that?

7 A Yes. Sorry, I've seen this note.

8 Q Okay.

9 A So I think what's happened here is -- and I'll
10 take responsibility for this. I think when -- my
11 affidavit was largely based on the structure of
12 it and what I knew at the time about three weeks
13 ago. And I think at the time when I was asked,
14 you know, do you recall, I think it was -- what
15 was the other issue? Oh, de-risking money
16 service businesses and the cash cap at 25K. And
17 at the time I didn't remember it. And I didn't
18 have this note at the time. I've since had the
19 note, so I think my -- I apologize. My
20 affidavit in that respect is wrong. I do recall
21 this, and so I just want to make that clear.

22 Q Okay. And I just want to be clear. So first of
23 all, you didn't take issue with this cash cap
24 proposal; correct?

25 A No, I didn't take issue with it. I remember

1 at the -- it did jog my memory a bit. I
2 remember at the time it was, you know -- what's
3 the date here? September 17th --

4 Q January --

5 A January, yeah, how could that be September.
6 January 17th, and I think we put the second --
7 or the German recommendation on the source of
8 funds questionnaire in place at -- in, you know,
9 a week before that, I think. It was right about
10 that time. So I just -- I didn't take issue
11 with it. I just thought it was -- the timing
12 was kind of interesting in that we really didn't
13 know what the effects of the source of funds
14 questionnaire were going to have yet, so --

15 THE COMMISSIONER: All right.

16 THE WITNESS: As I said, I don't have issue with it.

17 MS. MAINVILLE: Okay.

18 THE COMMISSIONER: I think we're there.

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

20 THE COMMISSIONER: Thank you. All right.

21 Ms. Tweedie on behalf of the British
22 Columbia Civil Liberties Association has been
23 allocated five minutes.

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

25

1 **EXAMINATION BY MS. TWEEDIE:**

2 Q Good afternoon, Mr. Mazure.

3 A Good afternoon.

4 Q I just have a few questions for you today. Do
5 you have your affidavit in front of you, sir?

6 A I do.

7 Q I'm wondering if you could turn to
8 paragraph 101.

9 A 101.

10 Q And I'll just read this paragraph. You state:

11 "A review led by Mr. Meilleur in 2015
12 indicated that GPEB was collecting
13 information under section 76 [sic] of the
14 *Gaming Control Act* that was not informing
15 investigations. This was problematic
16 because GPEB was not permitted to simply
17 ask for any information it wanted; rather,
18 the requested information had to be
19 connected to an investigation."

20 So I'm hoping you can elaborate for me on what
21 you stated in this paragraph here, what you know
22 of what type of information was being collected
23 and what you know of Mr. Meilleur's review.

24 A So it's actually referenced in point 102, the
25 following paragraph.

1 Q Yes.

2 A There was a leak of -- or not a leak, but a
3 breach in terms of information, a Section 86
4 Report in the spring of 2015 --

5 Q 2014.

6 A 2014, thank you. And so it's situations in
7 government. We would have contacted the office
8 of the chief information officer and so as part
9 of the process for dealing with that, they would
10 look at the privacy aspects and the security
11 aspects of the information. So that office --
12 or a component of that office did a review -- or
13 sorry, an investigation into trying to
14 determine, like, how did the information get out
15 there, but we also had to recover the documents
16 as well. And I recall that we were -- part of
17 that process involved trying to contact
18 individuals that would have been identified in
19 those reports to advise them of this. And we
20 also made attempts to recover the information as
21 well.

22 The details are a little spotty on this for
23 me. It was a while ago now. But we followed
24 government procedures if I could put it that way
25 in terms of trying to, you know, advise the

1 individuals affected and to recover the
2 information. And, sorry, and what's happening
3 in my point in number 101 was one of the
4 recommendations coming out of that
5 investigation, they typically produce a
6 report -- this is the OCIO -- produces a report,
7 and one of the recommendations was, you know,
8 if -- under Section 86(1), you can ask for
9 information if it informs investigation, but you
10 can't just ask for anything. So there was -- I
11 guess there was an assessment that there might
12 be some information -- or there was information
13 on some of those reports that shouldn't have
14 been collected. So one of the things I did with
15 Mr. Meilleur was charge him with looking into
16 that. And I think if I'm not mistaken in the
17 summer of 2015 we -- I know and I've seen it
18 recently, we sent out a directive to service
19 providers clarifying what information they
20 should be providing us. And, again, it was
21 limiting what we were collecting, so -- sorry.
22 That was a long-winded answer, but that's ...

23 Q That's okay. I'll just try to narrow in a bit.
24 What do you know about the information that
25 shouldn't have been collected? What are you

1 referring to?

2 A I don't recall specifically. It was a while
3 ago. It's not in the documents that I
4 requested, so I just -- I would be guessing at
5 this point, and I don't think speculation is
6 going to serve anybody well here.

7 Q Okay. So after this overcollection was found to
8 be occurring, to your knowledge what steps did
9 GPEB take aside from issuing this directive that
10 you've referred to to service providers? What
11 other steps did they take to ensure that
12 information wasn't being collected unnecessarily?

13 A Well, I think that was the most important step
14 that I recall. There were other recommendations
15 coming out of that report. As a matter of
16 course, I would have provided that information
17 to Mr. Meilleur, and like I said, over the
18 course of 2015 there were a bunch of things that
19 I asked him to look into in addition to this
20 issue, and I cannot remember what specifically
21 they were, but I was satisfied with this. I had
22 my own -- it was not only privacy concerns that
23 I had, but we were also reporting information,
24 not private information, but information about
25 the number of files that we touch and the effort

1 we put into it, so they were linked in some
2 respect, so I had a real interest in making sure
3 that we addressed the privacy issue but that we
4 also were reporting on -- in terms of our effort
5 and our activity that that was reflecting actual
6 investigative effects. So they were related.

7 Q Okay. But in terms of training given to your
8 staff about collecting information, to your
9 knowledge it was the one written directive that
10 went out, and that's all that you can recall as
11 far as, like, concrete steps taken to inform --

12 A Yeah. I don't -- the -- I recall the directive
13 that we sent to service providers because I'm
14 pretty sure I signed it, and so that was dealing
15 with the people that are actually gathering the
16 information in the first place. So we were in
17 effect telling them -- we were narrowing down
18 for them what they should be providing
19 information on so that we weren't collecting it
20 ourselves. Sorry, as we talk about this, there
21 were recommendations from the OCIO about how we
22 store the information, how we secure it and
23 those types of things. I don't remember
24 specifics but -- because I remember at the time
25 the -- we were trying to determine how did the

1 information get out there in the first place,
2 and it wasn't -- there were several places where
3 it could have happened, and so we needed to
4 tighten that up. And so that was -- there was a
5 recommendation to that effect in the OCIO's
6 document, so again, I would have charged
7 Mr. Meilleur for making sure that we were
8 implementing those recommendations. And we
9 didn't take issue with them. I mean, I was just
10 as concerned about this as anybody. And in
11 fact, the organization was. So -- yeah, so to
12 my knowledge, you know, and the best of my
13 recollection, we implemented the recommendations
14 that the OCIO would have provided us with.

15 MS. TWEEDIE: Thank you very much. Those are all my
16 questions.

17 THE COMMISSIONER: Thank you, Ms. Tweedie.

18 I'll now call on Mr. Butcher for
19 Mr. Desmarais, who has been allocated
20 10 minutes.

21 MR. BUTCHER: Thank you, Mr. Commissioner.

22 **EXAMINATION BY MR. BUTCHER:**

23 Q Mr. Mazure, as you have just heard, I act for
24 Brad Desmarais. You mentioned his name several
25 times in your evidence last week.

1 I want to go back to when you started as
2 the General Manager at GPEB in September 2013.
3 Did Mr. Scott, your predecessor, provide you
4 with a briefing before you transitioned into
5 your position?

6 A I heard a bit of his testimony -- was it
7 yesterday or the day before? And I'm going to
8 say something different than he did. Both him
9 and I had arranged for a meeting to basically --
10 a transition meeting. It was arranged, I think,
11 a Thursday or a Friday before I was -- the
12 Monday I was about to start. It was late in the
13 day and that day I was on vacation at the time,
14 because I remember this. So he advised me -- he
15 gave me a call earlier in the day and said, I
16 can't make it; I'm writing a briefing note; I've
17 got to take care of my briefing note. So I said
18 that's fine. So we never did meet. He was
19 available for me to call him on certain things,
20 and I think I took him up on that, you know.
21 There's a point at which you don't want to
22 bother the previous guy, so probably within a
23 month I might have had had one or two calls with
24 him about -- it usually had to do with horse
25 racing because he was actively working on a file

1 there, so that transition meeting never
2 happened.

3 Q Okay. The question that I really have for you
4 about that is did he tell you when you came into
5 the job that there was some longstanding
6 friction between the GPEB investigators and
7 other GPEB groups and between the GPEB
8 investigators and BCLC, or was that something
9 you learned yourself?

10 A It would have been something I learned myself.
11 Like I said, I talked to Doug -- I'm thinking a
12 couple, three times, in maybe the first month I
13 was in the position or first two months. I
14 might have bounced it off him and said hey, this
15 is what I'm seeing; what do you recall? And I
16 don't know -- I can't remember what his response
17 would have been, but -- and it was based on my
18 own observations, sorry.

19 Q And you gave some evidence that -- both in your
20 affidavit and orally, that when you started
21 Mr. Desmarais and Mr. Vander Graaf were not
22 talking to each other. Do you remember that?

23 A Yes.

24 Q And so really the question is were you aware
25 that that situation had been going on for years,

1 that Mr. Vander Graaf and the compliance people
2 at BCLC had had a poor relationship for years?

3 A I understood that -- I think the way it was put
4 to me was there was a lot of history there, so I
5 guess to answer your question, yeah, I was aware
6 that -- well, I was aware there was a lot of
7 history. Whether it was just Mr. Vander Graaf
8 or others, I wasn't clear. I just knew that
9 there was between the two organizations in that
10 particular area the relationship was not -- not
11 good.

12 Q Now, would you agree that Mr. Desmarais reached
13 out to you or you to him shortly after your
14 appointment in September 2013?

15 A He reached out to me. I think he -- he would
16 come to Victoria periodically, I think, to talk
17 to probably all of our compliance-related
18 divisions. And I believe it was -- it wasn't
19 right away, but I think it was in late November
20 or early December of 2013 he popped in and we
21 had a discussion. He introduced himself and --
22 yeah, so he -- I believe he reached out to me
23 and I said sure, if you're in town.

24 Q So I'm told that he would have met you every
25 month or every other month perhaps between

1 September 2013 and late 2014 when Mr. Meilleur
2 assumed the role of the Executive Director for
3 Compliance. Does that seem right to you?

4 A I don't think it was monthly. Probably once
5 every couple months and it might have been a
6 little more frequent depending on his schedule.
7 It was usually in my office when he was in town.

8 Q And do you know when he went to Victoria he was
9 also meeting with Bill McCrea?

10 A I wouldn't be surprised he was meeting with
11 Mr. McCrea and meeting with -- like I said,
12 probably executive directors or directors of our
13 other compliance-related divisions.

