

**PROCEEDINGS AT HEARING  
OF  
OCTOBER 30, 2020**

**COMMISSIONER AUSTIN F. CULLEN**

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October 30, 2020  
  
(Via Videoconference)  
  
(PROCEEDINGS COMMENCED AT 9:30 A.M.)  
  
JOHN KARLOVCEC, a  
  
witness for the  
  
commission, recalled.

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

THE COMMISSIONER: Are you able to hear me now?

THE REGISTRAR: Yes.

THE COMMISSIONER: Thank you. Yes, Ms. Latimer.

**EXAMINATION BY MS. LATIMER (continuing):**

Q Thank you. Good morning, Mr. Karlovcec. Can you hear me okay?

A Yes, I can.

Q When we left off yesterday, I was about to ask you about the transition in 2012 where Terry Towns retired and was replaced by Brad Desmarais as VP of corporate security compliance, and I have that correct; right?

A That's correct.

Q Can you describe the difference, if any, that came with that shift in leadership.

A Well, with Mr. Desmarais coming on board, essentially we were building on what Mr. Towns

1                   had already established in his time and his  
2                   leadership, under his leadership within the AML  
3                   program. When Mr. Desmarais came on board,  
4                   there was a move to actually create a dedicated  
5                   AML core team, if you will, and the purpose  
6                   behind that was essentially to have this unit  
7                   take on anything that was related to AML.

8                   Previous to Mr. Desmarais the investigative  
9                   unit was handling anything related to AML, and  
10                  this would allow BCLC to move in the direction  
11                  of actually creating oversight, if you will, of  
12                  the program across the entire business lines.  
13                  We were looking to develop greater intelligence  
14                  on the players that were frequenting our gaming  
15                  facilities, implement the AML program across  
16                  some 50 gaming communities -- centres, if you  
17                  will -- and essentially the contact for policing  
18                  agencies, the provincial and federal regulators.

19                Q     Was this enhanced focus on AML brought about  
20                    because cash transactions were spiking at this  
21                    time?

22                A     That was -- that was one of the reasons. But I  
23                    would say more importantly that the FINTRAC  
24                    regulations or the proceeds of crime legislation  
25                    was really evolving and putting a greater

1 requirement on not just the casino sector, but  
2 all reporting entities. New legislation was  
3 coming into effect, actually in early 2014, and  
4 we wanted to be prepared, hit the road running,  
5 so to speak, and ensure that we would be  
6 prepared. And on top of that, in 2014 we were  
7 facing another FINTRAC examination, so there was  
8 a lot of work to be completed in order to be  
9 compliant.

10 Q Okay. And back in 2012 when Mr. Desmarais  
11 created that dedicated AML team, you competed  
12 for successfully and were hired as the manager  
13 of that team; is that correct?

14 A So it was actually in 2013, so October 2013 is  
15 when the position became available and the unit  
16 was actually created.

17 Q And was that what you were up to in that  
18 position, getting ready for that FINTRAC  
19 examination?

20 MR. MCGOWAN: Mr. Commissioner, I'm just going to  
21 interject. I've been passed a note that there's  
22 no audio on the live stream. I wonder if Madam  
23 Registrar can just confirm if we have that  
24 issue.

25 IT SUPPORT: We need a minute. Just one minute

1                   please. Thank you.

2                   Audio issues have been fixed.

3           MR. MCGOWAN: Should those watching the live stream  
4                   refresh their browsers?

5           IT SUPPORT: This is correct, yes.

6           MR. MCGOWAN: Yes. Thank you. I suggest Ms. Latimer  
7                   carry on, then.

8           MS. LATIMER:

9           Q     Mr. Karlovcec, I was asking what was the nature  
10                   of your role when you took on that position as  
11                   manager of the dedicated AML unit.

12          A     Well, first and foremost, it was to actually  
13                   hire some people for the unit, and so initially  
14                   myself in the role of manager would be brought  
15                   on, Mr. Daryl Tottenham as the AML specialist.  
16                   We had what we referred to as a trans analyst in  
17                   our Kamloops office that was part of the team,  
18                   and then we also hired an analyst, dedicated  
19                   analyst for the team.

20          Q     Just going back in time. By 2012 Paul Jin was  
21                   known by BCLC to be involved in cash  
22                   facilitation; is that correct?

23          A     Yes.

24          Q     And in 2012 Stone Lee initially requested a  
25                   province-wide three-year ban for Mr. Jin;

1 correct?

2 A That's correct.

3 Q And you reduced that ban to one year; is that  
4 correct?

5 A That's correct.

6 Q Can you describe what led to first the request  
7 for the three-year ban and your decision to  
8 reduce that to one year?

9 A At that time and typically when we issue bans,  
10 if a patron has not previously been the subject  
11 of a ban, we would proceed with a one-year ban,  
12 and any subsequent ban would elevate -- any  
13 subsequent incidents, breach of the ban, would  
14 elevate that ban on that patron. So I believe  
15 in short order Mr. Jin was banned for a period  
16 of five years.

17 Q Okay. You mentioned that there were some  
18 changes coming to the proceeds of crime  
19 legislation and that created some work for your  
20 team. Can you describe what that work was that  
21 was created for your team?

22 A Well, the biggest change for all reporting  
23 entities was that the reporting entities, the  
24 sectors had to monitor the business  
25 relationships that they had with their clients,



1                   so the business relationships that had to be  
2                   monitored were two-fold. They were either  
3                   account based or transactional based.

4                   So to give you an example, within the casino  
5                   sector, any individual client who maintained a  
6                   patron gaming fund account would automatically  
7                   be in a business relationship with BCLC. Also  
8                   any patron that was the subject of two or more  
9                   transactions where identification had to be  
10                  collected, so for example, large cash  
11                  transaction or a casino disbursement, BCLC would  
12                  also have a business relationship with that  
13                  patron. And BCLC would have to monitor that  
14                  patron's activities for a period of five years  
15                  from the last transaction that they've  
16                  conducted. So that was significant. It  
17                  required us to start focusing in on how we were  
18                  going to do this and build our program around  
19                  that to remain compliant. Especially when  
20                  you're looking at -- I believe at the time there  
21                  was some 21,000 clients or patrons that fit into  
22                  that category, and that was just on the  
23                  land-based casino side. And we had the internet  
24                  gaming side coming on board as well that would  
25                  also fall subject to the same requirements.

1 Q And your team took on training of service  
2 provider personnel as well for AML; is that  
3 correct?

4 A Yes. So we already had -- under Terry Towns's  
5 leadership we had a dedicated online training  
6 module. We built onto that training to ensure  
7 that it was up to date with present requirements  
8 under the legislation.

9 Q And in or around April 2014, you met with the  
10 combined forces special enforcement unit for  
11 British Columbia; correct?

12 A That's correct.

13 Q And also present at that meeting were  
14 Mr. Desmarais; correct?

15 A Yes. And I believe Mr. Tottenham.

16 Q Okay. And what was the purpose of that meeting?

17 A It was actually to bring -- to meet with CFSEU  
18 in order -- hoping that they would take on an  
19 investigation into Mr. Jin.

20 Q And why were you seeking to have them take on an  
21 investigation into Mr. Jin?

22 A Well, he appeared to be somebody that was  
23 facilitating cash for patrons on the gaming  
24 floor, and we felt that he would be a worthy  
25 target for them in an effort to thwart potential

1                   criminality that was taking place in our gaming  
2                   facilities.

3           Q       And on or around May 6th, did you meet again  
4                   with CFSEU to look at targeting?

5           A       I believe Mr. Tottenham and I, if it's the same  
6                   incident -- I know we met with a CFSEU  
7                   investigator for that purpose, yes.

8           Q       Did you eventually receive a provincial tactical  
9                   enforcement priorities roster of individuals  
10                  deemed a threat to BC lotto corporation?

11          A       Yes. So we had built a relationship not only  
12                  with CFSEU, and we were also -- the purpose  
13                  behind that was in an effort to ban any  
14                  potential -- any individual that potentially  
15                  could be a public safety risk entering our  
16                  gaming facilities.

17          Q       In the course of that engagement with CFSEU, was  
18                  information shared in both directions both from  
19                  CFSEU to BCLC and also from BCLC to law  
20                  enforcement?

21          A       That's correct.

22          MS. LATIMER: Madam Registrar, could you put document  
23                  BCLC0000033 before the witness, please.

24          Q       Sir, you recognize this as an email from Daryl  
25                  Tottenham to a group called AML dated June 4th,

1                   2014; correct?

2           A        It's actually the first time that I've actually  
3                   seen this document, but yes, it looks, yeah,  
4                   it's from Daryl for sure.

5           Q        Were you not part of the AML group who would  
6                   have received this email?

7           A        Yes, I was. I'm just saying that I haven't seen  
8                   this document recently, so I'm just reviewing it  
9                   at this point.

10          Q        Okay. You see that this email has the subject  
11                   "re CFSEU/high-risk list"; correct?

12          A        Yes.

13          Q        And that CFSEU high-risk list is the one that I  
14                   just mentioned, a list of provincial tactical  
15                   enforcement priorities; correct?

16          A        Yes.

17          Q        And Mr. Tottenham says here that there are  
18                   109 people on the list held in the AML risk  
19                   folder to be reviewed and assessed; correct?

20          A        That's correct.

21          Q        What is the AML risk folder?

22          A        So essentially it's a list of those patrons,  
23                   individuals that we were conducting due  
24                   diligence on within our gaming facility. So  
25                   essentially a list of clients, individuals that

1                   we were maintaining -- they're dossiers, is  
2                   essentially what they are.

3           Q       And you're maintaining their dossiers because  
4                   you believe that they posed a risk of money  
5                   laundering in casinos?

6           A       Well, if they're on the high-risk, it's part of  
7                   the legislation that we had to conduct due  
8                   diligence on anybody considered high risk. High  
9                   risk could also mean under -- means under the  
10                  legislation any individual that has been subject  
11                  of two suspicious transaction reports. That's  
12                  the legislative definition. BCLC can place  
13                  others in that high-risk category based on  
14                  circumstance. So in this case if they pose a  
15                  threat to public safety, subject of duty to warn  
16                  by the police, et cetera.

17          Q       Okay. And he says there are 10 people who are  
18                   in iTrak that have significant organized crime  
19                   history and who are either not on the CFSEU list  
20                   or on the list and not picked up by the scan;  
21                   correct?

22          A       Yes, that's correct.

23          Q       And then he says -- so there's 119 people to  
24                   deal with overall for STR and barring purposes,  
25                   and if you skip down to the second to last

1 paragraph on this page, he says:

2 "We should discuss this when John gets  
3 back."

4 And I take it that's you; correct?

5 A Yes.

6 Q And he says:

7 "We should develop a game plan, but  
8 bearing in mind we have a deadline to  
9 meet."

10 What was the source of the deadline you were  
11 working towards here?

12 A Could I just see the top of the -- I'm just  
13 looking at the date.

14 Q Yeah. It's June 4th, 2014.

15 A I would suggest we had the FINTRAC examination  
16 that was coming.

17 MS. LATIMER: Okay. Mr. Commissioner, I ask this be  
18 marked the next exhibit, please.

19 THE COMMISSIONER: Yes, very well. I think we are at  
20 116 now, Madam Registrar.

21 THE REGISTRAR: That's correct. Exhibit 116.

22 THE COMMISSIONER: Thank you.

23 **EXHIBIT 116: Email from Daryl Tottenham to AML**  
24 **re CFSEU/High Risk list review - for**  
25 **discussion - June 4, 2014 (redacted)**

1 MS. LATIMER: Madam Registrar, can I have, please,  
2 BCLC document 34 placed before the witness.

3 Q Sir, you recognize as an email two days later  
4 from you. It's dated June 6, 2014, to Daryl  
5 Tottenham and copying others with the subject  
6 line "CFSEU/high-risk list for discussion";  
7 correct?

8 A That's correct.

9 Q And in this email you're setting out the  
10 approach that should be taken in respect of  
11 these 119 patrons; right?

12 A Yes.

13 Q For some of these patrons your plan was to reach  
14 out to CFSEU for additional information; correct?

15 A That's correct.

16 Q And BCLC's actions would then be guided by what  
17 you learned from law enforcement; correct?

18 A In part, yes.

19 MS. LATIMER: I ask that this be marked as the next  
20 exhibit, please, Mr. Commissioner.

21 THE COMMISSIONER: Very well. That will be 117,  
22 thank you.

23 THE REGISTRAR: Exhibit 117.

24 **EXHIBIT 117: Email from John Karlovcec to Daryl**  
25 **Tottenham - June 6, 2014, subject: Re**

1                   **CFSEU/High Risk list review - for discussion**  
2                   **(redacted)**

3           MS. LATIMER: Madam Registrar, could you please put  
4           document BCLC5645 before the witness.

5           Q     Sir, if you look near the bottom of the page  
6           just above the redaction, do you recognize this  
7           as an email from you to Brad Desmarais dated  
8           June 9th, 2014?

9           A     From Brad Desmarais to me.

10          Q     It's from you -- oh, I suggest it's from you to  
11          Mr. Desmarais. The text that has the redaction  
12          applied.

13          A     Oh, I'm sorry, yes. Yes.

14          Q     And you're here explaining that you're setting  
15          up a template for the barring process; correct?

16          A     That's correct.

17          Q     And that for some patrons you need more  
18          information from CFSEU; right?

19          A     That's correct.

20          Q     And you say, they are in iTrak but they do not  
21          have a business relationship with us, i.e. no  
22          LCTs or STRs. So those are large cash  
23          transactions and suspicious transaction reports;  
24          correct?

25          A     Yes. Or they don't have an account with us.



1 Q Okay. And by "account" you mean a player gaming  
2 fund account?

3 A That's correct.

4 Q And that was your understanding of a business  
5 relationship at that time?

6 A That was the definition.

7 MS. LATIMER: Okay. I ask that this be marked as the  
8 next exhibit, please.

9 THE COMMISSIONER: Very well. That will be  
10 exhibit 118.

11 THE REGISTRAR: Exhibit 118.

12 **EXHIBIT 118: Email from Desmarais re Info For**  
13 **Presentation, Prohibited BCLC Patrons Numbers -**  
14 **November 23, 2017**

15 MS. LATIMER: Madam Registrar, can we have document  
16 BCLC 38 put before the witness, please.

17 Q Sir, you recognize this as a June 10th email  
18 from you to Brad Desmarais and copying  
19 Mr. Tottenham with the subject line "CFSEU list  
20 outline of procedures"; correct?

21 A That's correct.

22 Q You are attaching a proposal to assist with the  
23 creation of an internal policy for barring of  
24 undesirables from gaming facilities, especially  
25 as it relates to police information such as the

1                   recent CFSEU tactical priority list; correct?

2           A       That's correct.

3           Q       Can you explain what the policy adopted for  
4                   identifying and barring what you call  
5                   undesirables was?

6           A       Well, I'm going back in time here.  It's six  
7                   years ago.  I can't recall.  But essentially it  
8                   dealt with anybody that posed a public safety  
9                   risk to BCLC.  A patron that's been subject of a  
10                  duty to warn.  There may be other instances  
11                  where we have potentially adverse media on a  
12                  certain individual.  Individuals that we've  
13                  confirmed that have been convicted of proceeds  
14                  of crime or money laundering type offences.  
15                  Just to name a few.

16          MS. LATIMER:  Okay.  I ask that this be marked as the  
17                  next exhibit, please.

18          THE COMMISSIONER:  Very well.  That will be 118 --  
19                  I'm sorry 119.

20          THE REGISTRAR:  Exhibit 119.

21                  **EXHIBIT 119:  Email from John Karlovcec to Brad**  
22                  **Desmarais, Subject:  FW:  CFSEU list - outline**  
23                  **of procedures - June 10, 2014**

24          MS. LATIMER:  Madam Registrar, can we have BCLC  
25                  document 40 placed before the witness, please.