14 Q What was Mr. McCrea's role in the AML strategy?

15 A He was leading it at the time I got there, and I
16 left it under his leadership until I did the
17 restructuring. So -- yeah, Bill was -- Bill
18 was -- yeah, he led that initiative. He led
19 another initiative within the organization as
20 well.

21 Q And after the restructuring?

22 A After the restructuring, AML largely fell to two
23 divisions. It would have been the compliance --
24 new compliance division, which was led by
25 Mr. Meilleur, and our strategic policy division.

1 Strategic policy and projects division.

2 Q So is it fair to say from your perspective
3 Mr. Desmarais was proactive in attempting to
4 maintain a positive working relationship with
5 GPEB?

6 A Yes.

7 Q And even if you had your differences of opinion
8 about various things, your relationship with him
9 was professional, collegial and cordial?

10 A Yes.

11 Q Is it true that your meetings with him became
12 much less frequent after Mr. Meilleur took over?

13 A Yes. I mean, in part the initial meetings, I
14 think, with him were to gain an understanding of
15 his views on the area he was responsible and, to
16 our earlier point, the relationship between the
17 two organizations where there was friction,
18 where there was lack of clarity. His view on,
19 you know, the suspicious cash, especially
20 probably the first three or four months I was
21 there, like I -- I think I testified earlier, I
22 was trying to understand the possible
23 explanations for what the growth in suspicious
24 cash was, and Brad had his views. You know, it
25 was very useful for me to have that perspective.

1 Q One of the irritants between GPEB and BCLC was
2 an ongoing uncertainty about their mandate and
3 roles, each other's mandate and roles; is that
4 fair?

5 A That's fair.

6 MR. BUTCHER: Madam Registrar, I wonder if you could
7 pull up an exhibit to Mr. Desmarais's affidavit.
8 It's exhibit -- Mr. Desmarais's affidavit is
9 exhibit 522. And it's exhibit 65 that I'm
10 looking for, which is the PDF number 435. It's
11 65.

12 Q Can you see this letter, Mr. Mazure?

13 A I can.

14 Q Have you seen it recently?

15 A No. No, I haven't.

16 Q And if I can give you just a moment to read it.
17 It's just a one and a half page letter. Well,
18 one and two-thirds pages, perhaps.

19 A Okay. I didn't recognize it at first, but the
20 bottom of the page does ring a bell.

21 Q And just to summarize the first part of the
22 letter, Mr. Desmarais has identified the
23 difference of interpretation and understanding
24 of roles and responsibilities under the GCA as
25 one of the sources of conflict between the two

1 groups?

2 A Yeah.

3 Q In the middle paragraph -- I'm going to read it
4 to you -- he wrote this:

5 "BCLC and GPEB have complementary
6 responsibilities under the GCA and
7 ultimately the same goal to provide
8 quality (both in integrity and product)
9 gaming in BC. It's imperative that we
10 meet those responsibilities in a cohesive
11 manner. Not only must we meet our duties
12 under the GCA, but both entities have
13 external obligations such as duties
14 imposed by other statutes."

15 Do you agree with that comment?

16 A Yeah. Yeah, I think we were a ways away from
17 actually, I think -- I agree with the
18 complementary responsibilities under the GCA.
19 That was certainly the intent of the
20 legislation. At the time did I think we were
21 well on our way to understanding that and
22 working well together? No, I don't think I did.
23 And that's not a criticism of Mr. Desmarais or
24 anybody in GPEB. It's just -- it was just the
25 situation that we found ourselves in at the

1 time.

2 Q Now, I want to go to page 2 of this letter,
3 please. And you'll see about two-thirds of the
4 way down the page Mr. Desmarais is telling you
5 that he intends to retain Mr. Geoffrey Plant to
6 provide an opinion on several matters relating
7 to the GCA operation, and he invited you to
8 participate either as a joint retainer for that
9 or as a cooperative partner. Do you see that?

10 A I do.

11 Q Now, did you ever respond to this request?

12 A That's a good question. I can't recall whether
13 I did or not.

14 Q So -- sorry. I'm told that you didn't. Sorry.
15 I take it from your answer that you're agreeing
16 that's quite possible?

17 A It's possible. I just don't recall.

18 Q Thank you. Later in 2016 BCLC and GPEB did
19 agree to do -- to obtain an opinion with a joint
20 retainer from Mr. German?

21 A Right. If it's the document I think you're
22 referring to, to me it wasn't so much a legal
23 opinion as a sort of canvassing of the act and
24 the responsibilities.

25 Q And --

1 A If I can put it that way.

2 Q Because there's some delicacy about that issue,
3 I'm going to go instead to Mr. German's public
4 report, and just take you -- I'm not going to
5 bring it up. I'm going to read you a couple of
6 paragraphs from it.

7 A Okay.

8 Q He said this at paragraph 320:

9 "In the case of GPEB investigators, I am
10 informed that the appointment as a special
11 provincial constable is limited to the GCA
12 and, to the extent necessary, the *Criminal*
13 Code. This supplements their authority
14 under the GCA. It also allows them to
15 pursue investigative powers contained
16 within the *Criminal Code*, respecting
17 conduct which gives rise to criminal
18 offences. One must assume that an
19 appointment as a special provincial
20 constable was intended to add to an
21 investigator's powers or protections.
22 Were that not the case, then the
23 appointment would have been of no
24 consequence."

25 Then I'm going to 322:

1 "The appointment of GPEB investigators as
2 special provincial constables affords them
3 the ability to utilize the powers and
4 protections of the *Criminal Code* as they
5 investigate gaming offences which transit
6 into the criminal regime. Their authority
7 is restricted by the mandate in their
8 appointment and should only be exercised
9 where there is a clear nexus to a criminal
10 offence. There is an expectation that the
11 police force of jurisdiction will be
12 notified of these instances and given the
13 opinion [sic] of assuming jurisdiction."

14 Now, I'm going to ask you, first of all, that --
15 those comments indicate that as Special
16 Constables, the GPEB investigators had ancillary
17 powers under the *Criminal Code*. Would you agree
18 that it would have been much better if you had
19 asked for that joint opinion in 2015 when
20 Mr. Desmarais suggested it?

21 A Well, I don't -- I could have -- that would have
22 been one route. We also had our own legal
23 counsel to provide us with that advice, which is
24 probably where I would have went. And in fact I
25 think we did.

1 Q Yes. I've seen a document where an opinion was
2 asked of somebody early in the morning and they
3 were asked to respond to it by 4:00 p.m. that
4 day. Later in the year.

5 A I don't know anything about that.

6 Q Given the amount of controversy there's been
7 about this issue for years, don't you agree that
8 it would have been appropriate to obtain a
9 reasoned, measured opinion from somebody that
10 had time to prepare that opinion?

11 A Yes. And like I said, I think we would have
12 sought an opinion from our own legal counsel on
13 the -- those specific issues in terms of the
14 authorities that our investigators had
15 supplemented by the SPC status. I wouldn't --
16 I'm not sure why we would have been in a rush if
17 you're suggesting we got an opinion that was
18 rushed. I simply don't recall, but ...

19 Q Would you agree with this simple proposition:
20 that it would have been much better if the
21 opinion that was ultimately obtained had been
22 obtained much earlier, that the clarity
23 suggested by Mr. German in his public report had
24 been known to everybody for many years?

25 A So I think -- I don't recall when we asked for

1 an opinion on this.

2 Q That's not --

3 A I -- well, when you say clear to everybody, are
4 you suggesting we should have shared our legal
5 opinion with everybody, or ...

6 Q No, Mr. Mazure, I'm suggesting that it would
7 have been better if clarity had been brought to
8 the legal arrangements such as the clarity
9 provided by Mr. German in the public report much
10 earlier?

11 A Yeah, I think if we were all clear on our
12 authorities earlier, yeah. I would agree.

13 MR. BUTCHER: Thank you. Those are my questions,
14 Mr. Commissioner.

15 THE COMMISSIONER: Thank you, Mr. Butcher. I'll now
16 call on Ms. Hughes for the province who had been
17 allocated 30 minutes.

18 MS. HUGHES: Thank you, Mr. Commissioner. I should
19 flag for you now that I expect I may not be able
20 to finish within the 30 minutes. And I do
21 wonder if maybe given that the witness has been
22 testifying for some time if it might not be an
23 appropriate time for a short break at this
24 point.

25 THE COMMISSIONER: All right. We'll take 10 minutes.

1 MS. HUGHES: Thank you.

2 THE REGISTRAR: The hearing is adjourned for a
3 10-minute recess until 1:23 p.m.

4 **(WITNESS STOOD DOWN)**

5 **(PROCEEDINGS ADJOURNED AT 1:14 P.M.)**

6 **(PROCEEDINGS RECONVENED AT 1:22 P.M.)**

7 **JOHN MAZURE, a witness**
8 **for the commission,**
9 **recalled.**

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

12 MS. MAINVILLE: Mr. Commissioner, I'm sorry to
13 interrupt. I just wonder -- I forgot to mark
14 documents as exhibits, and I wonder if that
15 should be done before the commencement of
16 Ms. Hughes' examination.

17 THE COMMISSIONER: Yes, I think that's probably a
18 good idea, Ms. Mainville, if you can just
19 identify the documents.

20 MS. MAINVILLE: Yes. Just two of them. GPEB0750.

21 THE COMMISSIONER: Yes. That will be --

22 MS. MAINVILLE: Sorry.

23 THE REGISTRAR: Exhibit 581, Mr. Commissioner.

24 THE COMMISSIONER: Thank you.

25 **EXHIBIT 581: Presentation entitled "Gaming**

1 **Policy and Enforcement Branch and the British**
2 **Columbia Lottery Corporation Present: Exploring**
3 **Common Ground, Building Solutions" - June 4,**
4 **2015**

5 MS. MAINVILLE: And the other is GPEB0868.

6 THE COMMISSIONER: 582.

7 **EXHIBIT 582: Presentation by GPEB, entitled**
8 **"Minister of Finance Briefing Anti-Money**
9 **Laundering (AML) Gaming Facilities" - April 4,**
10 **2016**

11 MS. MAINVILLE: Yes. And just so the record is
12 clear, I'm not suggesting that the last document
13 be exhibited since it was not for the purpose of
14 identification for Mr. Mazure.

15 THE COMMISSIONER: All right. Thank you. Yes,
16 Ms. Hughes.

17 MS. HUGHES: Thank you, Mr. Commissioner.

18 **EXAMINATION BY MS. HUGHES:**

19 Q Mr. Mazure, I'd like to start by going back to a
20 document that we were just looking at. Madam
21 Registrar, it's GPEB767, exhibit 553.

22 Madam Registrar, are we able to pull that
23 document up on the screen? Thank you.

24 So you'll recall, Mr. Mazure, that this is
25 the briefing document, September 2015, that went

1 up to the minister, and you'll recall
2 Ms. Mainville was asking you questions about
3 this document?

4 A Yes.

5 Q Yes. And in fairness to you, what I want to do
6 is give you an opportunity to look at some
7 additional pages of this document that I think
8 might be of assistance both to you in your
9 evidence and also to the Commissioner. So if
10 you could turn, please, Madam Registrar, to page
11 5 of the document. And here, Mr. Mazure, you'll
12 see they've set out the recommended option, and
13 that's option 1. That the minister sets out
14 obligations for BCLC and the General Manager
15 issues a directive to BCLC. Do you see that?

16 A I do.

17 Q And so it's correct, isn't it, that this, the
18 recommended option was a two-part process,
19 wasn't it?

20 A Yes.

21 Q Yes. The first part was the minister
22 establishes obligations that BCLC must carry out
23 in the form of a directive. That's part 1. And
24 the second part is a more detailed directive
25 from the General Manager, that's part 2. Do you

1 "At a minimum and in all circumstances
2 determine source of funds and source of
3 wealth as part of BCLC's existing Customer
4 Due Diligence Program and it's Know Your
5 Customer policy and programs."

6 And is that, Mr. Mazure, a more complete
7 identification of the directive that was the
8 recommended option in this briefing note?

9 A Yes. Based on the previous page. Yep.

10 Q Well, it's two pages together, isn't it?

11 A Yes, yes. Sorry, I meant the previous page
12 where it identifies a two-part or two-step
13 process, yes.

14 Q That's right. And so the two worked together.
15 It's not just the directive we saw on page 7,
16 it's also together with the directive you're
17 looking at now; is that right?

18 A That's correct.

19 Q And if you look at the four points that are set
20 out in the General Manager's proposed directive,
21 I think you'll agree with me that these are
22 essentially the same four points that we saw in
23 your August 7th letter to BCLC to Mr. Lightbody.
24 Isn't that right?

25 A Yes.

1 MS. HUGHES: Okay. Thank you. We can take that
2 document down, Madam Registrar.

3 Q And so I'd like to ask you some questions, now,
4 Mr. Mazure, about what was going on at GPEB in
5 2014. And as I understood your testimony from
6 the other day, you understood at that point in
7 time that GPEB was in phase 3 of its AML
8 strategy and you were trying to determine what
9 options existed for regulatory intervention. Is
10 that a fair summary of your evidence?

11 A It is.

12 Q And one of the things that GPEB did to inform
13 what that regulatory intervention might look
14 like was to obtain the Malysh report in
15 September of 2014. Do you recall that?

16 A I do.

17 Q And one of the findings -- and I can take you to
18 the document if you would like to see it, but in
19 the interest of time because you did go there in
20 your testimony earlier -- I believe commission
21 counsel took you to this document -- one of the
22 things that the Malysh report indicated was
23 that:

24 "There was a general acknowledgement that
25 AML risk assessments of VIP clients have

1 increased significantly over the last five
2 years and that the current USML issue is
3 to conduct CDD --"

4 Customer due diligence.

5 "-- for determining source of wealth and
6 funds."

7 Do you recall that being one of the
8 recommendations the Malysh report made?

9 A Yes.

10 Q And did that recommendation influence GPEB's
11 later request that BCLC determine source of
12 funds before accepting cash?

13 A Yes.

14 Q And looking at what else was going on in 2014
15 with GPEB, you testified that your Executive
16 Director of Audit was working on language for
17 potential directives. Do you recall giving that
18 evidence?

19 A Yes. I think that was -- I think that began in
20 the fall of -- late fall of 2013 and carried
21 into '14, yes.

22 Q And now, also in 2014, you were dealing with two
23 GPEB reviews. You'll recall you were asked
24 questions about these reviews by both commission
25 counsel and by counsel for BCLC. There were two

1 of them, I believe your evidence was, one
2 conducted by Mr. Steenvoorden and one conducted
3 by Ms. Siu. Do you remember that?

4 A I do.

5 Q Yes. And so in the 2014 time period, you were
6 basically having those reviews conducted and
7 then implementing steps that arose out of them.
8 Is that accurate?

9 A Yeah, the implementation would have been later
10 in the year, yes.

11 Q That's right. That led to the restructuring of
12 GPEB?

13 A Correct.

14 Q And, now, you'll recall in answering some of the
15 questions you were asked about these reviews,
16 you used the term "we" quite often when
17 responding to some of those questions, so I'd
18 like to better understand what role you
19 personally played, if any, in conducting those
20 reviews. I believe your evidence was that you
21 were not personally involved in the content of
22 the review. Do you mean to say by that you did
23 not, for example, conduct the interviews that
24 were part of the foundation for the review?

25 A That's correct. I mean, if you like to look at

1 it, I was the executive sponsor for the review,
2 so it was -- I asked for the review to be done.
3 The folks conducting the review, other than
4 Mr. Steenvoorden's review, and that was left to
5 him, by the way, we used the strategic human
6 resources branch in the ministry of finance to
7 conduct the review. So they would have -- they
8 would have determined -- I mean they would have
9 sat down with me at the beginning and we would
10 have talked about their methodology and, you
11 know, and their approach, and I was satisfied
12 with it, and then they would have -- they would
13 have needed to know well, who else should we
14 talk to, for example, so I would have provided
15 some direction on that. But that's where it
16 would have ended. And then --

17 Q So in terms of actually conducting -- my
18 apologies, go on.

19 A Yeah, so they conducted the reviews. They would
20 have talked to GPEB staff. They were the ones
21 that penned the report. I met with them -- or
22 they met with me periodically when there was --
23 just to update me on how things were going. I
24 wanted to make sure staff, you know, were
25 participating in the review and that any issues

1 they were encountering -- I wanted -- you know,
2 in an ideal world it would have been done in a
3 week, but it wasn't. It took longer. But yeah,
4 they had charge of the review and they -- it
5 wasn't just one individual in the strategic
6 human resources branch. It was, I think, a
7 group of them that conducted the interviews.
8 One of the persons in that branch led it and
9 they held the pen in terms of writing the
10 report, so ...

11 Q The person that led it was Raeleen Siu?

12 A Yes.

13 Q And you would defer, I take it, to the authors
14 of the review, Ms. Siu and her team, as to the
15 conclusions that are reached in that review;
16 fair?

17 A Yes.

18 MS. HUGHES: All right. Madam Registrar, could you
19 please bring up exhibit 542.

20 Q So, Mr. Mazure, what you should have in front of
21 you now, you recognize this briefing note that
22 is entitled "Minimizing Unlawful Activity in the
23 BC Gambling Industry"?

24 A Yes.

25 Q And if we could turn, please, Madam Registrar,

1 to page 3.

2 And you see at the top of the page,
3 Mr. Mazure, it outlines the three phases of the
4 AML strategy?

5 A Correct.

6 Q And then further down the page under the
7 "Discussion" heading, in the fourth bullet point
8 we see --

9 A Yes.

10 Q -- the briefing note says:

11 "The strategy was intended to complement
12 the FINTRAC requirements, with
13 enhancements meant to reduce the amount of
14 cash being brought into casinos by patrons
15 and introduce direct intervention for
16 customer due diligence on remaining cash
17 entering casinos."

18 Was that consistent with your understanding of
19 what the strategy -- what its relationship was
20 to BCLC's existing FINTRAC reporting.

21 A Yes.

22 Q And so did you understand at the time that any
23 potential directive that might be issued to
24 limit cash or limit \$20 bills would be in
25 addition to whatever steps BCLC was already

1 taking to meet its FINTRAC reporting
2 requirements?

3 A Yes.

4 MS. HUGHES: And if I could please now have the
5 August 7th letter, that's tab -- sorry, it's
6 exhibit 48 to Mr. Lightbody's affidavit, which
7 is exhibit 505 in these proceedings.

8 THE REGISTRAR: Sorry, what exhibit?

9 MS. HUGHES: Exhibit -- sorry, exhibit 48, please,
10 Madam Registrar. Thank you.

11 Q Mr. Mazure, you recognize this as the August 7th
12 letter that you've been taken to a few times now
13 in your testimony?

14 A Yes.

15 Q And at point 1 on page 2, if you could please
16 scroll down, Madam Registrar. When you're
17 asking BCLC here to focus on identifying source
18 of wealth and funds as integral components to
19 client risk assessment, I take it you're asking
20 them to do more than what is already required
21 under their FINTRAC reporting obligations?

22 A Yes.

23 Q And you knew at this point that BCLC was
24 complying with those FINTRAC reporting
25 obligations?

1 A Yes, yeah. We were well aware of that.

2 Q And so it was your intention, then, with respect
3 to this paragraph to ask BCLC to take additional
4 steps; is that fair?

5 A That's right. We wanted to build on what was
6 required of FINTRAC. They were one regulator;
7 we were another. We wanted to make sure that
8 whatever we were doing didn't conflict with the
9 FINTRAC requirements and we saw this as an
10 additional measure that we wanted them to take.

11 MS. HUGHES: Madam Registrar, could I please have
12 exhibit 49 to Mr. Lightbody's affidavit?

13 Q You've also been taken to this letter already,
14 Mr. Mazure, and just to be clear, this is not a
15 letter that you were a recipient of. You'll see
16 it's addressed to the minister from -- if you
17 scroll down, please, Madam Registrar -- it's
18 from Mr. Lightbody and it also has a CC to
19 Ms. Wenezenki-Yolland. Do you see that?

20 A Yes.

21 Q And, now, the letter purports to at the top
22 reply to your letter of August 7th. Do you see
23 that?

24 A Yes.

25 Q Yes. And I take it you weren't aware of this

1 letter having been sent around the time that it
2 was sent in that sort of last week of August of
3 2015, were you?

4 A I was not.

5 Q No. And indeed you sent a letter to BCLC on
6 September 1st asking for a response to your
7 letter from August 7th, didn't you?

8 A I was on vacation. I think the letter was under
9 my name but signed by Mr. Meilleur. I'm not
10 sure about that.

11 MS. HUGHES: Madam Registrar, could you --

12 THE WITNESS: But there was a letter sent.

13 MS. HUGHES: Okay. If you could please bring up,
14 Madam Registrar, BCLC4510. Thank you. And if
15 you'll go to the signature page, Madam
16 Registrar, please.

17 Q Is that to the best of your knowledge,
18 Mr. Mazure, is that Mr. Meilleur signing the
19 letter on your behalf?

20 A Yeah, it looks like his signature.

21 Q All right. And if you could look at the first
22 paragraph on this page, you say here:

23 "It is my understanding that BCLC is
24 drafting a response to my letter of
25 August 7th, 2015."

1 A Sorry, was I aware? No.

2 Q Did you later learn that those communications
3 occurred? For example, this August 24th letter?

4 A Yes. I believe there's this one and there was a
5 letter from Michael Graydon to the minister, I
6 guess, related to the betting limits request,
7 which I wasn't aware of until I saw it here.

8 Q So at times I think you'll agree that there may
9 have been communications passing directly
10 between senior executives at BCLC and the
11 minister or the minister's office that you as GM
12 were not linked into?

13 A Yes. There's two apparently. Or at least two.

14 MS. HUGHES: Thank you.

15 Madam Registrar, could I please have
16 GPEB774, which is exhibit 52 to Mr. Lightbody's
17 affidavit.

18 MR. PENNER: Mr. Commissioner, I apologize for
19 interrupting Ms. Hughes, but I just wonder if we
20 could ask the witness when he first learned
21 about these communications that Ms. Hughes is
22 referring to.