1 Q Sir, you recognize this as an email from Kurt  
2 Bulow to you and copying uniformed teams and  
3 others with the subject line "CFSEU uniform team  
4 BCLC"; correct?

5 A That's correct.

6 Q Who was Kurt Bulow?

7 A He was a supervisor as part of one of the -- at  
8 CFSEU.

9 Q Okay. And he says in the first paragraph that  
10 Trevor Emmerson, Constable Trevor Emmerson has  
11 volunteered to act as a liaison between the  
12 CFSEU uniforms team and BCLC security and  
13 compliance section and that he will act as the  
14 backup; correct?

15 A That's correct.

16 Q He offers to send you -- he offers that you can  
17 send information directly to Constable Emmerson  
18 related to the PTEP gang OC targets of BC  
19 casinos; correct?

20 A Yes.

21 Q That PTEP is that provincial tactical  
22 enforcement priorities list that I referred to  
23 before; correct?

24 A It is.

25 Q You understood OC to refer to organized crime;

1 correct?

2 A Correct.

3 Q What kind of information are you supposed to  
4 send to him?

5 A We would send really anything that they were  
6 inquiring about. For example, if they had  
7 inquiries in relation to certain individuals  
8 within that may have attended our gaming  
9 facility. So they may ask to provide us with a  
10 list of names, are any of these individuals  
11 within your BCLC data banks? Really to support  
12 any investigative efforts that -- any  
13 information that would support any of their  
14 investigative efforts.

15 Q And information about patrons that you might  
16 send to them might include date of birth;  
17 correct?

18 A That's correct.

19 Q And addresses; correct?

20 A That's correct.

21 Q And driver's licences; correct?

22 A Correct.

23 Q And also vehicles; correct?

24 A If they were in our system, correct.

25 Q And also any known associates of that person;

1 correct?

2 A Correct.

3 Q And he offers that Constable Emmerson will  
4 attend monthly law enforcement agency briefings;  
5 correct?

6 A Yes.

7 Q And were such meetings occurring at that time?

8 A Not with CFSEU, no.

9 Q Did they begin after this offer was made?

10 A I'm trying to recall. We did meet with CFSEU  
11 again, but it wasn't a formal meeting per se.  
12 It was more as a start to -- an orientation to  
13 start an investigation, so an orientation at  
14 River Rock Casino from my recollection.

15 Q Okay. But there were no monthly meetings  
16 established in CFSEU to the best of your  
17 recollection?

18 A Not at that point, to the best of my  
19 recollection.

20 MS. LATIMER: I ask that this be marked as the next  
21 exhibit, please.

22 THE COMMISSIONER: Yes. That will be 120.

23 THE REGISTRAR: Exhibit 120.

24 **EXHIBIT 120: Email from Kurt Bulow to John**  
25 **Karlovcec, Subject: CFSEU Uniform Team BCLC -**

1                   **June 17, 2014**

2                   MS. LATIMER: May I ask that document BCLC44 be  
3                   placed before the witness, please.

4                   Q     And you recognize this as a June 20th, 2014  
5                   email from you to Robert Grace and copying  
6                   others from BCLC and from Great Canadian with  
7                   the subject line "CFSEU River Rock Casino  
8                   orientation"; correct?

9                   A     Yes.

10                  Q     And Officer Grace was with the CFSEU; correct?

11                  A     Yes. He was a supervisor there.

12                  Q     And you think Officer Grace were making four  
13                  teams available to attend a site orientation at  
14                  the River Rock; correct?

15                  A     Correct.

16                  Q     What was the purpose of that orientation?

17                  A     Well, it was to familiarize the CFSEU members  
18                  with the casino environment. Great Canadian VP  
19                  of compliance at the time, Mr. Kroeker, along  
20                  with Mr. Ennis, the director of surveillance at  
21                  the time, facilitated this meeting to --  
22                  orientation to support our efforts to -- our  
23                  efforts to move along in an investigation around  
24                  Mr. Paul Jin.

25                  Q     Were the concerns of law enforcement and of BCLC

1                   in respect of these targets focused on the River  
2                   Rock at this time?

3           A       Well, that's where Mr. Jin appeared to have set  
4                   up shop.  And that's where he had been barred  
5                   from.  So it seemed appropriate that the CFSEU  
6                   investigative team start there in order to  
7                   determine what in actual fact is going on, so  
8                   conduct an investigation.  And we felt at the  
9                   time that it wouldn't take them very long with  
10                  their groups conducting surveillance, that it  
11                  would probably be fruitful for them.

12          Q       You weren't seeing similar issues at other  
13                   sites, other large casinos in the Lower  
14                   Mainland?

15          A       There may have been, but maybe not to the same  
16                   degree as River Rock.

17          Q       Okay.  And you set out in the next paragraph  
18                   that your next step would be to create a target  
19                   booklet for CFSEU; correct?

20          A       Yes.

21          MS. LATIMER:  I ask that this document be marked as  
22                   the next exhibit, please.

23          THE COMMISSIONER:  121.

24          THE REGISTRAR:  Exhibit 121.

25                   **EXHIBIT 121:  Email from John Karlovcec to**

1                   **Robert Grace re CFSEU River Rock Casino**

2                   **Orientation - Jun 20, 2014**

3           MS. LATIMER: Madam Registrar, I ask that you put  
4           BCLC document 45 before the witness, please.

5           Q     Sir, you recognize this as an email from you to  
6           Mr. -- Constable Emmerson and copying others  
7           from the CFSEU and BC lotto corporation with the  
8           subject line "casino cash facilitators";  
9           correct?

10          A     That's correct.

11          Q     In this email you are advising Constable  
12          Emmerson that you have indeed compiled your top  
13          10 casino cash facilitator targets; correct?

14          A     Yes.

15          Q     Were those targets all operating out of the  
16          River Rock?

17          A     I believe so. It's actually Mr. Tottenham that  
18          put it together, but I would say yes.

19          Q     And you did ultimately create that target  
20          booklet that you referred to here; correct?

21          A     Yes, it was created and provided to CFSEU.

22          MS. LATIMER: Okay. I ask that this be marked as the  
23          next exhibit, please.

24          THE COMMISSIONER: 122.

25          THE REGISTRAR: Exhibit 122.



1                   **EXHIBIT 122: Email from John Karlovcec to**  
2                   **Trevor Emmerson re Casino Cash Facilitators**  
3                   **(date redacted)**

4                   MS. LATIMER: Mr. Commissioner, I'm going to ask that  
5                   unredacted copies of documents BCLC7905 to 7914  
6                   be shown to the witness so that he can identify  
7                   these as the target sheets that are referred to  
8                   in this email, but I do not ask that these  
9                   unredacted records be displayed on the live  
10                  stream. These sheets have personal information  
11                  that will be redacted in the public facing  
12                  version under your earlier ruling.

13                  THE COMMISSIONER: All right. Thank you.

14                  MS. LATIMER: Madam Registrar, could we have those  
15                  target sheets placed before the witness, please.

16                  Q     Sir, the question is are these the target -- is  
17                  this in fact the target booklet or the target  
18                  sheets that were created?

19                  A     Well, I mean, it's been six years, so to  
20                  recognize photos and that, but this is the type  
21                  of sheet that we would certainly put together.

22                  Q     Did you not put these sheets together, sir?

23                  A     No, I did not. It was Mr. Tottenham that  
24                  actually put them together.

25                  Q     Does it refresh your memory, sir, that you

1                   referred that you were going to be creating  
2                   10 target sheets, and these are numbered  
3                   sequentially 1 to 10?

4           A     Yes.

5           Q     And so these are in fact the target sheets;  
6                   correct?

7           A     They appear to be, yes.

8           Q     Okay.  And for each target, what is described is  
9                   the date of birth, identification details, BCLC  
10                  subject profile, identification number,  
11                  occupation, address, vehicles and associates, if  
12                  any, together with a photograph of the target;  
13                  correct?

14          A     Correct.

15          MS. LATIMER:  I ask that these 10 sheets be marked as  
16                  the next exhibit, either together or  
17                  sequentially.

18          THE COMMISSIONER:  All right.  Let's mark them  
19                  collectively as exhibit 123.

20          THE REGISTRAR:  Yes.  Counsel, do you need me to  
21                  display the rest of the target sheets?

22          MS. LATIMER:  I think in fairness to the witness --  
23                  I'm in your hands, Mr. Commissioner.  Should we  
24                  go through that process?

25          THE COMMISSIONER:  Well, it might be an idea, yes.  I

1 think we probably should.

2 **EXHIBIT 123: A collection of 10 target sheets**  
3 **(redacted)**

4 MS. LATIMER:

5 Q And, sir, you recognize each one as a target  
6 sheet?

7 A Yes.

8 Q And this one as well?

9 A Yes.

10 Q And this one?

11 A Yes.

12 Q And this one?

13 A Yes.

14 Q And this one?

15 A Yes.

16 Q And this one?

17 A Yes.

18 Q And this one?

19 A Yes.

20 Q And this one, too?

21 A Yes.

22 Q And this one as well?

23 A Yes.

24 Q And to the best of your knowledge did CFSEU  
25 start an investigation after receiving this

1 information?

2 A Well, we thought they were, but I don't think  
3 they actually did.

4 Q When did you realize that they didn't?

5 A I can't remember exactly, but it wasn't too long  
6 after. I can't remember the circumstances  
7 around how we found out, but I think it may have  
8 been through Constable Emmerson from CFSEU that  
9 other -- I think other tactical priorities for  
10 their group. Because they were effectively a  
11 gang squad. And as you may recall, there was  
12 quite a bit going on in the Lower Mainland at  
13 the time, so I believe they were diverted to  
14 that. That's my understanding.

15 Q What further steps, if any, did BC lotto  
16 corporation take at this time in light of the  
17 concerns that had been identified with respect  
18 to these 10 targets?

19 A Well, I know Mr. Desmarais then approached the  
20 RCMP executive at the RCMP at some point, and I  
21 think that was towards the end of 2014 or -- I'm  
22 not quite sure when that was going on, but he  
23 was meeting with them there in order to see if  
24 they would take on -- take on this  
25 investigation.

1 Q Were the targets each barred provincially?

2 A I believe -- yes, I believe they were.

3 Q And their associates as well?

4 A I can't recall, but if they had set foot within  
5 the casino and if we had the appropriate  
6 evidence, if you will, to support a barring, we  
7 certainly would, yes.

8 Q If BCLC saw cash coming in that was associated  
9 to these targets either individually or through  
10 their vehicles or vehicle licence plate numbers  
11 or their associates, would that cash have been  
12 refused at this time?

13 A Again, it would be dependent on the  
14 circumstances surrounding that. You would have  
15 to give me a specific type of incident that may  
16 have occurred. It's tough to say.

17 Q Okay. In the wake of this engagement with CFSEU  
18 you continued to be aware of very large cash  
19 buy-ins in BC casinos in 2014 and '15; correct?

20 A Yes.

21 MS. LATIMER: Madam Registrar, I ask that you put  
22 BCLC document 5642 before the witness, please.

23 Q This is the bottom email on the first page. You  
24 recognize this as an email from Mr. Tottenham to  
25 you and others dated October 16th, 2014, at

1                   7:30 a.m. with the subject "heads up on another  
2                   large cash buy-in River Rock 2014-52289";  
3                   correct?

4           A       Correct.

5           Q       Mr. Tottenham says that:

6                   "Similar to yesterday's large cash buy-in  
7                   last night at the River Rock, a patron  
8                   arrived around 8:00 in a vehicle with two  
9                   other Asian males and carried in a large  
10                  gym bag with \$469,960 in \$20 bills. The  
11                  patron played one hand and got up and took  
12                  his chips to the cage to cash out. He was  
13                  advised by the cage staff that he would be  
14                  getting his small bills back, at which  
15                  point he opted not to cash out and left  
16                  the casino and was seen going to an  
17                  unknown room on the 11th floor of the  
18                  hotel."

19                       Correct?

20           A       Correct.

21           Q       And you were aware that this type of activity  
22                   was occurring in 2014 at the River Rock where  
23                   players would come in with large volumes of 20s  
24                   and after minimal play leave with the chips;  
25                   correct?



1                   \$5,000 chip; correct?

2           A     Yes.

3           Q     And Mr. Tottenham goes on to explain that the  
4                   two males who came in with this patron were  
5                   first a currently banned player placed on watch  
6                   for suspected cash facilitation activities;  
7                   correct?

8           A     Yes.

9           Q     And the second patron, who was involved with  
10                  this fellow the day before, where he says the  
11                  patron bought in for \$100,000 in 20s, and upon  
12                  receiving his chips at the table, the second  
13                  male took \$50,000 of chips and left the casino  
14                  and met a barred patron and went to the same  
15                  room on the 11th floor of the hotel; correct?

16          A     Correct.

17          Q     Mr. Tottenham sets out a proposal here to place  
18                  the subjects on a 14-day investigational  
19                  barring; correct?

20          A     Yes.

21          Q     And to have the site investigators attempt to  
22                  contact and interview these people; correct?

23          A     Yes.

24          Q     Why not proceed directly to a longer banning for  
25                  these players?



1           A     Well, this allowed the group to do some  
2                   background work to determine, you know, exactly  
3                   what was going on and then build a case for a  
4                   lengthy barring. Because all we really had at  
5                   this point was chips were being passed to a  
6                   patron, so it allowed us to also potentially  
7                   share this sort of information with police and  
8                   allow them -- and GPEB to conduct any  
9                   investigation, any furthering investigation.

10          Q     Okay. And when you refer to site investigators  
11                   here would those be BCLC investigators who are  
12                   working out of the River Rock who are going to  
13                   conduct interviews?

14          A     That's correct.

15          Q     And then he goes on to say that clearly that  
16                   room on the 11th floor is being used as a supply  
17                   point for this group to cycle small bills and  
18                   stockpile chips for use with VIP clients;  
19                   correct?

20          A     Correct.

21          Q     And you were aware that suspected cash  
22                   facilitators were using the hotel at the River  
23                   Rock in this way in 2014; correct?

24          A     Well, it did come up on occasion. As to the how  
25                   frequent it was, it's difficult to say, but it's

1                   certainly a circumstance that appeared to be  
2                   taking place.

3           Q        You say in response that, we should make a  
4                   discreet inquiry to determine who the hotel room  
5                   on the 11th floor is registered to; correct?

6           A        Yes, that's correct.

7           Q        What other options were available to BCLC at  
8                   this time to curtail this kind of activity?

9           A        I really don't think that there was much more we  
10                   could do at that point. We were trying to  
11                   gather some sort of evidence to support what we  
12                   were suspecting. Other than share it with the  
13                   regulator and police of jurisdiction and the  
14                   banning process, which we were working towards,  
15                   I really don't think we could have did too much  
16                   more in a sense.

17          Q        When you refer to making a discreet inquiry was  
18                   that believe you believe there would be some  
19                   sensitivity around seeking this information from  
20                   the service provider?

21          A        Yeah, you know, typically we would reach out to,  
22                   for example -- you wouldn't want to make that  
23                   inquiry with a front-facing employee, but you  
24                   would make that inquiry with, for example, in  
25                   this case, it would be the director of security

1                   for the gaming facility. And, you know, we're  
2                   talking about some privacy stuff here too, so we  
3                   wanted to ensure that the information would stay  
4                   within the -- those individuals that should  
5                   know. Not everybody needed to know this.

6                   MS. LATIMER: I ask that this record be marked as the  
7                   next exhibit, please.

8                   THE COMMISSIONER: Very well. We're at -- I'm sorry,  
9                   125?

10                  THE REGISTRAR: 124, Mr. Commissioner.

11                  THE COMMISSIONER: I beg your pardon. 124.

12                               **EXHIBIT 124: Email from Brad Desmarais re Heads**  
13                               **up on another large cash Buy-in River Rock**  
14                               **2014-52289 - November 23, 2017**

15                  MS. LATIMER: Madam Registrar, I ask that you put  
16                   document GCGC45155, please, before the witness.