23 THE COMMISSIONER: All right. That's fine. I think
24 he did say that when he was reviewing the
25 documents for the commission, but maybe I

1 misunderstood him.

2 MS. HUGHES: That was my understanding as well,
3 Mr. Commissioner. But if the witness would like
4 to answer his counsel's question, that's fine
5 with me.

6 THE WITNESS: Sorry, you're both right. It was
7 through the review of these documentation as
8 part of this process that I became aware.

9 THE COMMISSIONER: All right. Thank you. Carry on,
10 Ms. Hughes.

11 MS. HUGHES: Perhaps I'll just note for convenience
12 for Mr. Penner, I'm not sure whether he's
13 requested time at the end, but perhaps if he
14 does have questions of that nature rather than
15 interjecting in my questions he ought to ask
16 them when I've concluded.

17 THE COMMISSIONER: Probably the best way of
18 proceeding, the most efficient way of
19 proceeding. We'll do that. Thank you.

20 MS. HUGHES: Thank you, Mr. Commissioner.

21 Q So, Mr. Mazure, you should have in front of you
22 now a September 16th, 2015 letter and I take it
23 you recognize this as BCLC's response to your
24 August 7th letter that we just looked at.

25 A Yes.

1 MS. HUGHES: Okay. Perfect. And if we look down --
2 if we could scroll down a little bit, please,
3 Madam Registrar. I'm looking for the paragraph
4 towards the bottom that starts, thank you, "at
5 your request."

6 Q Do you see that paragraph?

7 A Yes.

8 Q And BCLC's response is:

9 "At your request BCLC has looked at its
10 existing policies and procedures in the
11 contest of Guideline 6G published by the
12 Financial Transactions and Reports
13 Analysis Centre, FINTRAC, and which deals
14 with client identification requirements
15 for financial entities. I have enclosed a
16 copy of the relevant section of
17 Guideline 6G for ease of reference."

18 And if we turn through the document, we'll go
19 there in a moment, but do you understand what
20 BCLC is saying there to be here's what we're
21 doing for our FINTRAC compliance?

22 A Yes. Generally, yes.

23 MS. HUGHES: Yes. And so if you go to the enclosure,
24 please, Madam Registrar, the page I'd like to go
25 to is the last page of the document, page 7.

1 Q And so what FINTRAC's guideline says on the
2 material issue for us, Mr. Mazure, you'll see
3 here it says:

4 "Here is a non-exhaustive list of enhanced
5 measures you could take to mitigate the
6 risk in cases of high-risk business
7 relationships."

8 Do you see that?

9 A I do.

10 Q And one of the items -- it's the second bullet
11 point down -- is obtaining information on the
12 source of funds or source of wealth of the
13 client?

14 A Yes.

15 Q And when you read this, did you understand that
16 this was not a mandatory requirement by FINTRAC;
17 it was a step that a FINTRAC reporting entity
18 could take?

19 A Yes.

20 Q And did you also understand that FINTRAC's
21 suggestion was that this would apply in cases of
22 high-risk business relationships, not to all
23 potential relationships?

24 A That's what it says, yeah.

25 MS. HUGHES: Thank you, Madam Registrar. We can take

1 that document down.

2 Q So at the time, Mr. Mazure, in September of
3 2015, did you have an understanding as to
4 whether BCLC was conducting source of funds in
5 addition to source of wealth inquiries as part
6 of their know your client or customer due
7 diligence?

8 A Difficult to separate what I know now from what
9 I knew then, but I think back then I recall that
10 I was aware that they were doing something in
11 the beginning in the spring of 2015 with their
12 high-risk patrons. I'm not sure I was aware of
13 the specifics. I would have relied on
14 Mr. Meilleur, my Executive Director of
15 Compliance, for that information. So -- and I
16 would have talked to him, and in fact if I'm not
17 mistaken, he was encouraging me to write the
18 letter of August 7th, so the language we would
19 have chose would have been reflective of the
20 knowledge of what BCLC was going at the time.

21 MS. HUGHES: All right. Madam Registrar, if I could
22 please now have exhibit 53 to Mr. Lightbody's
23 affidavit. This should be the October 1st, 2015
24 minister's letter. If you look at point 3,
25 please, Madam Registrar. Scroll down slightly.

1 Thank you.

2 Q You've been taken to this before, but the key
3 point for my purposes now is in point 3 the
4 minister is asking BCLC to:

5 "Enhance CDD to mitigate the risk of money
6 laundering in BC gaming facilities through
7 the implementation of AML compliance best
8 practices, including processes for
9 evaluating the source of wealth and source
10 of funds prior to cash acceptance."

11 And that is consistent with what you had
12 suggested in your August 7th letter; is that
13 fair?

14 A Yes.

15 MS. HUGHES: And if you could please scroll down,
16 Madam Registrar, to the first paragraph on the
17 next page.

18 Q And here the minister writes:

19 "These actions are in addition to and in
20 support of those activities identified
21 August 7th, 2015 letter ..."

22 That's your letter?

23 A Yes.

24 Q And when -- in your testimony earlier, you
25 indicated that here the key for you in your

1 August 7th letter, and I take it you understood
2 carried over into the minister's letter, was to
3 look at the source of funds before accepting
4 those funds. Do you recall giving that
5 evidence?

6 A Yes.

7 Q And then you went on to say in your testimony:
8 "This goes beyond the FINTRAC obligation,
9 which is to -- you know, to monitor and
10 report, this goes a step further."

11 Do you recall giving that evidence?

12 A Yes.

13 Q And was making these source of funds inquiries
14 prior to accepting the cash the something more
15 that you were referring to?

16 A Yes.

17 Q And so I take it at this point in time you were
18 not -- sorry, let me rephrase the question.

19 At this point in time you did not accept
20 that BCLC complying with its FINTRAC obligations
21 was enough; is that fair?

22 A That's fair.

23 Q And you also testified the other day that you
24 recalled Ms. Wenezenki-Yolland saying to the
25 minister, "It will be useful if you could

1 endorse what Mr. Mazure is -- if you agree." In
2 testimony were you intending to convey that
3 Ms. Wenezenki-Yolland suggested it would be
4 helpful for the minister to endorse what you had
5 said in your August 7th letter?

6 A Yes.

7 Q And did you share Ms. Wenezenki-Yolland's view
8 that it would be helpful to have the minister,
9 to it put it colloquially, back you up?

10 A Yes.

11 Q And what was about it of the dynamic between
12 GPEB and BCLC's relationship at the time that
13 make you think it would help if the minister
14 backed you up?

15 A Well, I think the fact that we were asking for a
16 directive because we -- we acknowledged what
17 they were doing, but we felt that it wasn't
18 enough, and in lieu of a directive, a letter
19 from him would help reenforce the letter that I
20 had provided.

21 Q Okay.

22 A I think we needed ...

23 Q Go ahead.

24 A I was just going to say, you know, it was
25 important for, I think, everyone to understand

1 MS. HUGHES: All right. Thank you. Thank you, Madam
2 Registrar. We can take that document down. And
3 if I could now please have exhibit 55 to
4 Mr. Lightbody's affidavit.

5 Q And here we have a July 14th, 2016 letter that
6 you wrote to Mr. Lightbody. Do you see that?
7 Do you recall this letter, Mr. Mazure? Do you
8 need a minute to review it? I ask because I
9 don't think anyone has taken you to this
10 document yet.

11 A Yeah, it looks a little -- if we could just
12 scroll down a little bit. Yeah. Yeah, thank
13 you. Keep going. I'm just ... Yep, I see it.

14 Q Thank you. So I take it at this point now, July
15 of 2016, Mr. Mazure, you still were not
16 satisfied with the steps BCLC had been taking in
17 response to your earlier letters of August 7th
18 and January 15th and the minister's letter of
19 October 1st. As you write in the third full
20 paragraph:

21 "Due diligence on source of funds
22 resulting from the cash alternatives
23 proposed is important to ensure the AML
24 strategy is not undermined by providing a
25 means to convert illicit funds."

1 A Right.

2 Q So fair enough you still have a concern about
3 the AML strategies being employed?

4 A Yes. Sorry, I was a little thrown by the title
5 of this -- of the note, but they had put forward
6 some cash alternatives to us, and I think it's
7 the case of -- I think it's the second line in
8 that paragraph that you didn't read that, you
9 know, concerned us. Like, we were willing to
10 approve or support, you know, additional cash
11 alternative -- alternatives, but we needed to
12 have that source of funds in place because in
13 the case of convenience cheques, if you're
14 not -- if you're not, you know, confirming
15 source of funds coming in, then we don't want to
16 exacerbate the problem by cutting cheques to --
17 or delimiting the convenience cheques going out.
18 So -- and this relates back to my earlier
19 testimony about these things needed to work
20 together, these different elements of the AML
21 strategy. So ...

22 Q Okay. Thank you.

23 MS. HUGHES: Mr. Commissioner, I've been advised that
24 I have reached the end of my time, and as I
25 flagged, I expect that I will need additional

1 time. That has of course been granted liberally
2 and I note that the combined time allocation of
3 the BCLC, Mr. Lightbody, Mr. Kroeker and
4 Mr. Desmarais's counsel far exceeds that to
5 which my client has been allocated, and so I
6 would ask for some additional time to carry on.
7 I'm about halfway through.

8 THE COMMISSIONER: All right. You may carry on.
9 Thank you.

10 MS. HUGHES: Thank you, Mr. Commissioner.

11 And so, Madam Registrar, if we could go to
12 the next page of the document, please.

13 Q And in the second last paragraph, Mr. Mazure,
14 you write:

15 "To ensure that the province is taking the
16 steps necessary to eliminate the proceeds
17 of crime from BC gaming facilities and to
18 support the AML strategy and the integrity
19 of gaming in BC, BCLC should contemplate
20 not accepting funds where the source of
21 those funds cannot be determined or
22 verified, within a risk-based framework."

23 And then you go on to note some potential
24 techniques or what that approach could include.
25 Do you see that?

1 A I do.

2 Q And one of those techniques is a threshold
3 amount over which BCLC would require service
4 providers to refuse to accept unsourced funds.
5 Do you see that?

6 A I do.

7 Q And so I take it, then, you'll agree that at
8 least as far as you understood it, using a
9 risk-based framework did not preclude the use of
10 prescriptive measures like thresholds within
11 that framework; is that fair?

12 A Fair.

13 MS. HUGHES: All right. Thank you, Madam Registrar.
14 I'm done with -- oh, no, fair enough. It's
15 already attached to Mr. Lightbody's affidavit,
16 so it doesn't need to be marked. Thank you,
17 Madam Registrar. We can take that down. If I
18 could now please, Madam Registrar, have -- it's
19 exhibit number 56 to Mr. Lightbody's affidavit.

20 Q And so, Mr. Mazure, what you should have before
21 you is a letter dated August 3th, 2016, from
22 Mr. Lightbody to yourself.

23 A Yep.

24 Q And Mr. Lightbody is writing in response to your
25 letter of July 14th that we looked at earlier.

1 Do you see that in the first paragraph?

2 A Yes.

3 Q And in whole, if you look at the second
4 paragraph -- sorry, my apologies. The third
5 paragraph. Mr. Lightbody notes that in
6 reference to the excerpts from earlier
7 correspondence that you and the minister had
8 exchanged with BCLC and those would be, I take
9 it, you understand those were the August 7th,
10 the January 15th and the October 1st letters
11 that we looked at earlier.

12 A Yes.

13 Q Yes. And he says:

14 "I thank you for those reminders and can
15 assure you that BCLC's obligations under
16 the *Proceeds of Crime (Money Laundering)*
17 *and Terrorist Financing Act* are an ever
18 present top priority for BCLC.
19 Furthermore, I can confirm that BCLC
20 remains committed to working with GPEB and
21 FINTRAC to ensure our anti-money
22 laundering program is fully compliant and
23 one of the most robust in the industry."
24 And then he notes that FINTRAC had just
25 completed a comprehensive audit. And then he

1 goes on in the next paragraph to note:

2 "I appreciate your suggestion that BCLC
3 ensure its new proposals are conducted
4 within a risk-based anti-money laundering
5 framework and specifically that on a risk
6 basis source of wealth and source of funds
7 inquiries should form part of that
8 framework. I can confirm that source of
9 wealth and source of funds inquiries are
10 in fact incorporated into the BCLC
11 anti-money laundering program and will
12 apply to the proposals when implemented
13 along with all the other program elements
14 aimed at countering money laundering."

15 And so I have two questions for you arising out
16 of this. First, Mr. Mazure, at this point in
17 time, that we're now in August and you've
18 written multiple letters to BCLC, did you accept
19 that BCLC complying with its FINTRAC obligations
20 was sufficient to meet the request that you and
21 the minister had been making in terms of source
22 of funds?

23 A No.

24 Q And, now, with respect to the assurance
25 Mr. Lightbody gives you that the source of funds

1 inquiries were part of the AML program BCLC was
2 employing, did you at the time have any detailed
3 knowledge about how source of funds inquiries
4 were in fact being incorporated into that
5 framework?

6 A Sorry. The note -- this note is in 2016.

7 Q Yes.

8 A So yeah, we would have been aware of the program
9 they started in, I think, the spring of 2015.
10 So I would have been advised by Mr. Meilleur on
11 a regular basis about how things were proceeding
12 on this front, and looking at the suspicious
13 cash that was coming into the system. Probably
14 a little bit earlier at this point in time, but
15 we would have been talking to JIGIT about what
16 they were seeing and we were also putting
17 together -- I think our intelligence unit might
18 have been up and running by this time, so based
19 on the information we were getting there in
20 terms of the activity we were seeing would have
21 prompted the need to write to BCLC.

22 MS. HUGHES: Madam Registrar, if I could please have
23 GPEB5082.

24 Q And what you'll have here, Mr. Mazure, is a
25 series of a chain of email correspondence

1 action to the minister, we need to have a
2 fulsome understanding of the steps already
3 being taken to remove unsourced cash from
4 BC gambling facilities."

5 So do you understand that to be a request from
6 Mr. Henderson to BCLC for more information about
7 the steps BCLC is already taking?

8 A I do.

9 Q And if you go down to the second last paragraph,
10 Mr. Henderson writes:

11 "I'm also interested in how you determine
12 when these additional steps, (i.e.
13 directives) are taken and how you
14 determine what additional steps may be
15 taken based on the information obtained in
16 a source of funds interview. I also don't
17 see other instructions for SPs --"

18 That's service providers.

19 "-- to refuse unsourced cash in certain
20 circumstances (other than lack of ID for
21 LCTs)."

22 So do you understand that to be a further
23 particularization of the type of information
24 that Mr. Henderson was looking for from BCLC at
25 the time?

- 1 A Yeah. I think it's fair to say we were looking
2 for additional details.
- 3 MS. HUGHES: All right. And so if you turn back into
4 the document to page 11, please, Madam
5 Registrar. In the top right hand. Thank you.
6 And so here we have Mr. Alderson's response and
7 he notes in the first substantive paragraph:
8 "BCLC just received this week almost the
9 same request as yours, directly from the
10 ADM (Cheryl)."
- 11 Do you see that?
- 12 A Yes.
- 13 Q And so this may be another example where there
14 were communications transpiring between people
15 above you in the government framework and BCLC
16 directly?
- 17 A Yeah, looks like it.
- 18 MS. HUGHES: Yes. And so, Madam Registrar, if you
19 could please turn, then, to page 3 of the
20 document. Just down a little bit, please, Madam
21 Registrar. Thank you.
- 22 Q Now we see an email from Mr. Lightbody to both
23 yourself and Ms. Wenezenki-Yolland?
- 24 A Yes.
- 25 Q And what that email attaches is -- if you scroll

1 down, please, the Madam Registrar.

2 It's a document prepared by, we understand,
3 Mr. Kroeker outlining some recent information on
4 suspicious transaction reporting?

5 A Right.

6 MS. HUGHES: Okay. And then, Madam Registrar, if you
7 could please go back to page 2 of the document.

8 Q At the bottom of the page we have
9 Mr. Henderson's response to you. Do you see
10 that? Scroll up just a little bit, please,
11 Madam Registrar. Thank you. So Mr. Henderson
12 looks at the information that's provided and
13 writes to you:

14 "This info is somewhat helpful, but it's
15 pretty high-level in terms of steps BCLC
16 is taking regarding unsourced cash. I
17 know that they use a risk assessment tool
18 for categorizing patrons as low, medium,
19 high or extreme risk and have certain
20 actions they take with respect to some
21 high-risk patrons. This document mentions
22 the source of funds directive requiring
23 patron to provide source of funds (i.e.
24 ATM slip or bank receipt) or they can't
25 buy in, as well as source of funds

1 interviews requiring SPs to interview
2 patrons requiring source of funds. What I
3 don't know is what triggers them to take
4 these specific steps with certain
5 high-risk patrons and what steps they take
6 depending on responses to interview
7 questions."

8 So I take it, then, you knew in January of 2017
9 that Mr. Henderson was still seeking information
10 about how BCLC was applying its risk-based
11 framework to patrons.

12 A Yes.

13 MS. HUGHES: Yes. And then, Madam Registrar, if we
14 can scroll up to the top of page 2.

15 Q We now have an email from Mr. Meilleur, and if
16 we scroll to the very bottom of page 1 you were
17 a recipient of this email, Mr. Mazure. Do you
18 see that?

19 A Yes.

20 Q And Mr. Mazure -- or sorry, Mr. Meilleur also
21 notes towards the bottom of the paragraph:

22 "BCLC has outlined in the note
23 processes/tools that are mainly focused
24 post-transaction and are not generally
25 applied or applied in the same manner at

1 each gaming facility. A policy around how
2 a more robust segmentation process built
3 around the actual transaction is what we
4 hope government will decide upon."

5 Do you recall receiving that email from
6 Mr. Meilleur?

7 A I don't necessarily recall it, but it's
8 obviously -- it was sent to me.

9 Q And you understand Mr. Meilleur to be echoing
10 Mr. Henderson's concerns --

11 A I do.

12 Q -- about not having a clear idea of how BCLC was
13 applying its risk-based framework?

14 A We were certainly looking for more detail, yes.

15 Q Yes. And the last email in the chain here, this
16 is on page 1, Madam Registrar. To be fair,
17 Mr. Mazure, you're not a recipient of this
18 email. But Mr. Henderson writes to
19 Ms. Jaggi-Smith?

20 A Yes.

21 Q And what was -- sorry, not Ms. Jaggi-Smith,
22 Jillian Hazel?

23 A Yes.

24 Q And what was Ms. Hazel's role at that time?

25 A I believe she was the manager of policy at GPEB.

1 Q And so what we see here is Mr. Henderson writes:

2 "I want to follow up with the John on the
3 BN that we received to see what should be
4 our next steps."

5 And he goes on to say:

6 "It appears from the Section 86 Reports we
7 continue to receive that their --"

8 And "they" refers to BCLC here.

9 "-- their risk tolerance is too high. For
10 us to provide a recommendation for
11 specific direction around lowering the
12 risk tolerance we really need to
13 thoroughly understand their process for
14 high-risk patrons. For example, when does
15 BCLC determine a high-risk patron is high
16 enough risk to warrant a source of funds
17 interview. I would argue that they should
18 all have a source of funds interview, but
19 I don't know what they are doing now and
20 why."

21 So you understand that to be reiteration of the
22 concerns that Mr. Henderson had expressed to you
23 in the earlier email correspondence?

24 A Yes.

25 Q And then Mr. Henderson outlines a couple of

1 options. He says:

2 "We can send a letter from John to Jim
3 asking for a detailed risk matrix that
4 identifies when specific action is taken,
5 but I fear the response may still be too
6 high-level."

7 Do you see that?

8 A I do.

9 Q Do you recall ever drafting or sending such a
10 letter to Mr. Lightbody requesting a risk
11 matrix?

12 A I don't recall that. I think -- the next
13 sentence talks about another option.

14 Q Yes. The other option is to have Mr. Alderson
15 come to Victoria and walk you through the
16 process. Do you recall that occurring?

17 A That's I think the option we chose. I'm not
18 sure if Ross came to Victoria, but I thought --
19 it made sense, I think, and my recollection is
20 we thought having Jeff -- putting Jeff on this
21 and working with Ross and whoever else he needed
22 to work with, you know, whether they're getting
23 together in a room for the day or whatever, was
24 more productive.

25 Q And so -- sorry.

1 A Sorry. I think that's the option we went with
2 rather than getting -- you know, going back and
3 forth sending information when we're -- it's
4 clear we're not necessarily getting the
5 information we need.

6 Q All right. So fair enough to say that as of
7 January 2017 your team was still looking for
8 additional information on how BCLC was applying
9 in a concrete way the risk-based approach they
10 were following?

11 A Yeah, that's fair to say.

12 MS. HUGHES: Thank you. Could I please have that
13 marked the next exhibit, Mr. Commissioner.

14 THE COMMISSIONER: Yes, very well.

15 THE REGISTRAR: Exhibit 583, Mr. Commissioner.

16 THE COMMISSIONER: Thank you.

17 **EXHIBIT 583: Email chain re BCLC Briefing Note**
18 **date January 22, 2017 - January 26, 2017 (with**
19 **attachment)**

20 MS. HUGHES: I'd like to now -- thank you, Madam
21 Registrar. We can take that off the screen.

22 Q I'd like to now ask you some questions,
23 Mr. Mazure, around a series of briefings that
24 occurred around the release of the MNP report.

25 A Right.

1 Q So to orient yourself in time, in 2016. So do
2 you recall a briefing in April, April 4th, a
3 briefing with the minister in anticipation of
4 the MNP report being released?

5 A I'm not sure if it was April 4th, but I remember
6 a briefing with the minister.

7 Q Okay. And perhaps, Mr. Mazure, we can look at
8 the document that relates to that. I believe my
9 friend already took you to it today. It's
10 GPEB868, and it's marked as exhibit 582.

11 And if you could turn, Madam Registrar, to
12 page 12. One of the -- in the third bullet
13 point down the presentation notes:

14 "Cultural differences between GPEB/BCLC
15 around unsourced cash and potential AML
16 activities in BC have undermined
17 collaboration."