17                  Q     Could you go to page 2, please. Sort of in the  
18                   middle of this page you recognize this as an  
19                   email from Daryl Tottenham to you dated  
20                   October 16th, 2014, at 7:50 a.m. with the  
21                   subject "River Rock surveillance reports alert  
22                   issue again"; correct?

23                  A     Yes.

24                  Q     Mr. Tottenham asks you to forward this to Pat at  
25                   River Rock, and I take it that's Patrick Ennis.

1 Correct?

2 A That's correct.

3 Q He asks you to have Mr. Ennis follow up with the  
4 surveillance staff because he says:

5 "The issue is starting to creep back  
6 again. And considering the recent files  
7 at River Rock that highlight why we have  
8 an alert system in place for these files,  
9 we need to be able to see the details in  
10 every UFT file creation. They had three  
11 last night and three more in the past  
12 couple days, and it appears to be the same  
13 staff members as last time."

14 So first of all, when he says "the issue is  
15 starting to creep back again" and given the  
16 subject line of this email, is it an alert issue  
17 that he's referring to?

18 A Yeah. So basically what that was, it was really  
19 a simple thing. Is that within the actual --  
20 I'm going to say the -- we had set up within the  
21 iTrak system a mechanism whereby any time there  
22 was a suspicious financial or an unusual  
23 financial transaction within any gaming facility  
24 in the province, our investigators would all be  
25 alerted to it through basically an email typed

1                   to them directly saying hey, a transaction has  
2                   just taken place. That required that certain  
3                   information be entered and to allow for that  
4                   alert to take place.

5                   So I think more than anything it wasn't  
6                   intentional. It was more of either an oversight  
7                   or laziness, if you will, to that. So I think  
8                   in this case we reached out to Mr. Pat Ennis and  
9                   he had the appropriate conversation with his  
10                  staff.

11                Q    This email is coming 20 minutes after the one we  
12                   were just looking at. What files did you  
13                   understand him to be referring to here?

14                A    Unusual financial transaction files.

15                Q    Like the ones we were just looking at where we  
16                   have minimal play and chips leaving to a hotel  
17                   room?

18                A    Potentially or maybe a suspicious buy-in.

19                Q    Okay. And in the list that follows, do you  
20                   understand the people listed here to be staff  
21                   members at issue or players?

22                A    Staff members.

23                Q    And those are the staff members that  
24                   Mr. Tottenham is saying are the same staff  
25                   members that are not adhering to the alert

1 issue; is that correct?

2 A That's correct.

3 Q And then you forwarded this to Mr. Ennis a  
4 couple hours later; correct?

5 A I did.

6 Q And then at the bottom of page 1, please.

7 Mr. Ennis raises in the second paragraph of his  
8 reply an issue yesterday that he would like to  
9 discuss later today or tomorrow, and he says:

10 "The investigators, all three of them,  
11 went into the Phoenix room yesterday to  
12 question a player that had bought in the  
13 previous day for \$500,000 in cash and not  
14 played. I don't have any issue with them  
15 approaching customers to satisfy FINTRAC  
16 requirements, but the steps behind making  
17 a decision to do this and how to approach  
18 the guests could be a bit more polished."

19 And so is the Phoenix room a VIP playing area?

20 A It is.

21 Q And did you understand the interaction in  
22 question to relate to the one we were just  
23 discussing where a patron bought in just under  
24 \$500,000 in \$20 bills, played one hand and then  
25 took the chips to the hotel room?

1           A     I can't say for sure.  I don't think I formed  
2                   that opinion.

3           Q     Could there have been another \$500,000 cash  
4                   buy-in at the River Rock on the same day at this  
5                   time?

6           A     Oh, if it was the same day, it was probably the  
7                   same one.

8           Q     What was the particular concern with the attempt  
9                   to interview the customers in this case?

10          A     I don't think it was as Mr. Ennis alluded --  
11                  stated.  It wasn't so much to satisfy the  
12                  requirements.  But the protocol has always been  
13                  that if our investigators wish to speak to a  
14                  high-limit patron that the service provider be  
15                  notified ahead.  And it's more to save a little  
16                  bit of face for the patron so that they're --  
17                  sometimes being looked as a second language, so  
18                  having the appropriate staff members available  
19                  to provide that translation -- sorry,  
20                  translational support if need be.

21          Q     Okay.  And that's actually what you say in your  
22                  reply email that you were surprised the  
23                  investigators did not notify management ahead of  
24                  time, but if you look at his reply at the top,  
25                  he says:

1                   "Actually they did notify management, but  
2                   there were still some little bugs that  
3                   could be worked out."

4                   Did you discuss with Mr. Ennis what those little  
5                   bugs were given that the investigators in this  
6                   case appear to have done what you suggest was  
7                   appropriate, which was to approach management  
8                   first?

9                   A     I can't recall what that conversation was.

10                  Q     Was this a recurring tension during your tenure  
11                   at BCLC between investigators wanting to ask  
12                   questions and service providers wanting a more  
13                   polished approach with guests?

14                  A     Well, I think the service providers are looking  
15                   at it from a business standpoint, and certainly  
16                   concerns would come into play at any gaming  
17                   facility that if you have a high-limit  
18                   well-known client within your facility, they  
19                   want to make sure those clients aren't offended.  
20                   So I'm not going to say it's attention, but  
21                   certainly it was something that was a concern  
22                   for them. You know, I mean, they're working  
23                   towards -- they're running a business and they  
24                   want to make sure their clients are happy.

25                  Q     Because if you offend the client, they might not



1                   come back; right?

2           A       Yeah, they could move on to the competition, so  
3                   to speak.

4           Q       And that would negatively impact revenue;  
5                   correct?

6           A       Potentially, yes.

7           Q       Especially for these big VIP players; correct?

8           A       Yes.

9           MS. LATIMER: I ask that this be marked the next  
10                   exhibit, please.

11          THE COMMISSIONER: Very well. 125.

12          THE REGISTRAR: 125, exhibit 125.

13                   **EXHIBIT 125: Email from John Karlovcec to**  
14                   **Patrick Ennis, re River Rock Surveillance**  
15                   **Reports - "ALERT ISSUE again ..." - October 16,**  
16                   **2014**

17          THE COMMISSIONER: Thank you.

18          MS. LATIMER: Madam Registrar, I ask that you put  
19                   document GCGC45140 before the witness, please.

20          Q       Going to page 2, please. Here the second email  
21                   there you recognize, sir, as an email from  
22                   Patrick Ennis to Kris Gade and copying Kevin  
23                   Sweeney and you and Rob Kroeker dated  
24                   October 17th, 2014; correct?

25          A       Yes.

1 Q What position did Kris Gade hold at this time?

2 A Kris was the manager of casino investigations at  
3 the time.

4 Q Okay. And Mr. Ennis says he had a couple of  
5 discussions with you and Kevin Sweeney in  
6 regards to approaching VIP players to conduct  
7 due diligence interviews for FINTRAC reporting.  
8 He says:

9 "There was an interaction at River Rock on  
10 Wednesday between BCLC investigators and a  
11 VIP player that I am sure you are aware of  
12 that has caused some concern with us  
13 around communication and delivery of the  
14 interview."

15 Why was Mr. Ennis sure that Mr. Gade would have  
16 been aware of that attempt to interview a  
17 player?

18 A Mr. Gade, well, it would be -- the investigators  
19 on site would have fallen under Mr. Gade, so he  
20 assumed, I guess, that Mr. Gade would be aware  
21 of that.

22 Q Okay. He goes on to set up a meeting; right?

23 A I believe so, yes.

24 MS. LATIMER: May I ask this be marked the next  
25 exhibit, please.

1 THE COMMISSIONER: 126.

2 THE REGISTRAR: Exhibit 126.

3 **EXHIBIT 126: Email from John Karlovcec to**  
4 **Patrick Ennis re Meeting to Discuss Protocol for**  
5 **Approaching VIP Players - October 17, 2014**

6 MS. LATIMER: May I ask for GCGC document 45011,  
7 please.

8 Q Sir, you recognize this as an email from you to  
9 Brad Desmarais and others at Great Canadian and  
10 BC lotto corporation dated the following day,  
11 October 18th, 2014; correct?

12 A Correct.

13 Q And the subject here is "unusual financial  
14 transaction"; right?

15 A Yes.

16 Q You say:

17 "Gents: Simply an FYI and a heads up that  
18 a patron had another significant cash  
19 dropoff of \$645,000 cash this morning  
20 around 3:00 a.m. at RRCR."

21 And that's River Rock; correct?

22 A That's correct.

23 Q He describes a white Mercedes SUV delivered the  
24 money. Unknown who the driver was; correct?

25 A Correct.

1           Q           "I just spoke to Georgie at River Rock  
2                           surveillance at 10:30 a.m. He advised  
3                           that the patron was still in the  
4                           high-limit room. However, he had  
5                           essentially lost all of the money that had  
6                           been delivered to him this morning. As  
7                           you know, back on September 25th, the  
8                           patron had a similar dropoff of cash that  
9                           caused GPEB investigations to go on a  
10                          rampage. He told GPEB's Bill McRae in a  
11                          phone conversation on Thursday that the  
12                          September dropoff was an anomaly, which it  
13                          was at the time for the patron, as he  
14                          always uses his PGF account. We now have  
15                          an identical dropoff of cash which no  
16                          doubt will fuel Larry and Joe's fire.  
17                          Pat, perhaps this incident and strategy  
18                          surrounding this patron can form part of  
19                          the dialogue at the Monday meeting."

20                        Have I read that correctly?

21           A           That's correct.

22           Q           And when you refer here to a September 25 cash  
23                          dropoff that caused GPEB investigations to go on  
24                          a rampage, what do you mean by that?

25           A           I'm just trying to remember back, but just the

1 fact that there was all this cash coming in,  
2 being dropped off, so certainly would have been  
3 a concern. It's been a concern not only to GPEB  
4 but to all of us for some time, and so that was  
5 more directed as, you know, here's something  
6 else that will come up again undoubtedly.

7 Q You seem to be distinguishing yourselves from  
8 GPEB in this email. Is that fair?

9 A I don't think we're just -- that wasn't the  
10 intent, if that's the way it comes across.

11 Q You later say this identical dropoff of cash  
12 will no doubt fuel Larry and Joe's fire. Were  
13 you here referring to Larry Vander Graaf and Joe  
14 Schalk?

15 A That's correct.

16 Q What fire were these two individuals burning at  
17 the time?

18 A It's an expression. Simply to say that here's  
19 something else that Mr. Schalk and Mr. Vander  
20 Graaf will look at and point in BCLC's direction  
21 as allowing to take place, so ...

22 Q When you say "point in BCLC's direction as  
23 allowing to take place," is your suggestion that  
24 Mr. Vander Graaf and Mr. Schalk were  
25 passionately identifying instances of suspected

1 money laundering to BCLC at this time?

2 A Well, previous documents that we've looked at  
3 have demonstrated that.

4 Q And were you at this time -- was your  
5 relationship with these two gentlemen strained  
6 at this time?

7 A It wasn't, no.

8 Q When you suggest that adding this incident and  
9 strategy to the dialogue for Monday's meeting,  
10 is that the meeting we were just discussing  
11 about how to approach VIP patrons?

12 A I can't recall. It may have been.

13 Q Would there have been a concern about  
14 approaching this particular patron?

15 A Well, he was one of the bigger players,  
16 certainly, and at some point I know that he was  
17 approached, but he was approached by, I believe,  
18 Great Canadian executive and may have also been  
19 approached by our own VP of corporate security.

20 Q And was that approach made by those levels of  
21 management in order to avoid offending this  
22 patron?

23 A I think that may have been part of it but also  
24 to try to garner some information, seeing that  
25 he was a high-level patron, do it with the

1                   appropriate people at the table.

2                   MS. LATIMER: Okay. I ask that this be marked the  
3                   next exhibit, please.

4                   THE COMMISSIONER: Very well. That will be 126.

5                   THE REGISTRAR: 127.

6                   THE COMMISSIONER: I'm sorry. Thank you.

7                   THE REGISTRAR: Exhibit 127.

8                   THE COMMISSIONER: Yes, 127. Thank you.

9                   **EXHIBIT 127: Email from John Karlovcec to Brad**  
10                   **Desmarais re FW: Unusual Financial**  
11                   **Transaction - October 18, 2014 (redacted)**

12                   MS. LATIMER: Madam Registrar, can I have document  
13                   GCGC0023900, please.

14                   Q     If we go to the bottom of page 3, please. Can  
15                   you just go up a little bit, please. Thank you.

16                                 This is an email from Mr. Tottenham to AML,  
17                   which you would have been a part of; correct?

18                   A     That's correct.

19                   Q     And copying Brad Desmarais and dated  
20                   December 26, 2014; correct?

21                   A     Yes.

22                   Q     The subject line of the email is a patron's  
23                   name; correct?

24                   A     Correct.

25                   Q     And the email from Mr. Tottenham sets out a

1 narrative about this patron's history dating  
2 back to 2005, 2006 in the second paragraph where  
3 he generally played in the 20- to \$60,000 range;  
4 correct?

5 A Correct.

6 Q And he says:

7 "This patron disappeared and resurfaced in  
8 2014 and has had 17 large cash  
9 transactions since that time with buy-ins  
10 ranging from \$200,000 to \$600,000, which  
11 totalled 2.6 million from July to  
12 December."

13 Correct?

14 A Correct.

15 Q And if you go up to the email just above this  
16 one. This is an email from Mr. Tottenham to  
17 Mr. Desmarais and copying you dated  
18 December 30th; correct?

19 A Correct.

20 Q Mr. Tottenham says:

21 "I sent a request to the guys at River  
22 Rock this morning to review this activity  
23 ASAP and advise, and it turns out River  
24 Rock decided not to report two of his cash  
25 buy-ins for \$250,000 on each occasion, the



1 first on the 23rd because they were \$100  
2 bills and the second on the 29th and no  
3 indication what the bills were. The  
4 \$450,000 cash buy-in on the 24th was all  
5 20s, and the second \$450,000 cash buy-in  
6 was in various bills from 10s to 100s."

7 And I've read that correctly; right?

8 A Correct.

9 Q Did you understand at this time that the River  
10 Rock was still not reporting transactions as  
11 suspicious if they were conducted in \$100 bills?

12 A Well, this incident certainly appears to be that  
13 way, but again, I'm going to suggest that this  
14 wasn't systemic. This may have been, again, may  
15 have been a few individuals that felt that  
16 \$100 bills weren't suspicious for whatever  
17 reason, so I really can't provide you a  
18 definitive reason why this would take place  
19 because the training has always been provided  
20 has been very clear that it doesn't matter  
21 whether it's a 10 or 20 or 50 or 100 dollar  
22 bill.

23 Q Because that -- not reporting it just because  
24 it's in hundreds would be inconsistent with  
25 FINTRAC requirements; correct?

1 A Correct.

2 Q Your response dated December 31st is just above  
3 this email, and do you see that?

4 MS. LATIMER: Madam Registrar, thank you.

5 Q Do you see that, sir?

6 A Yes.

7 MS. LATIMER: Sorry, I'm not -- Madam Registrar, can  
8 you go up a little higher. Thank you.

9 Q It's right at the bottom of the page here. Do  
10 you see that, sir? Your email of December 31st?

11 A Yes.

12 Q And you say the same patron conducted another  
13 large cash buy-in using small denominations last  
14 night and this now places him at 1.8 million  
15 cash in seven days, mostly small bills; correct?

16 A Correct.

17 Q You note that the player does have a PGF account  
18 but hasn't used it since July; correct?

19 A Yes.

20 Q And you say:

21 "This is starting to be very similar to  
22 another patron."

23 The patron we were just looking at a moment ago;  
24 correct?

25 A Correct.

1 Q And then you say:

2 "As an initial step, if you're going to  
3 suggest River Rock management speak with  
4 the patron, much like we did with the  
5 other patron, to determine source of funds  
6 and encourage the use of PGF account and  
7 the River Rock can monitor his  
8 activities."

9 Correct?

10 A Correct.

11 Q And then you say:

12 "I recognize that we do not want to  
13 jeopardize revenue. However, if the  
14 dialogue does not garner the intended  
15 results, we may need to have our  
16 investigators have a chat with him and/or  
17 look at imposing additional restrictions  
18 relative to his use of cash to play. If  
19 you are in agreement, we will have the  
20 River Rock Casino investigators chat with  
21 River Rock management to make arrangements  
22 to speak with this patron."

23 Correct?

24 A Correct.

25 Q When you say you don't want to jeopardize

1 revenue, was that one of the service provider's  
2 concerns that you discussed with Mr. Ennis?

3 A I can't recall if we -- if I discussed that with  
4 him, but as I mentioned to you earlier, the  
5 service providers have a business to run. We  
6 certainly -- we don't want to be the cause of  
7 one of their valued customers going to the  
8 competition, so to speak, so I just wanted to  
9 ensure that we were doing things properly and  
10 getting the information that we required without  
11 causing any disruption, not only for the service  
12 provider but the patron.

13 Q You understood that BCLC had an interest in the  
14 revenue as well; correct?

15 A Yes. I mean, BCLC is here to raise revenue for  
16 the public, you know, for British Columbians, so  
17 certainly.

18 Q When you suggest in your email here that there  
19 may be additional restrictions that could be  
20 imposed to his use of cash to play, what  
21 restrictions did you have in mind there that had  
22 not been imposed?

23 A I think at that point we were starting to look  
24 at imposing cash conditions, so -- and  
25 potentially depending on circumstances, again,

1                   although we may not want to go down this route,  
2                   but if it was necessary, even a ban of the  
3                   player for a certain period of time until they  
4                   recognize that, you know, they need to follow  
5                   certain rules.

6                   Q     In the face of receiving \$1.8 million in cash in  
7                   seven days mostly in small bills, why not  
8                   immediately require a source of cash conditions  
9                   for this player?

10                  A     Well, I can't recall what we ended up doing with  
11                  this.  Again, that decision would be through  
12                  dialogue with our VP of corporate security.  And  
13                  I can't recall why we did what we did or why we  
14                  didn't do what we -- what you're asking me to  
15                  do.

16                  Q     Okay.  Madam Registrar, can you go right to the  
17                  top of the page, please.

18                                 The topmost email here sir is from you to  
19                                 Mr. Desmarais dated January 2nd, 2015, and  
20                                 copying people from both Great Canadian and BC  
21                                 lotto corporation; correct?

22                  A     Correct.

23                  Q     You say you met with River Rock assistant  
24                  general manager Daniel Lay concerning this  
25                  patron and his recent cash buy-ins and he's

1                   going to make arrangements to have someone speak  
2                   to this patron; correct?

3           A     Yes.

4           Q     Was it usual in the course of your duties to  
5                   discuss particular players with people at the  
6                   assistant general manager level of service  
7                   providers?

8           A     On occasion, obviously.  In this instance I  
9                   can't say how often that occurred, but certainly  
10                  I would be -- typically my contact would be  
11                  with -- with -- I dealt a lot with director of  
12                  surveillance, Mr. Pat Ennis, and so certainly in  
13                  this case that's what took place.

14          Q     Would it escalate to a higher level of  
15                  management because a player was a VIP?

16          A     Yes.

17          Q     And you say you advised him to encourage the  
18                  player to refrain from dealing with cash  
19                  facilitators, citing safety concerns; correct?

20          A     Yes.

21          Q     At this point you thought it was likely this  
22                  player was accessing cash from cash  
23                  facilitators; correct?

24          A     He may have been.  It appeared to be, yes.

25          Q     What were the safety concerns that you had in

1 mind there?

2 A Well, the concern is that especially if you're  
3 dealing with individuals away from that facility  
4 and you're meeting -- and you're being provided  
5 with cash, there's always an opportunity for  
6 somebody to rob you or you may end up getting  
7 hurt during a transaction. That was a concern.  
8 We were concerned for the patron's safety.

9 Q Were you also concerned that the cash from the  
10 cash facilitator might be proceeds of crime?

11 A It may well have been.

12 Q And you say:

13 "To encourage him to use his PGF account  
14 and attempt to get feedback from him on  
15 how we can improve our customer service  
16 relative to his gaming needs."

17 Was your concern here not to jeopardize the  
18 business relationship?

19 A In part.

20 Q Okay. And you were prepared to hold off placing  
21 additional restrictions on this player's use of  
22 cash, even though you thought it might be coming  
23 from a cash facilitator in light of that concern  
24 about customer service; correct?

25 A Well, we were still gathering information, if

1                   you will, trying to put together something so  
2                   that we could actually justify a ban or  
3                   conditions being placed on a patron.

4                   MS. LATIMER: Okay. I ask that this be marked as the  
5                   next exhibit, please.

6                   THE COMMISSIONER: Very well. That will be 127.

7                   THE REGISTRAR: The next number is 128.

8                   THE COMMISSIONER: I'm sorry. I'm one behind.  
9                   You're right. 128.

10                  THE REGISTRAR: Exhibit 128.

11                               **EXHIBIT 128: Email from John Karlovcec to Brad**  
12                               **Desmarais - January 2, 2015 (redacted)**

13                  MS. LATIMER: Madam Registrar, can I have document  
14                  GCGC24481 placed before the witness, please.

15                  Q     And, sir, just at the top here you recognize  
16                  this as an email from you to Rob Kroeker and  
17                  Brad Desmarais dated January 8th, 2015, with the  
18                  subject line "large cash buy-ins" correct?

19                  A     Correct.

20                  Q     You were responding to Mr. Kroeker's email,  
21                  which is just below, and at the second sentence  
22                  he expresses concern about cash being paid out  
23                  in 100s when the buy-in was in \$20 bills;  
24                  correct?

25                  A     Yes.



1           Q     You understand the concern there is a money  
2                    laundrying concern; correct?

3           A     Correct.

4           Q     But the player might be using the casino to  
5                    colour up small bills; correct?

6           A     Yes.

7           Q     You say:

8                    "I note that Steve Beeksma conducted a  
9                    thorough review on this incident. I agree  
10                   that that patron based on the fact he only  
11                   made a single wager should have had  
12                   \$20 bills returned to him by the cage. I  
13                   think part of the challenge when it comes  
14                   to VIP patrons is that certain management  
15                   types don't want to offend the patron for  
16                   fear that the patron will go to the  
17                   competition. I'm not saying this is the  
18                   case here, but it could explain the reason  
19                   for the cage decision to provide  
20                   \$100 bills."

21                   And I've read that correctly?

22           A     Yes.

23           Q     And was that a recurring tension that you faced  
24                    in your role that anti-money laundrying measures  
25                    might be resisted by service provider management

1                   who were concerned about offending patrons?

2           A        Certainly on occasion, yes.

3           Q        When you said certain management types don't  
4                   want to offend patrons, who did you have in  
5                   mind?

6           A        I didn't have anybody in mind.

7           Q        Well, it must have been related to something.  
8                   That sounds specific.

9           A        I was generally speaking there.

10          Q        And did you mean certain management types at the  
11                   River Rock?

12          A        I think it was just general.

13          Q        You saw this same problem occurring at other  
14                   sites in the Lower Mainland?

15          A        I think similar incidents may have occurred at  
16                   other facilities as well, yes.

17          Q        Okay. Was it limited to Great Canadian  
18                   facilities, or were you seeing the same problems  
19                   across all service providers?

20          A        I think we had seen this on occasion. It  
21                   depended on the gaming facility again. I can't  
22                   say that it was specific certainly just to River  
23                   Rock. But when you're dealing with high-limit  
24                   patrons, as I mentioned earlier, there was  
25                   always a fear by service provider that they

1                   didn't want to offend them, so if a patron might  
2                   ask for \$100 bills versus 20 bills, not all, but  
3                   some may allow that to take place, yes.

4           Q        You've seen the same issues at Gateway  
5                   facilities?

6           A        I can't say which specific facilities.  It's  
7                   certainly -- I'm going to say that it's not --  
8                   this wasn't specific to River Rock alone.

9           Q        Was it specific to Great Canadian alone?

10          A        No.

11          Q        Was it specific to the Lower Mainland, or were  
12                   you seeing it across the province?

13          A        I would say the Lower Mainland.  Because across  
14                   the province they didn't have the table game  
15                   limits, they -- a lot of the facilities are  
16                   simply slot machines, so that wouldn't apply.

17          MS. LATIMER:  I ask that this be marked as the next  
18                   exhibit, please.

19          THE COMMISSIONER:  Very well.  129.

20          THE REGISTRAR:  Exhibit 129.

21                   **EXHIBIT 129:  Email from John Karlovcec to**  
22                   **Robert Kroeker re Large Cash Buy-Ins -**  
23                   **January 8, 2015**

24          MS. LATIMER:  Madam Registrar, can I have BCLC  
25                   document 6501 placed before the witness, please.

1           Q     Sir, you recognize this as an email that has  
2                    been forwarded to you in March 2018 but the  
3                    original email was sent on May 14th, 2015;  
4                    correct?  At the bottom?

5           A     Yes.

6           Q     And that original email is from Ross Alderson to  
7                    AML, which would have included you; correct?

8           A     No.

9           Q     Would not have included you?

10          A     No.  Because I had left BCLC at the end of March  
11                    2015.

12          Q     Okay.  But so you didn't receive this until  
13                    2018; is that right?

14          A     That's correct.

15          Q     And this is an email from Ross Alderson to AML,  
16                    Kris Gade and Bruno Gatto, and the subject is  
17                    "VVIP players and sanctions"; correct?

18          A     Yes.

19          Q     Mr. Alderson says:

20                    "I have no concerns about requesting  
21                    further employment clarification and  
22                    noting it on players' iTrak profile.  We  
23                    are having the investigations management  
24                    and AML specialists jointly discussing  
25                    whether a player should be interviewed so

1                   investigators can then be provided with  
2                   that instruction.  However, in the absence  
3                   of any written escalation procedures,  
4                   right now before we contemplate  
5                   suspending, barring or putting conditions  
6                   on any of the VVIP players which may  
7                   impact revenue, please bring Kevin and  
8                   myself into the loop in the form of  
9                   arranging a teleconference or preferably a  
10                  joint meeting so we can get an overall  
11                  picture.  Ultimately we will have to brief  
12                  Brad.  Be mindful that email is not always  
13                  the best method of communication in these  
14                  sensitive matters, lest it be  
15                  misinterpreted.  I would classify any  
16                  player who has \$500,000 plus of buy-ins as  
17                  a VVIP player, which is consistent with  
18                  our AML documentation."

19                  So a couple of questions.  First of all, while  
20                  you were at BCLC, were you aware of ongoing  
21                  concerns about the appropriate role and  
22                  procedure for BCLC investigators in terms of  
23                  interviewing patrons?

24                  A     Well, that -- you know, that was certainly  
25                  discussed, and, again, I think that was

1 something that was obviously of concern to the  
2 various service providers as to how these  
3 patrons would be approached. Again, based on  
4 everything I said earlier about impact on  
5 revenue or the player going to the competition,  
6 so it would appear here that they were trying to  
7 develop some sort of protocol on how to -- how  
8 to approach these players and garner the  
9 necessary information still for reporting to the  
10 regulators, so yeah. I mean, this is -- 2018  
11 was the first that I had seen of this email.

12 Q Okay. But a concern that you were aware of was  
13 that suspending, barring or putting conditions  
14 of a VVIP player might impact revenue; right?

15 A Yes.

16 Q And Mr. Alderson says:

17 "Email is not always the best method of  
18 communication in these sensitive matters,  
19 lest it be misinterpreted."

20 My question is were you aware of a general  
21 reluctance to email about topics like this at  
22 BCLC because it might be misinterpreted?

23 A No.

24 MS. LATIMER: I ask that this record be marked as the  
25 next exhibit, please.

1 THE COMMISSIONER: 130.

2 THE REGISTRAR: Exhibit 130.

3 **EXHIBIT 130: Email from Ross Alderson re VVIP**  
4 **Players and Sanctions - May 14, 2015**

5 MS. LATIMER:

6 Q Are you aware that FINTRAC conducted -- or are  
7 you aware that FINTRAC conducted a compliance  
8 examination to assess BCLC's compliance with the  
9 requirements of part 1 of the *Proceeds of Crime*  
10 *(Money Laundering) and Terrorist Financing Act*  
11 for the period February 1, 2014, to July 31,  
12 2014?

13 A Yes.

14 MS. LATIMER: I ask that document BCLC1713 be placed  
15 before the witness, please.

16 Q This, sir, is a letter to Brad Desmarais dated  
17 January 23rd, 2015, and I won't ask Madam  
18 Registrar to go there, but it's sent from Robby  
19 Judge of FINTRAC, and it's copied to the Len  
20 Meilleur of GPEB. But you're familiar with this  
21 letter because you ultimately prepared a  
22 response to this letter; correct?

23 A Correct.

24 Q And in the second paragraph, Mr. Judge says:

25 "As we advised you and your compliance





1 November 7th, 2014?

2 A No. We just got the letter.

3 Q So you say this letter, to the extent it makes  
4 reference to that meeting, is inaccurate?

5 A No, no. We had the exit interview. What I'm  
6 saying is is that Mr. Judge told me verbally  
7 that these weren't significant.

8 Q Okay. Well, he sets out the deficiencies in the  
9 letter, so for example, in the last paragraph on  
10 page 1, four lines from the bottom, Mr. Judge  
11 says:

12 "We recognize that your organization  
13 provided policies and procedures; however,  
14 they were inadequate as they too narrowly  
15 defined business relationship. Your  
16 organize defined business relationship as  
17 being established when a client conducts  
18 two or more reportable transactions  
19 instead of more broadly when two or more  
20 transactions simply require you to  
21 identify that client."

22 And he sets out an example and he says:

23 "Moreover, the policies and procedures  
24 submitted by your organization failed to  
25 include the purpose and intended nature of

1 the business relationship."

2 Their compliance staff agreed this should have  
3 been included in the policies and procedures;  
4 right?

5 A That's what that says, yes.

6 Q And then the second deficiency that was brought  
7 to BCLC's attention was that they did not have  
8 an adequate risk assessment of money laundering;  
9 correct?

10 A That's what it says, yes.

11 Q And the third deficiency was that BCLC did not  
12 follow enhanced due diligence monitoring  
13 procedures for high-risk patrons that were  
14 outlined in the AML manual; correct?

15 A That's what it says, yes.

16 Q And also that those monitoring procedures needed  
17 to be updated to reflect the current business  
18 operations; correct?

19 A Correct.

20 Q And in the last paragraph on page 2 that BCLC  
21 was not conducting ongoing monitoring of all the  
22 high-risk clients; correct?

23 A Yes.

24 Q And then on page 3, lastly, that client  
25 information was not updated sufficiently

1 frequently; right?

2 A Yes.

3 Q And so as a result of that review, BCLC was  
4 required to take immediate action to address  
5 these deficiencies; correct?

6 A Yes.

7 MS. LATIMER: I ask that this be marked as the next  
8 exhibit, please.

9 THE COMMISSIONER: Exhibit 131.

10 THE REGISTRAR: Exhibit 131.

11 **EXHIBIT 131: Letter from Robby Judge to Brad**  
12 **Desmarais re Compliance Examination Findings -**  
13 **January 23, 2015**

14 MS. LATIMER: Madam Registrar, I'd ask that you put  
15 BCLC1716 before the witness, please.

16 Q Sir, you recognize this as a record you created  
17 entitled "FINTRAC Examination November 14  
18 Findings Explanatory Document," dated March 4th,  
19 2015"; correct?