18 Do you see that?

19 A I do.

20 Q And you held that view at the time?

21 A As I said before, I'm not sure -- well, I don't
22 recall approving this particular presentation,
23 and I certainly didn't pen it myself. I'm not
24 sure what is meant by cultural differences. If
25 that's -- if that's referring to, you know,

1 the -- our various positions on whether proceeds
2 of crime was happening in casinos or not, then
3 it makes sense. Otherwise I'm not sure what
4 it's referring to.

5 MS. HUGHES: Okay. And then if you could turn,
6 please, Madam Registrar, to page 15. Oh, I'm
7 sorry. That's not the right page. My
8 apologies. Just one moment. My apologies.
9 It's page 14 in the notes. And I understand
10 that you've given evidence that you don't
11 need -- sorry, you did not approve the notes or
12 recall reviewing this document. So my question
13 is more this: in the notes it says:

14 "Tough decisions need to be made around
15 limitations on cash coming into the
16 facilities."

17 My question for you is did you share that view
18 that at this point in time in April of 2016 some
19 tough decisions needed to be made around cash in
20 casinos?

21 A Tough decisions. A decision had to be made, I
22 think. At this point in time I think we were,
23 you know, still seeking to be asking about
24 source of funds prior to cash acceptance. It
25 was still the -- and that we understood BCLC was

1 doing something. We were obviously looking for
2 more information, which is pointed out, and at
3 this point in time we would have been intel from
4 our intelligence unit and JIGIT that was
5 suggesting we still had a problem, and so there
6 was more to do.

7 Q All right. I'd like to now ask you some
8 questions about the briefing note that was
9 prepared with respect to the MNP report. We
10 don't need to go there. You'll recall
11 Mr. McCleery asked you some questions about this
12 the other day. It's the September 2016 briefing
13 note, and one of the -- some of the testimony
14 that you gave the other day was that:

15 "BCLC had some significant concerns with
16 the report, and so that didn't leave a lot
17 of common ground between the organizations
18 to come up with a solution that both of us
19 were going to agree son. So it was -- but
20 that was the direction given."

21 And so in terms of the direction, was the
22 direction that you were given that GPEB and BCLC
23 had to agree on next steps coming out of the MNP
24 report?

25 A That's what I took it to mean.

1 Q And who gave that direction?

2 A That came from the Associate Deputy Minister's
3 office.

4 Q Is that Ms. Wenezenki-Yolland?

5 A Yes.

6 Q And what impact did Ms. Wenezenki-Yolland's
7 direction have on GPEB's ability to take the
8 steps it thought necessary arising from the MNP
9 report?

10 A Well, I think it made it difficult, given the
11 concerns that BCLC had with the report itself,
12 so if the -- if we had to agree on the response
13 collectively to the recommendations, it made it
14 very difficult, given we were in different --
15 different positions in terms of our comfort
16 level with the report and its recommendations.

17 MS. HUGHES: Thank you. Madam Registrar, I note we
18 still have the earlier document on the screen.
19 We can take that down. Thank you.

20 Q And one of the recommendations that Mr. McCleery
21 took you to was that GPEB consider implementing
22 a policy requirement that service providers
23 refuse unsourced cash deposits that exceeded an
24 established dollar threshold, and your evidence
25 in response to Mr. McCleery was that:

1 "If we were going to provide direction, it
2 would have to be through BCLC, if we
3 wanted a service provider to do
4 something."

5 You recall giving that evidence?

6 A Yeah, that sounds familiar.

7 Q And so my question to you is why would it have
8 to be through BCLC if the service providers were
9 going to be required to do something?

10 A Because they were -- they were contracted
11 through -- with BCLC. It was a conduct and
12 manage issue, and they were the service
13 providers. We could issue a public interest
14 standard, but the direction would be that BCLC
15 here, and through them to the service providers.

16 Q So then moving on a little bit. You recall
17 attending additional briefings with both the
18 deputy minister and the minister regarding the
19 MNP report in October of 2016?

20 A Yeah, I think there was a -- there was a
21 pre-brief -- there was a meeting where we were
22 briefing the minister before we met with BCLC.
23 If that -- I think that's the meeting you're
24 talking about.

25 Q Yes. Well, there were two. So first off there

- 1 was a pre-brief with the deputy minister, Ms. --
2 I'm going to pronounce this wrong --
3 Mentzelopoulos?
- 4 A Yes.
- 5 Q And that was around October 7th?
- 6 A Yes. They were back-to-back meetings.
7 Back-to-back days, sorry.
- 8 Q Do you recall whether you alerted the deputy
9 minister to the fact that BCLC was challenging
10 the credibility of the MNP report?
- 11 A Yes. And I think we -- in the pre-brief with
12 the minister we were alerting him as well.
- 13 Q All right. And then you have the October 13th
14 briefing with the minister himself. You've
15 testified about that earlier. You recall that?
- 16 A Yeah. The dates are starting to run together,
17 but yes.
- 18 Q Fair enough. Do you recall BCLC also attended
19 the October 13th, ministerial briefing?
- 20 A I do.
- 21 Q And the chair of the board, Mr. Bud Smith, was
22 present?
- 23 A He was.
- 24 Q And do you recall a discussion at that briefing
25 to the effect that BCLC needed to do more to

1 lower their risk tolerance?

2 A I don't recall that specifically.

3 Q What do you recall the tenor of the discussion
4 to have been at that meeting?

5 A There was several items on the agenda. The item
6 dealing with the MNP report, my recollection is
7 that the BCLC board chair was very critical of
8 the report, and if I can say this, in my
9 experience briefing ministers, briefing the
10 board, particularly the Minister of Finance,
11 when I was at treasury board staff, I've --
12 especially in front of staff and when there were
13 staff, I was surprised at the tone and the --
14 yeah, just the way that issue was presented.
15 That's -- if I remember anything from that
16 meeting, that's what sticks in my head.

17 Q And so moving forward now to January of 2017 --
18 MS. HUGHES: Actually, before we do that, if we could
19 please, Madam Registrar, have -- this is
20 appendix J to exhibit 73. It's GPEB0915. And
21 it's appendix J. My apologies. That's the
22 wrong document. I'm actually looking for the
23 note. It's GPEB0915. It must not be
24 appendix J. Perhaps, Madam Registrar, if we
25 could pull up GPEB0915. I may have

1 inadvertently not cross referenced it
2 appropriately to documents in the overview
3 report. Thank you.

4 Q And so I go to this just to ask you, Mr. Mazure,
5 you testified earlier that there was a practice
6 of providing joint briefing notes that, you
7 know, GPEB and BCLC were directed to prepare
8 together for the minister, and I just wanted to
9 ask you if this would be an example of one of
10 those joint briefing notes.

11 A Yeah, based on the ministry contacts and --

12 Q Yes, both you and Mr. Lightbody are listed.

13 A Yeah, we're both listed there.

14 Q Thank you.

15 Thank you, Madam Registrar.

16 And now moving forward to January of 2017,
17 Mr. Mazure. We've seen some documentation and
18 you were asked about a second attempt to do --
19 to obtain a minister's directive to refuse
20 unsourced cash. Madam Registrar if we could
21 have GPEB4949. And here -- this is dated
22 somewhere between November and January 2017, but
23 the point is it follows on the October 2016
24 ministerial briefing about the MNP report. Is
25 that fair?

1 A It does.

2 Q And if you could turn, please, to page 3, Madam
3 Registrar. In the first paragraph under "BCLC
4 Response." The note says:

5 "BCLC has provided GPEB with a response
6 plan for MNP's recommendations. In
7 general, BCLC does not see the need to
8 take action based on MNP's recommendations
9 with the exception of a commitment to
10 enhance BCLC's AML training program in
11 2017."

12 Q Was that consistent with your recollection of
13 BCLC's response to the MNP report?

14 A Oh, that's a while ago. I'm not sure if it was
15 limited to that one exception, but yeah, they
16 did take issue with, you know, a good chunk of
17 the report. I'm sorry. I just don't recall.

18 Q Okay. Well, maybe the next paragraph will help.
19 The note provides:

20 "BCLC considers the status on almost all
21 of MNP's recommendation to be complete, in
22 many cases citing the FINTRAC compliance
23 review as evidence of the adequacy of
24 existing --"

25 Q It should say "existing." It says "exiting."

1 "-- processes related to a number of the
2 recommended actions. However, it should
3 be noted that many of MNP's
4 recommendations go over and above *PCMLTFA*
5 reporting requirements and FINTRAC's
6 compliance review focused on compliance
7 with those reporting requirements only."

8 And so was that consistent with your
9 understanding of BCLC's response to the MNP
10 report?

11 A Again, I don't remember the -- you know, it may
12 well -- it obviously looks like it. I just --
13 you know, off the top of my head, I remember
14 their -- you know, they had concerns in several
15 areas with the report. Their response to the
16 report is less clear to me.

17 Q Would you agree, then, Mr. Mazure, that
18 certainly to the extent that the response to the
19 MNP report was we're meeting our FINTRAC
20 obligations, that's sufficient, that's the same
21 response you were getting to your August 7th,
22 January 15th and the minister's October 1st
23 letters?

24 A I would agree.

25 Q And if you go further down the page, we see that

1 the note reports that:

2 "In the response to recommendations
3 related to direction from GPEB to refuse
4 unsourced cash exceeding specific
5 thresholds, BCLC advised ... "

6 And then first there's the statutory authority
7 point, but second:

8 "Any such requirement may be in conflict
9 with the *PCMLTFA* and FINTRAC guidelines
10 which require BCLC to implement a
11 risk-based compliance regime."

12 So did you understand that to be saying that if
13 GPEB were to try and direct BCLC to refuse
14 unsourced cash that BCLC was taking the position
15 that that might put them in breach of their
16 FINTRAC obligations?

17 A Yes.

18 Q And did you understand or did you have an
19 understanding at the time about whether FINTRAC
20 mandated or required a risk-based approach or
21 whether that was voluntary?

22 A Whether they mandated a risk-based approach?

23 Q Yes, whether FINTRAC required BCLC to adopt a
24 risk-based approach or whether BCLC -- it was
25 voluntary.

1 A I'm sorry.

2 Q Or you just don't know? And that's fine. You
3 can say "I don't know."

4 A Well, I did at one time. Now I'm -- you know,
5 now that you throw it at me, I'm kind of
6 like I'm not sure. It seems to me like it's
7 something they would have recommended for sure,
8 mandated. I'm not -- it's ...

9 Q Fair enough.

10 A Yeah.

11 MS. HUGHES: All right. And then if you turn over
12 the page, please, Madam Registrar, to number --
13 that's it right there.

14 Q The last point was that:

15 "A directive requiring refusal of cash
16 impact may have 'dramatic adverse fiscal
17 impacts to gaming service providers ...
18 and service providers may see the action
19 as frustrating its service contracts with
20 BCLC ...' and '... service providers can
21 be expected to seek compensation from
22 government where provincial requirements
23 are not aligned with or conflict with
24 federal law.'"

25 And so did you understand that to be BCLC

1 responding to the MNP report to say this is
2 going to cause massive revenue loss for service
3 providers?