20 A Correct.

21 Q And in the third paragraph of this document you  
22 say that the intended purpose of this document  
23 is to provide context and explanation to the  
24 deficiencies cited below; correct?

25 A Correct.

1 Q And to understand this document, just how we  
2 should approach it, is it correct, sir, that  
3 what you've done is you've set out those  
4 deficiencies that we've just discussed in black  
5 and then your explanation is set out in red?

6 A Correct.

7 Q And who is the intended recipient of this  
8 document?

9 A This was developed, I believe, for the executive  
10 team as well as potentially the board of  
11 directors.

12 Q Okay. And so I take it that you took care in  
13 preparing this document to ensure that your  
14 explanations provided in red were accurate to  
15 the best of your abilities; right?

16 A That's correct.

17 Q And they reflected your views at that time;  
18 correct?

19 A Yes.

20 MS. LATIMER: May I ask this record be marked as the  
21 next exhibit, please.

22 THE COMMISSIONER: Yes. That will be 132.

23 THE REGISTRAR: Exhibit 132.

24 **EXHIBIT 132: FINTRAC Examination November 2014**  
25 **Findings Explanatory Document - March 4, 2015**

1 MS. LATIMER:

2 Q You mentioned, sir, that you left BCLC and  
3 returned in -- you left BCLC but you returned in  
4 2017; correct?

5 A That's correct.

6 Q And can you tell us about the circumstances that  
7 led to you returning to BCLC?

8 A Yes. Mr. Brad Desmarais reached out to me  
9 October -- sometime early October of 2017. He  
10 asked me if I would consider coming back to  
11 provide Mr. Rob Kroeker support as an interim  
12 director for the investigations and AML teams.  
13 Purpose being, the reason -- I asked him why,  
14 and he had said that Mr. Ross Alderson had --  
15 was on administrative leave.

16 Q Okay. Can you describe your role when you came  
17 back to BCLC. What you were --

18 A I was there to provide functional and strategic  
19 leadership to the investigation teams, which  
20 included casino, lottery, internet gaming and  
21 then as well the oversight of the AML programs,  
22 being the AML intelligence team.

23 Q You were initially asked to come back for six  
24 months, but that was extended a few times;  
25 correct?

1           A     It was.

2           Q     You ultimately stayed for 20 months; correct?

3           A     I did.

4           Q     One issue you had to address when you returned  
5                   related to Lisa Gao; correct?

6           A     Yes.

7           MS. LATIMER: Madam Registrar, could you please put  
8                   document BCLC7039 before the witness.

9           Q     Sir, you recognize this as an email from Daryl  
10                  Tottenham to you and copying Mr. Kroeker dated  
11                  December 5th, 2017, with the subject "Lisa Gao  
12                  summary"; correct?

13          A     Correct.

14          Q     And Mr. Tottenham summarizes the events from an  
15                  investigation into Lisa Gao; correct?

16          A     Yes.

17          Q     Could you give us just a brief summary of what  
18                  the issue here was.

19          A     Ms. Gao was a VIP hostess and in this incident  
20                  she appeared to have facilitated the buy-in of  
21                  an individual I think that may have been barred  
22                  at the time, so there was a \$200,000 --  
23                  \$2,000 [sic] buy-in utilizing \$5,000 chips. So  
24                  she ended up purchasing them on behalf of  
25                  someone, and the chips essentially left the

1 casino.

2 Q And she was aware that the person on whose  
3 behalf those chips were being purchased was a  
4 banned player; correct?

5 A Yes, I believe so, yes.

6 Q And Mr. Tottenham has set out in some detail a  
7 summary of events related to that investigation,  
8 and I take it you accepted that summary as  
9 accurate at the time; correct?

10 A I did, yes.

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

13 THE COMMISSIONER: Very well. That will be 133.

14 THE REGISTRAR: Exhibit 133, Mr. Commissioner.

15 THE COMMISSIONER: Very good.

16 **EXHIBIT 133: Email from Tottenham to John**  
17 **Karlovcec re Lisa Gao Summary - December 5, 2017**

18 MS. LATIMER: Madam Registrar, could you put document  
19 BCLC7026 before the witness.

20 Q And, sir, you recognize this as a letter dated  
21 December 8th, 2017, addressed to you from the  
22 gaming policy and enforcement branch's Bob  
23 Stewart; correct?

24 A Yes.

25 Q And in this letter in the last paragraph on the

1 first page Mr. Stewart says:

2 "After completing a thorough

3 investigation, GPEB compliance forwarded

4 the results to our registration division

5 for independent review and pursuant to

6 section 81(4)b we are reporting that on

7 November 24th, 2017, GPEB registration

8 cancelled the gaming worker registration

9 of River Rock director of VIP guest

10 relations, Lisa Yang Gao."

11 Correct?

12 A Correct.

13 MS. LATIMER: May I ask that this be marked as the  
14 next exhibit, please.

15 THE COMMISSIONER: Very well. Exhibit 134.

16 THE REGISTRAR: Exhibit 134.

17 **EXHIBIT 134: Letter from Bob Stewart to John**  
18 **Karlovcec re Ms. Gao 200k Buy In - December 8,**  
19 **2017**

20 MS. LATIMER:

21 Q When you returned to BCLC you had as well  
22 further interaction with law enforcement;  
23 correct?

24 A Yes.

25 MS. LATIMER: And, Madam Registrar, I ask that



1 BCLC15434 be placed before the witness, please.  
2 15434.

3 THE REGISTRAR: My apologies. Just give me one  
4 minute.

5 MS. LATIMER: Thank you.

6 Q Do you recognize this has a request from  
7 Corporal Ben Robinson to you and copying others  
8 dated December 15th, 2017, and with the subject  
9 "CFSEU BC file 2016-54 request for information";  
10 correct?

11 A Correct.

12 Q Corporal Ben Robinson has attached a request,  
13 and do you recall what request was made in that  
14 attachment?

15 A I think they were just -- he was requesting  
16 information with respect to the highlight -- or  
17 the patron's, what the subject ID numbers within  
18 the body of the email.

19 Q Okay. And he said in addition to the materials  
20 requested in the attachment, and would those  
21 materials be materials from iTrak?

22 A Yes.

23 Q It would be things like we've discussed like  
24 date of birth, occupation, address, vehicles and  
25 the like; correct?

1           A     Right.  Correct.

2           Q     He said in addition to those materials he asked  
3                 for alerts to be placed on a list of 11 people  
4                 that he's listed here; correct?

5           A     That's correct.

6           Q     And he says the purpose of the alert is so that  
7                 BCLC staff will notify him or Corporal Reddy by  
8                 phone 24/7 if the person is at the casino;  
9                 correct?

10          A     That's correct.

11          Q     And is that the kind of interaction that BCLC  
12                 has in suspecting law enforcement at this time?

13          A     Yes.  And I mean, Corporal Robinson at the time  
14                 was part of the joint illegal gaming  
15                 investigation team and our BCLC group was  
16                 meeting on a monthly basis face to face with his  
17                 team as well as doing weekly phone calls with  
18                 them exchanging information.

19          Q     What were the main issues of concern discussed  
20                 at those meetings?

21          A     Well, it was basically BCLC providing JIGIT with  
22                 analysis that we have conducted of various  
23                 things.  For example, bank drafts was something  
24                 that we discussed.  Any analytical work that our  
25                 analysts did, we were sharing that with police.

1 Q Bank drafts were discussed because those were  
2 thought to pose a vulnerability for money  
3 laundering; correct?

4 A Well, bank drafts had been identified by FINTRAC  
5 as a potential money laundering vulnerability,  
6 so we were doing -- worked to ensure that  
7 anything was appropriate with any bank draft  
8 coming into BC casinos.

9 MS. LATIMER: And I ask that this be marked as the  
10 next exhibit, please.

11 THE COMMISSIONER: Very well. 135.

12 THE REGISTRAR: Exhibit 135.

13 **EXHIBIT 135: Email from Ben Robinson to John**  
14 **Karlovcec re CFSEU-BC File 2016-54 - Request for**  
15 **Information (redacted)**

16 MS. LATIMER: And I ask, Madam Registrar, for BCLC  
17 document 15438 to be placed before the witness.

18 Q And you recognize this as a letter dated  
19 February 7th, 2018, to you from Mr. Robinson  
20 with the subject "request for information";  
21 correct?

22 A Yes.

23 Q And here Mr. Robinson says the CFSEU is  
24 currently conducting an investigation into money  
25 laundering and has identified the following

1                   people and there are a list of eight people  
2                   there; correct?

3           A        Correct.

4           Q        And Mr. Corporal Robinson asks for information  
5                   set out in the bullet points that follow those  
6                   redacted names; correct?

7           A        Yes.

8           Q        And did BCLC in fact supply that information to  
9                   law enforcement?

10          A        Yes.

11          Q        In the face of requests like these two that  
12                   we've just looked at does BCLC take any other  
13                   steps to ensure that these individuals do not  
14                   use BC gaming facilities to launder money?

15          A        Well, certainly once we received a request like  
16                   this, we would first off determine who the  
17                   individual was. Quite often they may be known  
18                   to us, just by the mere fact that they've  
19                   gambled in our facilities. If appropriate --

20          THE REGISTRAR: Sorry. Do you mind ...

21          THE WITNESS: I'm sorry.

22          THE REGISTRAR: My apology. I forgot to mute my mic.

23          THE WITNESS: So I was saying that we would certainly  
24                   review who these individuals are, determine  
25                   whether or not they are gambling within the

1 facility on an ongoing basis, what sorts of  
2 transactions, any suspicious transactions that  
3 may have been reported to FINTRAC, whether or  
4 not we had dossiers on them, were they  
5 low-level, medium-level or high-risk patrons.

6 MS. LATIMER: I ask that this be marked the next  
7 exhibit, please.

8 THE COMMISSIONER: Exhibit 136.

9 THE REGISTRAR: Exhibit 136.

10 **EXHIBIT 136: Combined Forces Special**  
11 **Enforcement Unit British Columbia letter to John**  
12 **Karlovcec re Request for Information (date**  
13 **redacted) - February 7, 2018**

14 MS. LATIMER:

15 Q Another issue you dealt with when you returned  
16 to BCLC was an assessment of the risks and  
17 benefits for BCLC and service providers to  
18 accept cash from patrons who received funds from  
19 money service businesses; correct?

20 A Yes. Correct.

21 MS. LATIMER: Madam Registrar, can you put BCLC  
22 document 4628 before the witness, please.

23 Q Sir, do you recognize this as a memo to you from  
24 Bal Bamra dated January 11, 2018, and entitled  
25 "MSB due diligence"; correct?



1                                   procedures."

2                                   Correct?

3                   A     That's correct.

4                   Q     Was that recommendation followed?

5                   A     Yes, it was.

6                   MS. LATIMER: Can this be marked as the next exhibit,  
7                                   please.

8                   THE COMMISSIONER: Yes. Exhibit 137.

9                   THE REGISTRAR: Exhibit 137.

10                                   **EXHIBIT 137: BCLC memo from Bal Bamra to John**  
11                                   **Karlovcec and Rob Kroeker, subject: MSB Due**  
12                                   **Diligence - January 11, 2018**

13                   MS. LATIMER:

14                   Q     Sir, you had further interactions with GPEB when  
15                                   you returned to BCLC; correct?

16                   A     Yes.

17                   MS. LATIMER: And I ask, Madam Registrar, that you  
18                                   put GPEB1456 before the witness, please.

19                   Q     Sir, do you recognize this as a letter from you  
20                                   to Cary Skrine dated October 19th, 2018;  
21                                   correct?

22                   A     That's correct.

23                   Q     You were here providing insight and feedback on  
24                                   specific questions that were asked by  
25                                   Mr. Skrine; correct?

1           A     Yes.

2           Q     Those questions, fair to say, focused on money  
3                 laundering and the respective roles of GPEB and  
4                 BCLC; correct?

5           A     In part. I think there was a number of -- a  
6                 number of points to his letter here that we --  
7                 how we could work together or how they could  
8                 support BCLC.

9           Q     Okay. And the feedback you set out in this  
10                letter accurately reflected your views on those  
11                topics that are canvassed in the letter; correct?

12          A     That's correct.

13          MS. LATIMER: I ask that this be marked the next  
14                exhibit, please.

15          THE COMMISSIONER: Very well. That would be  
16                exhibit 138.

17          THE REGISTRAR: The next number is 137, I believe.

18          THE COMMISSIONER: All right. I'm sorry, I thought  
19                that was -- maybe I'm wrong. All right. 137  
20                exhibit.

21          THE REGISTRAR: Exhibit 137 [sic].

22          THE COMMISSIONER: Thank you.

23                   **EXHIBIT 138: Letter from John Karlovcec to Cary**  
24                   **Skrine re Questions with Feedback - October 19,**  
25                   **2018**



1 MS. LATIMER:

2 Q Regarding this feedback, how would you describe  
3 your working relationship with GPEB?

4 A At the time when I came back, we were -- well, I  
5 know Cary Skrine from my previous days, so the  
6 relationship was good.

7 Q Would you say it had improved from earlier years  
8 or it was the same?

9 A No. From my perspective it had improved.

10 Q Cash coming into casino is now large volumes of  
11 cash has to be sourced; correct?

12 A That's correct.

13 Q And are there remaining money laundering  
14 vulnerabilities in casinos?

15 A Well, I think there's also vulnerabilities. I  
16 mean criminals are always trying to exploit or  
17 create some sort of opportunities, but overall I  
18 think within our casino sector we've taken great  
19 strides to mitigate risk within the gaming  
20 facilities. Having said that, we have to  
21 continue to ensure that there aren't any other  
22 risks -- or deal with any potential other risks  
23 that may arise, so that's the whole idea of  
24 having the teams in place and having the  
25 cooperation with law enforcement.

1           Q     Are bank drafts an area of ongoing  
2                    vulnerability?

3           A     Well, I have been gone now for -- well, over a  
4                    year, so at the time we were certainly -- we  
5                    actually did a complete review of some  
6                    7,000-plus bank drafts up until that day that  
7                    had been brought into the casinos, and we didn't  
8                    notice any anomalies, so I can't comment as to  
9                    now, but certainly there's a rigorous protocol  
10                  in place on monitoring bank drafts not only  
11                  within the facilities, but also by BCLC  
12                  oversight.

13          Q     Okay. What about online gaming, does that  
14                    present an ongoing issue?

15          A     Well, again, online gaming is something that  
16                    has -- is being used regularly or has really  
17                    taken on I would say a bit of a life of its own.  
18                    So the same rules apply there. The difficulty  
19                    there is that you don't have the face-to-face  
20                    interaction with people. But again, there are  
21                    processes in place to deal with all that.

22          MS. LATIMER: Mr. Commissioner, I see some -- I've  
23                    been passed a note that there's an issue with  
24                    the exhibits that I believe Madam Registrar  
25                    would like to correct.

1 THE REGISTRAR: Yes, Mr. Commissioner, my apologies.

2 I want to clarify that the last exhibit that we  
3 marked GPEB1456 should be exhibit 138. And I  
4 apologize for the confusion.

5 THE COMMISSIONER: That's fine. Thank you Madam  
6 Registrar.

7 MS. LATIMER:

8 Q Were there other measures at the time you left  
9 that in your view could have been taken or could  
10 be taken to decrease money laundering risk?

11 A Well, I think we've taken huge steps. Again,  
12 money laundering isn't a simple thing and it's  
13 certainly, as I mentioned, criminals, organized  
14 crime is always looking for opportunities, so at  
15 the end of the day, you know, it's being  
16 vigilant and I think the collaboration between  
17 BCLC, GPEB and law enforcement will really help  
18 that moving forward.