4 A If it's BCLC that said this that ...

5 Q Well, yes, if we turn back.

6 A Yeah, sorry. I'm just -- I'm trying to link it
7 to what's written before.

8 MS. HUGHES: Madam Registrar, perhaps if you could
9 scroll up slightly just so Mr. Mazure can see.
10 Go down a little bit.

11 Q So this is the third point, Mr. Mazure, under
12 what BCLC advised, just to orient you.

13 A Right. Okay, yeah. Yes, so -- yeah, that's my
14 understanding then, yeah.

15 MS. HUGHES: Okay. Thank you. Madam Registrar, I'm
16 not certain this has been marked yet. I thought
17 I had cross referenced it appropriately but
18 maybe not. So if we could perhaps mark this as
19 the next exhibit.

20 THE COMMISSIONER: All right.

21 THE REGISTRAR: Mr. Commissioner, the next -- this
22 one will be 584.

23 THE COMMISSIONER: Okay.

24 **EXHIBIT 584: MOF Briefing Document, Title:**
25 **"Minister's Directive to Refuse Unsourced Cash**

1 **in British Columbia Gambling Facilities" -**
2 **January 2017**

3 THE COMMISSIONER: And I think you're coming close to
4 your end --

5 MS. HUGHES: Yes, and I'm also almost done. Thank
6 you, Mr. Commissioner.

7 Q The last points I'd like to ask you about,
8 Mr. Mazure, relate to further efforts you made,
9 and I'll speed this up by not going to all the
10 documents. Hopefully you'll recall some of
11 this. But we see, and I take it you'll recall,
12 that following on the documents we just looked
13 at you continued throughout 2017 in May, May 8th
14 and May 12th to write -- sorry, you wrote on
15 May 8th, wrote to BCLC, and you continued in
16 your requests for them to not accept funds where
17 source of funds couldn't be determined. Do you
18 recall continuing to write in May of 2017 on
19 that point?

20 A I recall a letter in May, yes.

21 Q Yes. Okay. And do you recall another letter in
22 December of 2016 where you wrote to
23 Mr. Lightbody and told him that it was critical
24 that GPEB -- sorry, that the source of funds
25 policies and procedures be in place prior to

- 1 cash coming in?
- 2 A Sorry, in December of 2016?
- 3 Q December 2016, yeah.
- 4 A I'm drawing a blank on that one.
- 5 Q Okay.
- 6 A Sorry.
- 7 Q Okay. No problem. We'll move forward. What I
8 would like to ask you is a few more questions
9 on, Mr. Mazure, this requirement about the joint
10 briefings notes we've touched on briefly and you
11 raised in your testimony yesterday -- or, sorry,
12 last week. You testified that when you arrived
13 at GPEB you got a direction from
14 Ms. Wenezenki-Yolland that GPEB and BCLC were to
15 work together on issues. Do you recall that
16 evidence?
- 17 A Yes.
- 18 Q And if I understood that correctly it included a
19 requirement that GPEB and BCLC submit joint
20 briefing noting on issues that affected both
21 organizations?
- 22 A Yep. Yes. Sorry.
- 23 Q And you testified sometimes notes were sent back
24 down. What did you mean by that?
- 25 A Sent back down is we would have forwarded a note

1 to Ms. Wenezenki-Yolland's office to her and she
2 would have comments or changes she wanted to
3 see. Or more information.

4 Q Okay. And in your experience, what effect did
5 the policy Ms. Wenezenki-Yolland's direction
6 have on the quality of the information making
7 its way up to the minister in these briefing
8 notes?

9 A On the quality of the information? I just -- my
10 view was that the -- trying to get the two
11 organizations to agree on the wording for
12 particular issues had the effect of kind of
13 diluting the issue. Because you had -- you had
14 to compromise on the language, and I felt in
15 certain situations that was potentially
16 minimizing the importance of that issue.

17 Q And fair to say, then, there would be some horse
18 trading in terms of what would go in or get
19 taken out of the briefing notes?

20 A Yeah, I think there was different ways of coming
21 to agreement. You could agree on the wording or
22 agree that we wouldn't -- it wouldn't be
23 mentioned. Yeah, there was -- and this, by the
24 way, consumed a lot of time between the two
25 organizations, to do this. A lot of back and

1 agreed to each give on one item to be
2 fair, reasonable and keep this moving.)"
3 Is that, Mr. Mazure, reflective of what you just
4 received to in terms of -- I used the word
5 "horse trading," but I think you probably more
6 fairly said some items would either not be
7 included or there would be a give and take. Is
8 that reflective of that --

9 A I think it's an example, yes.

10 MS. HUGHES: Thank you, if I could have that marked
11 as the next exhibit, please, Mr. Commissioner.

12 THE COMMISSIONER: That would be 585.

13 THE REGISTRAR: 585.

14 **EXHIBIT 585: Email chain re BN for Minister -**
15 **2016 MNP Report on Anti-Money Laundering**
16 **Practices in BC - October 4, 2016 (with**
17 **attachment)**

18 MS. HUGHES: Thank you. I have no further questions
19 for this witness.

20 THE COMMISSIONER: All right. Thank you, Ms. Hughes.
21 Mr. Butcher, anything arising?

22 MR. BUTCHER: No, thank you.

23 THE COMMISSIONER: Thank you. Ms. Tweedie.

24 MS. TWEEDIE: Nothing arising, thank you.

25 MR. McCLEERY: Mr. Commissioner, I apologize for the

1 interruption. I wonder if we might inquire with
2 Mr. Penner if he has any questions for his
3 client given the exchange earlier.

4 THE COMMISSIONER: All right. Yes, I think that's
5 fair. Just in the nature of clarification,
6 Mr. Penner, anything that you wish to ask?

7 MR. PENNER: Just that earlier counsel for
8 Mr. Kroeker had been asking my client about a
9 document that I believe had a date on it of
10 August 31, 2015. And I believe Mr. Mazure
11 stated he thought he was on vacation at that
12 time. I just wonder if Mr. Mazure can indicate
13 to the Commissioner whether he's had a chance to
14 review his calendar for that date and indicate
15 what that tells him.

16 THE COMMISSIONER: All right. Thank you. You're
17 muted, Mr. Mazure.

18 THE WITNESS: Sorry. Sorry Mr. Commissioner. Yeah,
19 I've had a chance to go back to the calendar,
20 printout of the calendar that was provided to me
21 in the documents I received, and I was on
22 vacation from August 7th, 2015, through to
23 September 11th, 2015.

24 THE COMMISSIONER: Okay. Thank you. All right.
25 Ms. Mainville.

1 MS. MAINVILLE: I do have two brief areas that arise,
2 Mr. Commissioner.

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

4 Q Mr. Mazure, can you hear me?

5 A Yes. Yes.

6 Q The first, I just -- and I'm not sure I grasped
7 your evidence exactly, so correct me if I'm
8 wrong, but I believe what you were -- what you
9 testified to in response to questions from
10 Ms. Hughes was that in order to require service
11 providers to act, you had to go through BCLC.
12 Am I capturing that accurately, or ...

13 A Yeah. That was my understanding. We would
14 typically -- in terms of anti-money laundering
15 and policy like that, we would have gone through
16 the corporation, yes.

17 Q Right. But am I right that service providers
18 are registered with GPEB?

19 A Yes. And that's what I just said, with respect
20 to AML that was true. Obviously our
21 registration and certification, personnel
22 registration, for example, and the corporate
23 registration, we could have dealt directly with
24 the service provider or the employee of the
25 service provider.

1 Q Okay. And then the second area. Can I just
2 bring you back to exhibit 553, which is this
3 September 2015 briefing note. Now just to
4 clarify, you just indicated you were on vacation
5 and you had testified to that in your
6 examination by commission counsel, but my
7 understanding was that you then attended the
8 briefing when this was presented to government.
9 Is that not the case?

10 A Yes.

11 Q Right. Okay. And Ms. Hughes took you to
12 page 8, which was -- so the second part of the
13 two-part option that was recommended. Do you
14 recall?

15 A Sorry, I'm having trouble bringing -- oh, there
16 it is. Sorry, I was having trouble bringing the
17 document up.

18 Q Do you recall -- so I only had time to bring you
19 to part 1 of that option, that was remembered,
20 which was the minister's directive -- directive
21 letter to BCLC, and then Ms. Hughes took you to
22 part 2, which flowed -- which was your directive
23 flowing from that; correct?

24 A Yeah, there was a two-part -- yeah, this is part
25 two we're looking at.

1 Q Right.

2 A Yes.

3 Q And so what I want to clarify is first, you've
4 indicated you had no independent ability to
5 issue a directive to BCLC. That was your
6 understanding; correct?

7 A No -- sorry, yes, that's my understanding. I
8 had to -- any directive to BCLC required the
9 minister's approval.

10 Q So what I'm trying to understand is how is it,
11 then, that the language in your directive here,
12 part 2, which flows from the minister's step 1,
13 part 1 directive letter, how is it that yours --
14 you say is broader in scope than the ministerial
15 directive? And I say broader in scope because
16 what you've testified to is here you say:

17 "In all circumstances determine source of
18 funds."

19 And if we go back to page 7, the minister's
20 directive letter to BCLC says -- references
21 high-limit players. Do you recall that?

22 A Yes. And like I said before, these were
23 examples. I'm not sure -- I mean, what you're
24 pointing out is a very logical question, and I
25 would have had the same thing, I think, if we

1 were actually putting directives in front of the
2 minister to sign, so ...

3 Q Right.

4 A These were just examples. I'm not sure that the
5 thinking, you know ... It may well have been
6 the case that we had directives, sample
7 directives for the minister, sample directives
8 for the General Manager and we put two together
9 as an example, and they may not necessarily
10 reconcile. And I think you're pointing that
11 out.

12 Q Okay. But you're as confused as me because you
13 would agree with me if all the circumstances was
14 the expectation one would expect that the
15 minister's directive itself would simply say as
16 much. Is that fair?

17 A Sorry, the minister's directive ...

18 Q That the minister's directive letter, the part 1
19 of this would simply state as much. Is that
20 fair? That it would say as well "in all
21 circumstances"?

22 A Yeah. If you're asking me the two letters
23 should be consistent.

24 Q Right.

25 A Yes, I agree.

1 MS. MAINVILLE: Okay. Those are my questions. Thank
2 you.

3 THE COMMISSIONER: Thank you, Ms. Mainville.
4 Mr. McFee.

5 MR. McFEE: Thank you, Mr. Commissioner. I've got a
6 few questions.

7 **EXAMINATION BY MR. McFEE:**

8 Q Mr. Mazure, Ms. Hughes in her questions
9 suggested that Mr. Lightbody's position in this
10 exchange of correspondence you had with him
11 commencing in August of 2015 was that BCLC was
12 satisfying the FINTRAC requirements and that was
13 sufficient. Do you recall those questions?

14 A I do.

15 Q And is that how you interpreted what
16 Mr. Lightbody was telling you in his letter,
17 that BCLC was meeting FINTRAC requirements and
18 that was sufficient?

19 A Well, I think it was a consistent theme in his
20 response. It wasn't exclusively that. I think
21 he talked about the fact that they were taking a
22 risk-based approach.