19 Q I understood that in your role with BCLC you had  
20 occasion to compare BCLC's anti-money laundering  
21 performance against other jurisdictions like  
22 Ontario; is that correct?

23 A Yes.

24 Q Did you form a view as to the comparative  
25 success of those programs?

1           A     Well, all I can comment on from day one and the  
2                    progression from Terry Towns' leadership to Brad  
3                    Desmarais's to Rob Kroeker's is that all the  
4                    other jurisdictions were looking to BCLC for  
5                    guidance and how we were maintaining our AML  
6                    program. You know, it's interesting how when I  
7                    look at where BCLC is and gaming in British  
8                    Columbia versus other jurisdictions, we have  
9                    processes in place that no other jurisdiction  
10                   does. For example, the source cash conditions,  
11                   there's no other jurisdiction that's utilizing  
12                   that -- the source of funds declaration,  
13                   jurisdiction that is utilizing that. So the  
14                   measures we're putting in place, I think have  
15                   made a significant impact on reducing the cash  
16                   that's coming into the casinos and I would say  
17                   the perception that money laundering is running  
18                   rampant through the facilities.

19           MS. LATIMER: I have no more questions for this  
20                    witness, Mr. Commissioner.

21           THE COMMISSIONER: All right. Thank you,  
22                    Ms. Latimer. Ms. Chewka for the province,  
23                    you've been allotted I think 35 minutes.

24           MS. CHEWKA: Yes.

25           THE COMMISSIONER: Would you like to begin now or



1                   that right?

2           A       That's correct.

3           Q       And you testified yesterday that you could only  
4                   provide insight into what was happening in the  
5                   casino?

6           A       That's correct.

7           Q       As a BCLC investigator you reported your  
8                   observations of suspicious activity to law  
9                   enforcement?

10          A       And to GPEB, yes.

11          Q       And in particular, you would agree with me that  
12                   the reason why BCLC investigators reported to  
13                   police officers and law enforcement was because  
14                   police were the ones, at least in your  
15                   understanding, who were able to determine  
16                   whether cash that you were seeing in casinos was  
17                   in fact proceeds of crime?

18          A       Yes. And the fact that BCLC investigators don't  
19                   have the authority to conduct those types of  
20                   criminal investigations.

21          Q       Mr. Karlovcec, you testified that under the  
22                   direction of Mr. Terry Towns, BCLC's primary  
23                   focus was ensuring that it complied with its  
24                   FINTRAC obligations. Isn't that right?

25          A       Yes. Certainly one of the -- I just lost my

1 train of thought there. Yes. Sorry, yeah.

2 Q That's okay. Happens to all of us.

3 Yesterday in response to a question from  
4 Ms. Latimer, you described Mr. Towns' leadership  
5 as being compliance focused. Do you remember  
6 that?

7 A Yes.

8 Q You stated that Mr. Towns wanted to ensure that  
9 BCLC would withstand scrutiny with respect to  
10 its reporting obligations. Isn't that correct?

11 A Yes.

12 Q And while FINTRAC compliance is critical, BCLC's  
13 role was to manage gaming in the province?

14 A Yes.

15 Q In fact, BCLC has implemented very detailed,  
16 standards, policies and procedures which service  
17 providers must comply with?

18 A Yes.

19 Q And so as part of its obligation to manage  
20 gaming in the province, BCLC has authority to  
21 give directions to service providers. Isn't  
22 that correct?

23 A Yes.

24 Q For example, BCLC could have directed service  
25 providers to impose limits on the amount or type

1 of buy-in that a patron could make?

2 A It could, but I'm going to suggest that that  
3 would also involve discussion and collaboration,  
4 for example, with board of directors, executive,  
5 GPEB involvement and potentially the government  
6 of the day.

7 Q And if BCLC were to make such a direction,  
8 service providers must comply with those  
9 directions?

10 A Yes.

11 Q You'll agree with me that BCLC never directed  
12 service providers to limit the amount of  
13 suspicious cash coming into casinos, did they?

14 A There was no formal direction, no.

15 Q Mr. Karlovcec, I understand your evidence from  
16 yesterday to be that you never felt pressure to  
17 maintain revenue while at BCLC.

18 A That's correct.

19 Q You stated yesterday that compliance is the top  
20 of mind over revenue from BCLC's perspective?

21 A Yes.

22 Q So you would agree with me that you never would  
23 have turned a blind eye to potential problems  
24 such as money laundering for the sake of  
25 revenue?



1           A     That's correct.

2           MS. CHEWKA: Madam Registrar, I kindly ask that you  
3                   pull up exhibit 110, please.

4           Q     Mr. Karlovcec, can you see this document?

5           A     Yes.

6           Q     And you'll recall that Ms. Latimer took you  
7                   through this document?

8           A     That's correct.

9           Q     And this document was sent to Mr. Friesen from  
10                  Mr. Dickson; is that correct?

11          A     That's correct.

12          Q     You'll see here that on the first page and on to  
13                  the second page, Mr. Dickson details several  
14                  transactions with respect to a particular  
15                  patron?

16          A     That's correct.

17          Q     In particular on this page, it indicates that  
18                  this patron on August 31st, 2010, conducted a  
19                  buy-in of \$200,000 of which \$198,000 of it was  
20                  in \$20 denominations; is that correct?

21          A     Yes.

22          Q     And the next day, September 1st, this same  
23                  patron has three cash buy-ins again. Do you see  
24                  that there?

25          A     Yes.

1 Q The first one was \$100,000 in Canadian currency,  
2 \$94,000 of which is in \$20 denominations?

3 A That's correct.

4 Q And the second one was 190,000 all in \$20  
5 denominations?

6 A Yes.

7 Q And the third one is \$200,000, again, all in \$20  
8 denominations?

9 A Correct.

10 Q And I don't intend to go through each  
11 transaction, but you'll see over onto page 2?

12 Madam Registrar, if you could please scroll  
13 down.

14 This series of transactions continues  
15 throughout the month of September 2010, and that  
16 ultimately this patron buys in \$3.1 million over  
17 the course of one month. Isn't that correct?

18 A Correct.

19 Q And of that \$3.1 million, 2.6 million of it was  
20 in \$20 denominations?

21 A Yes.

22 Q Now, in response to a question from Ms. Latimer  
23 yesterday you stated you had no idea how an  
24 individual could have obtained that volume of  
25 cash, particularly in \$20 denominations. Do you

1 recall that?

2 A Yes.

3 Q But you speculated that this kind of money could  
4 have come from underground banking or a  
5 cash-based business. Do you recall saying that  
6 yesterday?

7 A And some of it may have been from a financial,  
8 legitimate financial institution, yes.

9 MS. CHEWKA: Madam Registrar, I'm finished with this  
10 exhibit. If you could please pull up  
11 exhibit 111 next.

12 Q Mr. Karlovcec, you'll recall this is the letter  
13 that you wrote in response to Mr. Dickson's  
14 letter that we just went through together?

15 A Correct.

16 Q Now, I'd like to turn your attention to the  
17 second page of this document.

18 Madam Registrar, if you could please scroll  
19 to the second page.

20 Now, the last paragraph on this page, you  
21 state that:

22 "Our records reveal that this patron has  
23 provided his occupation as owner of coal  
24 company/commercial real estate."

25 Do you see that there?

1 A I'm sorry, where is that?

2 Q It's the very last paragraph, and it's the last  
3 sentence of that paragraph.

4 A Oh, yes. Yes.

5 Q And, Mr. Karlovcec, you would agree with me that  
6 a coal industry is not typically understood to  
7 be a cash-based business?

8 A Yeah, that's correct.

9 Q You would also agree that commercial real estate  
10 is also typically not understood to be a  
11 cash-based business?

12 A That's correct.

13 Q Mr. Karlovcec, you will also agree with me that  
14 a single patron bringing in \$3.1 million in cash  
15 largely in \$20 denominations over a one-month  
16 period is suspicious?

17 A Yes.

18 Q And BCLC didn't direct the service providers to  
19 refuse the cash buy-ins; is that correct?

20 A No, they did not.

21 Q BCLC didn't direct the service providers to  
22 require that this patron prove the source of the  
23 funds before being allowed to buy in?

24 A No, that process was not in place, no.

25 MS. CHEWKA: Madam Registrar, if you could please

1 scroll down to the last page of this document.

2 Q Mr. Karlovcec, you'll see here in the second  
3 paragraph you say:

4 "BCLC intends to remain vigilant and  
5 sensitive to potential money laundering in  
6 our casinos."

7 And you further state in the last paragraph  
8 that:

9 "BCLC is all too aware of its  
10 responsibilities in maintaining the  
11 integrity of gaming in the province and  
12 will remain vigilant to any level of  
13 criminality revealing itself in our  
14 casinos."

15 Do you see that?

16 A Yes.

17 Q You'll agree with me that BCLC took no steps to  
18 prevent this patron from bringing in the  
19 \$3.1 million in cash over a one-month period?

20 A Well, what we did is we did what we're obligated  
21 to do, and is that is to report to the federal  
22 regulator FINTRAC, and we notified GPEB as well  
23 as law enforcement that have the powers to  
24 actually -- the authority to conduct these types  
25 of investigations.

1           Q     Right.  And as I understand your evidence  
2                   earlier, you said that while compliance was  
3                   critical, it was also BCLC's role to manage  
4                   gaming in the province.  Isn't that correct?

5           A     Yes.

6           MS. CHEWKA:  Madam Registrar, if you could please now  
7                   pull up exhibit 128.  Thank you.

8           Q     Mr. Karlovcec, Ms. Latimer took you through this  
9                   document this morning as well, and you'll see or  
10                  you'll recall that this is an email exchange  
11                  that you were involved in with respect to  
12                  another patron?

13          A     Correct.

14          MS. CHEWKA:  Madam Registrar, if you could please go  
15                  to page 2 of this document.

16          Q     Now, I don't intend to read the first part of  
17                  the email exchange as Ms. Latimer took you  
18                  through that already this morning, but I would  
19                  like to highlight the first email on this page.  
20                  This is a December 30th, 2014 email.  Do you see  
21                  that, from Mr. Desmarais to Mr. Tottenham where  
22                  you were copied on this exchange.  Do you see  
23                  that?

24          A     Yes.

25          Q     And Mr. Desmarais says with respect to this

1 particular patron, he says:

2 "At this point we are uncertain where the  
3 cash is coming from. Can we get the ST  
4 cash cage to do a source of funds inquiry.  
5 Any other suggestions?"

6 Do you see that?

7 A Yes.

8 MS. CHEWKA: Madam Registrar, if you could return to  
9 page 1 of this document.

10 Q And you responded to this email from  
11 Mr. Desmarais, isn't that right?

12 A Yes.

13 Q And it's the second email on this page. You  
14 state that this patron attended the River Rock  
15 Casino again last night and conducted another  
16 large cash buy-in using small denominations  
17 consisting of 18,000 \$20 bills and a couple of  
18 other \$10 bills and \$5 bills for a total buy-in  
19 of \$360,000, approximately. Do you see that?

20 A Yes.

21 Q And your email says that this now places him at  
22 \$1.8 million in cash in seven days, mostly small  
23 bills?

24 A Correct.

25 Q If you can skip down a couple paragraphs. In

1                   your email you state -- and Ms. Latimer took you  
2                   to this portion as well. You state that you  
3                   recognize that:

4                   "We do not want to jeopardize revenue.  
5                   However, if the dialogue does not garner  
6                   the intended results, we may need to have  
7                   our investigators have a chat with him  
8                   and/or look at imposing additional  
9                   restrictions relative to his use of cash  
10                  to play."

11                  Do you see that?

12                  A     Yes.

13                  Q     And in fact you did follow up with River Rock,  
14                  and that's set out in the top email of this  
15                  page.

16                  Madam Registrar, if you could please scroll  
17                  up. Thank you.

18                  So this is a January 2nd, 2015 email that  
19                  you sent to Mr. Brad Desmarais?

20                  A     Yes.

21                  Q     It's copied to Mr. Kroeker and Mr. Tottenham as  
22                  well?

23                  A     Yes.

24                  Q     And you indicate in this email that you just met  
25                  and spoke with the River Rock AGM. Is that the



1                   assistant general manager?

2           A       Correct.

3           Q       Mr. Daniel Lay concerning this patron and his  
4                   recent cash buy-ins. And he indicated to you  
5                   that he'll make arrangements to have someone  
6                   speak to this patron. Is that right?

7           A       Correct. Yes.

8           Q       And you advised the AGM to encourage the patron  
9                   to refrain from dealing with cash facilitators,  
10                  citing safety concerns?

11          A       Correct.

12          Q       And you also said that:

13                         "He'll encourage the patron to utilize his  
14                         PGF account and attempt to get feedback  
15                         from him on how we can improve our  
16                         customer service relative to his gaming  
17                         needs."

18                   Isn't that right?

19          A       Right.

20          Q       Now, Mr. Karlovcec, this patron brought in  
21                   \$1.8 million into the River Rock Casino largely  
22                   in small bills over the course of seven days.  
23                   Isn't that right?

24          A       Yes.

25          Q       And you would agree with me that these types of

1 transactions are suspicious?

2 A Yes. I believe they all would have been  
3 reported to FINTRAC, GPEB as well as RCMP  
4 proceeds of crime unit.

5 Q But you'll agree with me, again, that BCLC's  
6 role is not limited to your reporting  
7 obligations. It's BCLC's role, they're  
8 responsibility for gaming. Isn't that correct?

9 A Correct.

10 Q And despite being aware of this issue as early  
11 as December 26, 2014, and that's the date of the  
12 earliest email in the chain, BCLC did not direct  
13 the service provider to refuse the cash?

14 A Not at that point, no.

15 Q BCLC did not direct the service provider to  
16 require the patron to source the funds?

17 A Well, I can't recall specifically what was done  
18 in this, but I believe this individual was --  
19 may have been -- I may be wrong here, but may  
20 have been placed on a 14-day investigational --  
21 or maybe I'm confusing that with something else,  
22 but we were conducting the investigation to see  
23 what action would be appropriate to take beyond  
24 reporting it to the federal, provincial  
25 regulators as well as the police. So this was

1 under investigation, so to speak.

2 Q But, Mr. Karlovcec, you'll agree with me we do  
3 know what happened in this circumstance. In  
4 fact we have an email that says what happened.  
5 And I'll take you back to that top line. It  
6 says that you contacted the AGM and that he  
7 would encourage this patron to utilize his PGF  
8 account and that you would attempt to get  
9 feedback on how we can improve our customer  
10 service relative to this patron's gaming needs;  
11 isn't that correct?

12 A Yeah, that was with respect to dealing with  
13 Mr. Lay at River Rock Casino. What I'm saying  
14 is that our investigative unit would have  
15 continued to do some level of due diligence in  
16 relation to this individual as well.

17 Q But, Mr. Karlovcec, this issue was brought to  
18 the AML unit's attention on December 26th, 2014;  
19 is that right? That's the date of the first  
20 email exchange?

21 A Yes.

22 Q And then between December 26th, 2014, and  
23 December 31st, despite the AML unit being aware  
24 of this issue, this patron was allowed to  
25 continue to conduct large cash buy-ins primarily

1 in small denominations; isn't that correct?

2 A Well, this matter was still, I'm going to  
3 suggest was still under investigation. He was  
4 still playing, yes. He was a known patron, and  
5 the purpose behind the River Rock AGM being  
6 contacted was to try to garner additional  
7 information from the patron and suggesting to  
8 him if in fact he is using cash facilitators,  
9 that we have concerns that he may end up --  
10 there may be some safety issues there, so I  
11 don't know if this individual continued to play  
12 after this or not. I mean, we're talking five  
13 years ago, where I have no idea what took place  
14 after this matter here.

15 MS. CHEWKA: Madam Registrar, could you please scroll  
16 down to the last page of this document. This is  
17 the December 26, 2014 email.

18 Q Mr. Karlovcec, you can see in the second  
19 paragraph -- I'll read it to you. It says with  
20 respect to this patron:

21 "He has a history with BCLC and River Rock  
22 back in 2005, 2006, but his buy-ins were  
23 generally in the 20- to \$60,000 range. He  
24 disappeared in November 2006 and resurfaced  
25 in July 2014 and has had 17 LCTs --"

1                   That's large cash transactions.

2                   "-- since that time with buy-ins ranging  
3                   from 200,000 to 600,000, which totalled  
4                   \$2.6 million from July to December.

5                   However, he did have a PGF deposit in July  
6                   for 266,000, and the vast majority of  
7                   buy-ins from July to late August are  
8                   grossly inflated due to the churn factor.

9                   Most of the buy-ins can be tracked to  
10                   large disbursements and carry over."

11                   You then state -- sorry, this email from  
12                   Mr. Tottenham states:

13                   "The anomaly from his play started on  
14                   December 23rd, 2014, as he had no play  
15                   between August and December 23rd, but then  
16                   showed up with a female and brought in  
17                   \$250,000 in \$20 bills for table play. It  
18                   appears he lost all but \$25,000 of that  
19                   buy-in. This cash is brought in by them  
20                   when they arrived in their Mercedes. He  
21                   returned on the 24th with the same female,  
22                   and the patron carried in \$250,000 in  
23                   cash, and the female followed shortly  
24                   after with another bag of \$200,000 which  
25                   she gave to him. The total buy-in was for

1                                 \$450,000, and it breaks down the  
2                                 denominations of 10, 20, 50 and \$100  
3                                 bills, and the only disbursement shown  
4                                 anywhere at this point is for 10,000 at  
5                                 727 hours on the 25th. We'll follow  
6                                 further with our investigators when they  
7                                 are back to work next week and try to  
8                                 confirm ID on the female."

9                                 Do you agree with that email, what was set out  
10                                 there?

11                                 A     Yes.

12                                 Q     This patron was permitted to continue to conduct  
13                                 large cash transactions, or at least what we  
14                                 know based on these emails, in the next seven  
15                                 days; is that correct?

16                                 A     It would appear to be so, yes.

17                                 Q     In fact, he was permitted to buy in with  
18                                 \$1.8 million in cash over seven days in mostly  
19                                 small bills; is that right?

20                                 A     Correct.

21                                 Q     And your response to this issue was not to  
22                                 direct the service provider to refuse the cash.  
23                                 You'll agree with me on that point?

24                                 A     That's correct.

25                                 Q     And you didn't require the service provider to

1                   ask for the source of funds of this cash; is  
2                   that correct?

3           A       Well, I didn't.  And certainly it wasn't my  
4                   authority to tell them to refuse the cash.  
5                   Again, that decision would have to come from a  
6                   higher level.

7           Q       But you did decide to follow up with the service  
8                   provider, didn't you?

9           A       Yes.

10          Q       And what you had asked the service provider to  
11                   do is to elicit feedback as to how to improve  
12                   our customer service relative to this patron's  
13                   gaming needs; is that correct?

14          A       That was what appeared to be so, yes.

15          MS. CHEWKA:  Madam Registrar, I'm done with this  
16                   exhibit.  If you could please now turn to --  
17                   it's exhibit 75, but it's just the excerpt that  
18                   we had sent to Madam Registrar via email, the  
19                   November 3rd, 2010 email.  That's the one.  
20                   Thank you.

21          Q       Mr. Karlovcec, again, Ms. Latimer took you to  
22                   this email yesterday and as I understood your  
23                   evidence you stated that you thought you might  
24                   have been in Ontario at the time that it came  
25                   in.  Do you recall that?

1 A Yes.

2 Q But you did in fact receive this email?

3 A Yes.

4 Q And I'll just read the first portion of this  
5 out. It says "gentlemen" -- this is an email,  
6 sorry, from Mr. Friesen in which you were copied  
7 on along with Patrick Ennis, Rick Pannu, Mike  
8 Hiller and Steve Beeksma. Do you see that?

9 A Yes.

10 Q And the first line reads:

11 "I had a conversation with Pat Ennis today  
12 wherein he advised that GPEB Derek Dickson  
13 had requested River Rock surveillance  
14 notify them via section 86 report of any  
15 buy-in of \$50,000 or more where conducted  
16 with \$20 bills."

17 Do you see that?

18 A Yes.

19 Q Now, you'll agree with me that nowhere in this  
20 email does it appear that Mr. Dickson directed  
21 Mr. Ennis, or anyone else for that matter, to  
22 stop filing section 86 reports for buy-ins that  
23 fell under \$50,000?

24 A No, that's not within the content of this email.

25 No.





1                                 \$49,980 in 20s, and we have found out  
2                                 through further investigation that RRCR  
3                                 are not reporting these as suspicious, and  
4                                 Steve and I feel it is too much of a  
5                                 coincidence and the players must have been  
6                                 informed."

7                                 Do you see that?

8                     A         Yes.

9                     Q         And then a little bit further down in that email  
10                                it says:

11                                "We believe that this is a totally cynical  
12                                attempt by the site to avoid reporting  
13                                buy-ins as suspicious."

14                                Do you see that as well?

15                     A         Yes.

16                     Q         And he continues:

17                                "I know that a \$50,000 buy-in limit was  
18                                agreed upon, but if you look at the AML  
19                                training, there is a scenario for 30,000  
20                                in 20s. I am concerned that the outside  
21                                auditor will find us non-compliant."

22                                Do you see that there at the bottom line?

23                     A         Yes.

24                     Q         And, now, Mr. Friesen responds to this email and  
25                                you're also copied on that response. And in

1                   this email Mr. Friesen says:

2                    "This is not written in our policy, so an  
3                   auditor will not find us non-compliant.

4                   This is an AML strategy. The problem we  
5                   face is that if we believe RRCR are not  
6                   reporting because someone has instructed  
7                   the cage not to report these incidents, I  
8                   don't think you're going to get too many  
9                   confessions. What I would do is research  
10                   how much patrons this pertains to, which  
11                   are probably a select few, and have  
12                   surveillance put a watch on their  
13                   buy-ins."

14                   It continues in the next line:

15                    "As indicated, the \$50,000 threshold was a  
16                   simple determination made at River Rock  
17                   because of the volume of transactions.  
18                   You can alter this at will. There may  
19                   well be suspicious transactions involving  
20                   small denominations of bills much less  
21                   than \$50,000."

22                   Do you see that?

23                   A    Yes.

24                   Q    Now, Mr. Karlovcec, you would agree with me that  
25                   if there had been a \$50,000 threshold imposed,

1                   that would violate the FINTRAC reporting  
2                   requirements?

3           A     Correct.

4           Q     You'll also agree with me that as early as at  
5                   least in this email, September 2011, you were  
6                   aware that the River Rock Casino had a policy of  
7                   sorts of not reporting suspicious transactions  
8                   that fell below \$50,000?

9           A     Well, based on this email. I think I also  
10                  mentioned yesterday that I believe I responded  
11                  to Mr. Alderson on that to say that none of --  
12                  no threshold is anywhere in our training that it  
13                  didn't matter as to the actual dollar amount  
14                  which would indicate something being unusual or  
15                  suspicious; it was the totality of all the  
16                  circumstances involved in the transaction, which  
17                  may include the dollar value.

18          Q     Now, you'll agree with me that you didn't  
19                  actually follow up with service providers,  
20                  including the River Rock, to advise them that  
21                  they were wrong in this application of a  
22                  \$50,000 threshold, did you?

23          A     I think I did follow up with Mr. Pat Ennis.

24          Q     In fact this pattern of not reporting suspicious  
25                  transactions under \$50,000 continued for four



1 something that BCLC could condone. Isn't that  
2 true?

3 A That's correct.

4 MS. CHEWKA: Mr. Commissioner, I have no further  
5 questions for this witness.

6 THE COMMISSIONER: Thank you, Ms. Chewka.

7 MS. CHEWKA: Thank you.

8 THE COMMISSIONER: Now on behalf of Canada,  
9 Ms. French, who has been allotted 10 minutes.

10 MS. FRENCH: Thank you, Mr. Commissioner.

11 **EXAMINATION BY MS. FRENCH:**

12 Q Good morning, Mr. Karlovcec. Can you hear me  
13 all right?

14 A I can, thank you.

15 Q Great. Again, I'm Olivia French and I'm counsel  
16 for Canada. I'm just going to take you through  
17 a few brief questions, taking you back to some  
18 questions that Ms. Latimer asked yesterday about  
19 your time with the RCMP.

20 A Right.

21 Q You were an RCMP member from 1981 until 2006; is  
22 that correct?

23 A Correct.

24 Q You retired from the RCMP about 14 years ago?

25 A That's correct.



1                   involved in any large-scale proceeds of crime  
2                   investigations; is that correct?

3           A        That's correct.

4           Q        And then likewise during your time with the RCMP  
5                   any large-scale money laundering investigations  
6                   would also have been outside the scope of  
7                   mandate of the Surrey drug unit?

8           A        Yes, that's correct.

9           Q        And those investigations, any large-scale money  
10                   laundering investigations would also have been  
11                   referred outside to the federal proceeds of  
12                   crime unit; is that correct?

13          A        Yes.

14          Q        Thank you. So just moving forward now to some  
15                   questions Ms. Latimer covered today. By 2014  
16                   you were the BCLC manager of anti-money  
17                   laundering and operational analytics; is that  
18                   correct?

19          A        Actually, it was October 2013.

20          Q        October 2013. Thank you.

21                   Madam Registrar, can we pull up exhibit 120,  
22                   please. Thank you.

23                   Mr. Karlovcec, you saw this email earlier?

24          A        Correct.

25          Q        It's an email from Corporal Bulow to yourself



1                   discussing the CFSEU uniform teams with BCLC; is  
2                   that correct?

3           A       Yes.

4           Q       And you were advised that Constable Emmerson  
5                   would be a liaison with BCLC; is that correct?

6           A       Correct.

7           Q       And Corporal Bulow would act as his backup if he  
8                   was not available; is that right?

9           A       Yes.

10          Q       So at this time in 2014, BCLC had at least two  
11                  direct contacts with the CFSEU; is that correct?

12          A       Yes.

13          Q       And you also mentioned today that later in 2014  
14                  Mr. Desmarais was also speaking to the RCMP; is  
15                  that correct?

16          A       Correct.

17          MR. FRENCH: Thank you. Madam Registrar, can we pull  
18                  up exhibit 135, please.

19          Q       Again, Mr. Karlovcec, you saw this earlier.  
20                  It's an email from Corporal Robinson to  
21                  yourself; is that correct?

22          A       Correct.

23          Q       And this email is dated 2017; is that right?

24          A       Yes.

25          Q       And Corporal Robinson is providing you with his

1 contact phone number and Corporal Reddy's phone  
2 number to be used 24/7; is that correct?

3 A Correct.

4 Q And that's if any of these individuals were to  
5 enter a casino; is that correct?

6 A Yes.

7 Q You also said that around this time in 2017 you  
8 were having monthly meetings and weekly phone  
9 calls with law enforcement; is that correct?

10 A Correct.

11 MS. FRENCH: Thank you. And, Madam Registrar, can we  
12 pull up exhibit 136, please. I do not believe  
13 that's the correct exhibit. Thank you. BCLC  
14 document 15438. Thank you, Madam Registrar.

15 Q And, again, Mr. Karlovcec, Ms. Latimer took you  
16 to this document earlier. This is a 2018 letter  
17 from CFSEU; is that correct?

18 A Yes.

19 Q And at this time in 2018 the CFSEU was  
20 conducting investigations; is that right?

21 A Correct.

22 Q And BCLC was providing information to law  
23 enforcement about these investigations; is that  
24 correct?

25 A Correct.

1 MS. FRENCH: Thank you, Mr. Karlovcec.

2 Mr. Commissioner, I have no further questions.

3 THE COMMISSIONER: Thank you, Ms. French.

4 And now Ms. Harmer on behalf of Great  
5 Canadian Gaming Corp., who has been allotted  
6 15 minutes.

7 **EXAMINATION BY MS. HARMER:**

8 Q Mr. Karlovcec, my name is Melanie Harmer. I'm  
9 counsel for the Great Canadian Gaming  
10 Corporation. Can you hear me okay?

11 A I can. Thank you.

12 Q Thank you. I have just a few questions about  
13 the evidence that you've given yesterday and  
14 today.

15 You described in your evidence your  
16 experience that cash you received from a bank is  
17 typically wrapped in paper rather than elastic  
18 bands; is that right?

19 A Correct.

20 Q And during your time at BCLC you were at one  
21 point arrived to the River Rock Casino. You  
22 would have had an opportunity to observe the  
23 operations of the cash cage there; is that  
24 right?

25 A Yes, to some degree.

1           Q     After gambling at the cash cage at River Rock,  
2                    when a casino patron cashes out their remaining  
3                    chips, I understand that they receive the amount  
4                    of their original buy-in back in cash; is that  
5                    correct?

6           A     Yes.

7           Q     That would be assuming they haven't lost it, but  
8                    if they've got remaining chips they get it back  
9                    in cash?

10          A     That's correct.

11          Q     And I understand that except in very specific  
12                    circumstances like a convenience cheque, they  
13                    don't receive a cheque back, they receive cash.

14          A     Yes. They only receive a cheque if it's a  
15                    verified win and/or a convenience cheque.

16          Q     How is the cash returned to patrons from the  
17                    cash cage?

18          A     Well, it should be returned in the same  
19                    denominations that the patron bought in with.

20          Q     Is the cash wrapped in paper?

21          A     No.

22          Q     How is it bundled?

23          A     When it's returned?

24          Q     Yes.

25          A     It's not bundled.

1 Q Is it wrapped in elastic bands?

2 A No.

3 Q I'm going to suggest to you that the practice of  
4 the River Rock Casino is to wrap cash where  
5 there's a large amount of it in elastic bands.  
6 Are you aware of that?

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

8 Q Ms. Latimer yesterday asked you some questions  
9 about PGF accounts and whether BCLC or service  
10 providers should have forced casino patrons to  
11 use their PGF accounts and her questions related  
12 to one particular casino patron, and his  
13 activities in mid-2010. You indicated in your  
14 evidence yesterday that PGF accounts were first  
15 introduced as a pilot project. Do you recall  
16 when that was?

17 A I believe a pilot project was in 2009.

18 Q So in 2010 PGF accounts would have been very  
19 new; is that right?

20 A Yes.

21 Q Do you know if PGF accounts were available at  
22 all casinos during that pilot project?

23 A I'm trying to remember. I think River Rock  
24 might have only -- might have been the test  
25 facility. And it was subsequently rolled out to

1 other facilities, I believe.

2 Q Do you know when they became available at other  
3 facilities?

4 A I'm not sure exactly. I would think it was 2010  
5 sometime, '11. I'm not 100 percent sure.

6 Q I'm going to suggest to you that they weren't  
7 available in all casinos until 2012. Does that  
8 assist your recollection?

9 A Yes.

10 Q So you would agree that in 2010, the time of  
11 interest to Ms. Latimer, a casino patron  
12 couldn't use at PGF account at all casinos in  
13 British Columbia?

14 A That's correct.

15 Q Mr. Karlovcec, I understand that you were  
16 initially assigned as an investigator at the  
17 River Rock Casino and that you had an office at  
18 the River Rock, and you then moved into  
19 progressively more senior roles at BCLC. How  
20 would you describe your relationship -- sorry,  
21 the relationship between investigators at the  
22 River Rock and BCLC?

23 A With BCLC, or ...

24 Q Apologies. I misspoke there. I meant to ask  
25 between investigators at River Rock and Great

1 Canadian.

2 A We had a great relationship with them. I mean,  
3 we were there to open -- build bridges, open  
4 communication. We were there to support Great  
5 Canadian's efforts as well as encourage  
6 collaboration on potential issues that might  
7 arise at the site. It was a good working  
8 relationship.