23 Q Well, Mr. Lightbody in his letters was telling
24 you not only that they were meeting the FINTRAC
25 requirements, that they were exceeding them and

1 taking steps beyond the FINTRAC requirements,
2 wasn't he?

3 A Yes, in the sense that they were -- yes. Yes.

4 Q And he was telling you in his letters and we
5 canvassed this a little bit when we went through
6 his letter that they were taking additional
7 steps in this very time frame to enhance their
8 analytical capability and their software.
9 That's got nothing to do with minimum
10 requirements of FINTRAC, does it?

11 A I don't know what FINTRAC requires in terms of
12 systems requirements. I think -- it seems like
13 we've had this discussion before. We
14 acknowledge the work that they had been doing.
15 We were simply arguing more work needed to be
16 done.

17 Q To my point, do you acknowledge that
18 Mr. Lightbody in his communications with you was
19 telling you that we, BCLC, are doing more than
20 FINTRAC requires?

21 A Yes.

22 MR. McFEE: Okay. Those are my questions. Thank
23 you.

24 THE COMMISSIONER: Thank you, Mr. McFee.

25 Ms. Harmer?

1 MS. HARMER: Nothing, thank you.

2 THE COMMISSIONER: Thank you. Mr. Smart?

3 MR. SMART: Mr. Commissioner, there's two documents
4 that I would that were put to him that I would
5 like to ask about.

6 **EXAMINATION BY MR. SMART:**

7 Q One, and I'll be brief, is GPEB0775. It's the
8 letter of October 1, 2015, to Mr. Smith. We've
9 got it up here. Just the -- I just want to ask
10 you, if we can just scroll down a little bit,
11 please, Madam Registrar. The third direction:

12 "Enhanced customer due diligence to
13 mitigate the risk of money laundering in
14 British Columbia gaming facilities through
15 the implementation of AML compliance best
16 practices, including processes for
17 evaluating the source of wealth and source
18 of funds prior to cash acceptance."

19 Did you understand that to be that every \$5 bill
20 that came into a casino needed to be sourced --
21 or asked source of funds?

22 A No. We were telling them to -- I think we were
23 suggesting a risk-based approach to that.

24 Q All right.

25 A And -- okay.

1 Q Sorry. Did you want to say something more,
2 Mr. Mazure? I didn't ...

3 A Well, I was just going to indicate that in later
4 letters we gave examples of what that could look
5 like, including threshold.

6 Q The other document is exhibit 505,
7 Mr. Lightbody's affidavit.

8 Exhibit 55 to that affidavit, please. Thank
9 you.

10 And the second page, Ms. Hughes took you to
11 this paragraph, and it's near the bottom:

12 "To ensure the province is taking the
13 steps necessary to eliminate the proceeds
14 of crime from BC gaming facilities and to
15 support the AML strategy and the integrity
16 of gaming in BC, BCLC should
17 contemplate --"

18 I underline, I emphasize that word.

19 "-- contemplate not accepting funds where
20 the source of those funds cannot be
21 determined to be verified within a
22 risk-based framework."

23 Was that the position that you were putting
24 forward on behalf of GPEB?

25 A Yes.

1 MR. SMART: All right. That's all, Mr. Commissioner.

2 Thank you.

3 THE COMMISSIONER: Thank you, Mr. Smart.

4 Mr. McCleery?

5 MR. McCLEERY: Just a few questions, Mr. Commissioner.

6 **EXAMINATION BY MR. McCLEERY:**

7 Q Mr. Mazure, in your examination by Ms. Hughes
8 you were asked about a direction that you
9 received regarding joint briefing notes, an
10 expectation that BCLC and GPEB would submit
11 joint briefing notes. Do you recall those
12 questions?

13 A Sorry, I've lost the video here. Could you
14 repeat the question. I can't see you right now
15 for some reason.

16 Q Certainly. In the course of Ms. Hughes'
17 examination of you, she asked you some questions
18 about the expectation that BCLC and GPEB would
19 submit joint briefing notes. Do you recall
20 those questions?

21 A I do.

22 Q And that was the direction that you received
23 from Ms. Wenezenki-Yolland; is that correct?

24 A That's my understanding, yeah.

25 Q And did Ms. Wenezenki-Yolland advise you as to

1 whether that was her idea or that was the
2 direction she was passing along from the deputy
3 minister or minister?

4 A She did not advise me.

5 Q Thank you. Secondly, Ms. Hughes also asked you
6 some questions about briefings related to the
7 MNP report. You recall those questions?

8 A Yes.

9 Q And I believe your evidence was that
10 Ms. Wenezenki-Yolland had directed you that GPEB
11 and BCLC had to agree on the implementation of
12 recommendations arising from the MNP report; is
13 that correct?

14 A That we had to come up with a joint response,
15 which to me meant yeah, we had to agree.

16 Q And given the history between BCLC and GPEB on
17 this issue at that time, did you believe that
18 that was a feasible way of moving forward?

19 A I didn't. I thought that this was going to be a
20 tough slog to get to somewhere where -- or get
21 to the place that she wanted, which is a
22 consensus, and I think we were still dealing
23 with this in early 2017, I believe, so the issue
24 continued to, in my words, drift.

25 Q And if I understood your evidence correctly, you

1 participated in at least two briefings with the
2 minister regarding the MNP report; is that
3 right?

4 A At least two? Yeah, I think we briefed him in
5 the spring of 2015 just to give him the heads-up
6 we had the report, this is generally the
7 findings, recommendations in four main areas I
8 think it said, and then the actual briefing in
9 the fall that included BCLC.

10 Q And there was also a briefing with the deputy
11 minister?

12 A Yes. Typically on AML, as I recall, most of the
13 briefings that we did with the minister,
14 once the -- I believe we got the new deputy in
15 early 2016, after that point when we were
16 briefing the minister, usually both the
17 associate deputy and the deputy were present.
18 And if they weren't, we would have probably
19 pre-briefed them separately.

20 Q And in those briefings with the minister and
21 deputy minister, did you ever raise concerns
22 about the direction from Ms. Wenezenki-Yolland
23 that BCLC and GPEB had to come up with a joint
24 plan for moving forward with these
25 recommendations?

1 A I don't. I don't think it would have been a
2 good career move.

3 Q And did you ever express your concerns about
4 that approach to Ms. Wenezenki-Yolland directly?

5 A Yeah. I think I probably -- the minute I was
6 told or shortly after I would have said, you
7 know, it's going to be very difficult to get
8 there. I mean, she was at the same meeting I
9 was at in terms of the meeting we had with BCLC
10 staff in the summer of 2016, and then the -- the
11 tone of that meeting in terms of BCLC's issues
12 with the report and then she was also present
13 with the -- when we briefed the minister with
14 BCLC -- or not briefed, but the issue was
15 discussed with the minister and then BCLC staff
16 in October.

17 Q And do you recall what Ms. Wenezenki-Yolland's
18 response was to when you advised you didn't
19 think that was a likely path forward?

20 A I don't recall the specific response.

21 Q And then finally, in Mr. Butcher's examination
22 he referred to -- first to a letter that
23 Mr. Desmarais had sent you proposing the joint
24 retainer of Geoffrey Plant to provide an opinion
25 on the responsibilities of GPEB and BCLC. Do

1 you recall that?

2 A I do.

3 Q And Mr. Butcher also referred to an opinion
4 prepared by Peter German sometime after that.

5 Do you recall that?

6 A Yes.

7 Q Do you recall the circumstances that led to the
8 retainer of Dr. German to prepare that report or
9 opinion?

10 A I don't. In fact, I -- until I saw
11 documentation through this -- through the
12 commission review process, I'm not sure I would
13 have remembered that we actually had Mr. German
14 on retainer to do a study. I thought the first
15 time we encountered him was when he was
16 appointed to do the review, so ...

17 Q Do you recall having seen Dr. German's opinion
18 prior to this process?

19 A Yes. It was familiar to me once I saw it. But
20 I couldn't recall it on my own.

21 Q Thank you.

22 MR. McCLEERY: Mr. Commissioner, I'm going to ask for
23 a document to be brought up and I'll ask that it
24 not be shown on the live stream.

25 Madam Registrar, can we please see the first

1 page of GPEBP-0104.

2 THE REGISTRAR: Sorry, I just need a minute to get
3 this. I found it.

4 MR. McCLEERY:

5 Q Mr. Mazure, do you recognize this document as
6 the opinion produced by Dr. German under that
7 joint retainer in 2016?

8 A Yes.

9 MR. McCLEERY: Mr. Commissioner, I'll ask this be
10 marked the next exhibit. I'm going to ask to
11 seek a direction regarding this document as well
12 once it's been marked.

13 THE COMMISSIONER: All right. It will be marked as
14 the next exhibit.

15 THE REGISTRAR: Exhibit 586, Mr. Commissioner.

16 **EXHIBIT 586: Compliance Under the *Gaming***
17 ***Control Act - An opinion prepared for BC GPEB***
18 ***and BCLC - by Dr. Peter German - December 4,***
19 ***2016***

20 THE COMMISSIONER: Thank you.

21 MR. McCLEERY: And the direction we're seeking arises
22 from a request -- or actually an application
23 from the province. This was produced by the
24 province pursuant to section 29 of the *Public*
25 *Inquiry Act*. They requested at the time it was

1 produced that it not be made available to the
2 public or posted on the commission website, so
3 I'm going to seek a direction -- excuse me,
4 sorry. I'll go back a moment. We've circulated
5 that application to participants and asked that
6 inquiries that meet with a concern or objection
7 to that direction, make that known and we've
8 received no response. So I'm going to seek a
9 direction that this document be restricted from
10 public distribution and not published on the
11 commission's website or made publicly accessible
12 by any other means.

13 THE COMMISSIONER: All right. I'll make that
14 direction. And just for the benefit of the
15 public, the document is privileged in nature.
16 Is that correct, Mr. McCleery?

17 MR. McCLEERY: That is correct, Mr. Commissioner.

18 THE COMMISSIONER: Thank you.

19 MR. McCLEERY: Those are my questions for Mr. Mazure.

20 THE COMMISSIONER: All right. Thank you. At this
21 point I think I'll just return to Mr. Penner to
22 see if you have any other clarifying questions
23 that arose out of the re-examination.

24 MR. PENNER: Nothing further, Mr. Commissioner.

25 THE COMMISSIONER: Okay. Yes. All right. Thank

1 you, Mr. Mazure. You've covered a lot of ground
2 and I'm appreciative of the time you've taken to
3 share with us your experience with GPEB and your
4 insights. So you're now excused from further
5 testimony. Thank you.

6 **(WITNESS EXCUSED)**

7 THE COMMISSIONER: And I think unless there's
8 anything further, Mr. McCleery or Mr. McGowan,
9 we'll adjourn until tomorrow morning at 9:30.

10 MR. MCGOWAN: Nothing further.

11 THE COMMISSIONER: Thank you.

12 THE REGISTRAR: The hearing is adjourned until
13 February 12th, 2021, at 9:30 a.m.

14 **(PROCEEDINGS ADJOURNED AT 2:54 P.M. TO FEBRUARY 12,**
15 **2021)**

16

17

18

19

20

21

22

23

24

25