9 Q Would you say that great relationship continued  
10 even after you were no longer an investigator at  
11 River Rock but you were in more senior positions  
12 with BCLC?

13 A Yes. We encouraged our investigators to work  
14 collaboratively with the service providers and  
15 keep that relationship strong.

16 Q And if BCLC investigator ever needed access to  
17 information for their investigations were they  
18 given free access by the River Rock to whatever  
19 they needed?

20 A I believe so, yes.

21 Q It was the job of River Rock staff to create  
22 incident reports about both large cash and  
23 suspicious transactions; is that right?

24 A Correct.

25 Q And you described to the Commissioner yesterday

1                   how large cash transaction reports are created  
2                   by service providers, these reports are reviewed  
3                   by BCLC investigators and then they're submitted  
4                   to FINTRAC. I'm specifically talking about  
5                   large cash transactions right now.

6           A        So that was in the early days where the  
7                   investigators -- so at that time myself and  
8                   Mr. Gord Friesen -- we were actually sending  
9                   them. That progressed to the service providers  
10                  loading them into the system, and it was an  
11                  automated system, and essentially we had little  
12                  involvement with those reports in later years  
13                  until -- unless they came back.

14          Q        But in the early days --

15          A        Yes.

16          Q        -- those reports were all reviewed by BCLC  
17                    investigators; is that right?

18          A        Exactly, yes.

19          Q        And they would make sure that all the  
20                    information in those reports was accurate and  
21                    that it was correct; is that right?

22          A        Correct.

23          Q        And BCLC would receive a large cash transaction  
24                    report for every transaction over \$10,000 even  
25                    if a suspicious -- or, I apologize, even if a --



1 I believe at the time -- you'll have to correct  
2 me if I've got my phrasing wrong, but the  
3 predecessor to what we now call a UFT was not  
4 filed?

5 A Yes. Correct.

6 Q So BCLC would receive a large cash transaction  
7 report even if the service provider didn't  
8 believe the transaction was suspicious; is that  
9 right?

10 A That's correct.

11 Q In your experience did Great Canadian complete  
12 these reports correctly and properly?

13 A I believe so. I mean, we were doing the  
14 compliance review at the time, so whatever was  
15 in the system, we would review. If there were  
16 errors we would make the adjustments in order to  
17 complete the report for submission.

18 Q And you've been taken to a few emails over the  
19 past two days where there might have been errors  
20 identified in reports by BCLC or perhaps single  
21 incidents were missed. Would you describe these  
22 as exceptions?

23 A What I would say is that errors that existed, it  
24 wasn't systemic. Were there more errors than we  
25 would have liked? In certain circumstances,

1                   yes. But anything that was identified was  
2                   addressed and reported or submitted to the  
3                   federal regulator.

4           Q       And BCLC was responsible for training, so of  
5                   course if they were identifying errors they  
6                   would attempt to correct that with the service  
7                   provider; is that right?

8           A       That's correct.

9           Q       Would you describe Great Canadian's management  
10                  as compliance oriented and committed to doing  
11                  their best in reporting to both BCLC and GPEB?

12          A       Yes, especially when Mr. Rob Kroeker took over  
13                  at Great Canadian. He was a dedicated  
14                  compliance officer for Great Canadian, which  
15                  didn't exist when I first arrived at Great  
16                  Canadian River Rock Casino, so that was a new  
17                  position, and he staffed it accordingly and  
18                  worked collaboratively with BCLC to ensure Great  
19                  Canadian compliance.

20          Q       And what about after Mr. Kroeker's time at Great  
21                  Canadian? Did that focus on compliance  
22                  continue?

23          A       It did, yes.

24          Q       Yesterday you were shown a number of emails by  
25                  commission counsel regarding the reporting of

1 transactions where the buy-in was less than  
2 \$50,000 and whether those were in fact the  
3 subject of UFT reports. Would it be fair to say  
4 that most of those emails were authored by  
5 people other than yourself?

6 A Yes.

7 Q And your evidence was that when there were  
8 challenges with reporting by individual staff  
9 and those were brought to your attention, you  
10 would bring that to the attention of Great  
11 Canadian management and that it would be  
12 addressed; is that right?

13 A Yes.

14 Q You have no personal knowledge of any direction  
15 from management at River Rock Casino to not  
16 report suspicious transactions to BCLC; is that  
17 correct?

18 A That's correct.

19 Q Earlier today you were shown a number of target  
20 sheets that I understand BCLC's AML department  
21 prepared. Is that right?

22 A Correct.

23 Q And in those target sheets we were able to see  
24 that they included pictures of casino patrons,  
25 and there was vehicle information provided in

1                   those target sheets; is that correct?

2           A       Yes.

3           Q       How did BCLC get those photos and that vehicle  
4                   information?

5           A       That information would have come from BCLC's  
6                   casino reporting system. Those photos as well  
7                   as the information relative to vehicle  
8                   information would have been entered by Great  
9                   Canadian surveillance staff.

10          Q       Earlier today you were also taken to an email  
11                   that referenced goings on in a River Rock hotel  
12                   room. Do you recall that?

13          A       Yes.

14          Q       How would events taking place in the hotel  
15                   portion of the River Rock property come to the  
16                   attention of BCLC?

17          A       Through -- I believe in that specific case it  
18                   was from Great Canadian surveillance.

19          Q       And are you aware that Great Canadian performs  
20                   surveillance of its hotel property, not just the  
21                   casino property?

22          A       Yes.

23          Q       And it shares that information with BCLC where  
24                   appropriate?

25          A       Yes.

1 Q Earlier today you were taken to a number of  
2 emails that discussed how VIP players at the  
3 River Rock Casino should be interviewed by BCLC  
4 investigators. Do you recall those?

5 A Yes.

6 Q Did Great Canadian's Patrick Ennis ever request  
7 that investigators not interview patrons?

8 A Not to my recollection, no.

9 Q Is it fair to say that his concern was that they  
10 be treated respectfully and in a way that they  
11 not be embarrassed?

12 A It may have been. I've always had great  
13 relationship with Mr. Ennis, and he always  
14 supported what BCLC was trying to do as far as  
15 investigating on the casino property, yes.

16 Q And Mr. Ennis never obstructed your  
17 investigators from interviewing casino patrons?

18 A No.

19 Q You were asked some questions about an  
20 investigation that was done into a River Rock  
21 employee named Ms. Gao. Do you recall that?

22 A Yes.

23 Q Do you know how that incident first came to the  
24 attention of BCLC and GPEB?

25 A I believe Great Canadian or River Rock notified

1 BCLC. I wasn't at BCLC at the time, so ... But  
2 I believe it was River Rock that notified BCLC.

3 Q Thank you. Do you know what happened to  
4 Ms. Gao's employment with Great Canadian as a  
5 result of that incident?

6 A Yes. She was terminated.

7 Q Thank you, Mr. Karlovcec. I have no further  
8 questions.

9 A Thank you.

10 THE COMMISSIONER: Thank you, Ms. Harmer.

11 Mr. Gruber on behalf of Gateway, who has  
12 been allotted 10 minutes.

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

14 **EXAMINATION BY MR. GRUBER:**

15 Q Mr. Karlovcec, you were asked some questions  
16 yesterday by Ms. Latimer about an incident in  
17 May of 2010 when a patron of the Starlight  
18 Casino was given a letter by the casino on  
19 account of the fact that he was intending on  
20 travelling to Montreal. Do you recall that?

21 A Yes, sir.

22 Q And you mentioned in that evidence that you gave  
23 that the service provider at that time at  
24 Starlight was run by an Australian group. Did I  
25 get that right?

1 A That's correct.

2 Q And I'm correct that that service provider was  
3 Gateway Casinos & Entertainment Inc.?

4 A I'm not sure of the legal name, but it was -- I  
5 thought it was an Australian group that owned  
6 it, but it may well be, yes.

7 Q And are you aware that in the fall of 2010 after  
8 this incident the assets of that company were  
9 sold to another company which is Canadian  
10 controlled?

11 A I knew that something had transpired. I'm not  
12 sure exactly what it was, but yes.

13 Q And you're also aware that the senior management  
14 team was replaced after that transaction  
15 occurred; right?

16 A Yes.

17 Q In answer to one of Ms. Latimer's questions, you  
18 said your concern about that 2010 incident with  
19 the letter was that it was a grievous breach of  
20 policy. Did I get that right?

21 A I can't remember exactly what I said, but it was  
22 a breach of policy.

23 Q And the policy you were referring to was BCLC's  
24 policy; correct?

25 A Yes. And I think I was also focusing in on just

1                   the regulatory -- it was a regulatory issue as  
2                   well.

3           Q       And you would agree with me that BCLC relies on  
4                   its contract service providers to abide by  
5                   BCLC's policies; right?

6           A       Yes.

7           Q       You're not aware of any letter like this May  
8                   2010 letter having been issued after that  
9                   occurred?

10          A       That's correct.

11          Q       You were also asked a number of questions  
12                   yesterday and today about a player who made some  
13                   \$3.1 million in cash buy-ins over the course of  
14                   a month, and that was the subject of a letter by  
15                   Derek Dickson at GPEB. Do you recall that?

16          A       Yes.

17          Q       To your knowledge the player in question did  
18                   have a legitimate source of wealth; right?

19          A       Yes.

20          Q       And all of the buy-ins in connection with that  
21                   player were properly reported by the service  
22                   providers, including the Starlight Casino?

23          A       That's correct.

24          Q       And it wasn't BCLC policy at that time that its  
25                   contracted service provider should refuse to



1                   accept large cash buy-ins from customers such as  
2                   this one?

3           A        That's correct.

4           MR. GRUBER: Thank you. Those are my questions.

5           THE COMMISSIONER: Thank you, Mr. Gruber.

6                   Now Mr. McFee on behalf of Mr. Lightbody who  
7                   has been allocated 25 minutes.

8           MR. McFEE: Thank you.

9           **EXAMINATION BY MR. McFEE:**

10          Q        Mr. Karlovcec, can you hear me fine?

11          A        I can. Thank you.

12          Q        Thank you. Yesterday in answer to Ms. Latimer's  
13                   questions I understood you to say that at a  
14                   point in time while you were stationed at the  
15                   River Rock Casino as an investigator, you  
16                   observed a steady increase in the volume of cash  
17                   entering the casino.

18          A        Yes, sir.

19          Q        And did I understand that that steady increase  
20                   in cash corresponded in large part with an  
21                   increase in the table game betting limits?

22          A        Yes, sir.

23          Q        And in the ordinary course would you as an  
24                   investigators and later as the manager of the  
25                   AML unit ensure that any large buy-ins that

1 excluded the regulatory thresholds or were  
2 suspicious transactions were reported to  
3 FINTRAC?

4 A Yes.

5 Q And also to GPEB?

6 A That's correct.

7 Q And in answer to Ms. Latimer's questions, you  
8 also talked about reporting to law enforcement.  
9 Was that to local jurisdiction law enforcement  
10 or typically to the integrated proceeds of crime  
11 unit or who?

12 A Yes. So in 2009 under Mr. Towns's leadership,  
13 we implemented parallel reporting to GPEB and  
14 integrated proceeds of crime unit, and we also  
15 shared with police of jurisdiction if  
16 appropriate.

17 Q And you testified, as I understood it, though,  
18 Mr. Towns was the VP of corporate security.  
19 There was a focus on BCLC properly complying  
20 with its regulatory reporting requirements?

21 A Yes. We were -- as I mentioned during my  
22 testimony, is that BCLC had just completed a  
23 FINTRAC examination, and we were wanting to  
24 ensure as the legislation was changing that we  
25 were on top of things and complying as the

1                   legislation evolved.

2           Q       In addition during Mr. Towns's tenure, I  
3                   understood you to say that AML measures were  
4                   also a priority.

5           A       Yes, sir.

6           Q       You're aware that my client, Jim Lightbody, was  
7                   appointed BCLC's vice president of casinos and  
8                   community gaming in 2010?

9           A       Yes.

10          Q       I'm sorry, 2011. I got that wrong. 2011.

11          A       Yes. Yep.

12          Q       And if I understand your tenure at BCLC, at that  
13                   time were you the assistant manager of  
14                   investigations?

15          A       Sometime in 2010 -- I think it was August  
16                   2010 -- I took over as assistant manager. So  
17                   yes.

18          Q       And as assistant manager of investigations, I  
19                   take it that you continued to be involved in  
20                   BCLC's reporting obligations and its AML  
21                   measures.

22          A       Yes.

23          Q       After Mr. Lightbody's appointment, did BCLC from  
24                   your observations and experience continue its  
25                   efforts to ensure that it complied with its

1 reporting obligations?

2 A Yes, it did.

3 Q And in terms of AML measures and -- was there --  
4 did they continue to be a focus under  
5 Mr. Lightbody's leadership?

6 A Yes. Yes, they were a focus, yes, sir.

7 Q And in your observations and experience, were  
8 those AML measures enhanced under  
9 Mr. Lightbody's leadership?

10 A Yes. The program continued to evolve and focus.  
11 We continued to focus on what was required as  
12 legislation changed.

13 Q Now, in answer to some of Ms. Latimer's  
14 questions, you referred to the federal agency  
15 FINTRAC at least one audit that was done. Do  
16 you remember that?

17 A Well, there were one in 2012, I believe, that  
18 was completed. And there was one prior to that  
19 in 2009, while I was in my role.

20 Q So was there a frequency of FINTRAC audits? Did  
21 they occur annually or biannually?

22 A So they were every two years, and -- or as  
23 FINTRAC dictated, so -- but definitely every two  
24 years. And then under the legislation there was  
25 also every second year, for example, so FINTRAC

1                   would do an audit this year, and then next year  
2                   we would have an external audit firm come in  
3                   and -- either Price Waterhouse or Deloitte and  
4                   do a third party examination of our AML process.

5           Q        If I could ask Madam Registrar to bring up BCLC  
6                   document 0013119.  And do you see that all  
7                   right, Mr. Karlovcec?

8           A        I do.

9           Q        Now, this isn't the audit that Ms. Latimer  
10                   referred to.  This is an earlier one, but you'll  
11                   see that it's a FINTRAC audit January 1st to  
12                   June 30th, 2012, exit meeting.  Do you have  
13                   that?

14          A        Yes.

15          Q        And that's during my client Mr. Lightbody's  
16                   tenure as the VP of casinos and community  
17                   gaming?

18          A        Yes.

19          Q        You'll see under the notes, the first sentence  
20                   says:

21                               "The scope of this meeting is the exit  
22                               discussion for the audit review of the  
23                               SFTs."

24                   And just so we're clear what's an SFT?

25          A        Suspicious financial transaction.

1           Q     And is that -- we've seen in some of the  
2                   documents SCT. Is that sort of interchangeable,  
3                   SCT and SFT?

4           A     SCT was an abbreviation that gaming policy  
5                   enforcement branch utilized. So suspicious  
6                   currency transaction. We were using suspicious  
7                   financial transactions, and then in later years  
8                   that switched to unusual financial transactions  
9                   to align itself with the banking community and  
10                  what the banks used.

11          Q     Okay. And so it's SFTs from January 1st, 2012,  
12                  to June 30th, 2012, and then if I can ask you to  
13                  go down three paragraphs. You've got:

14                         "Robby's group reviewed the SFTs."

15                  Do you see that?

16          A     Yes.

17          Q     "Robby's group reviewed the SFTs from  
18                  January 1st, 2012, to June 30th, 2012,  
19                  with three criteria: data, timing and  
20                  volume."

21                  And then there's the breakdown. You'll see:

22                         "Data (quality). Overall the data  
23                         provided was very good and completed."

24                  I take it you viewed that as a satisfactory  
25                  review.

1           A     Correct.

2           Q           "Timing.  No issues with timing at all of  
3                        over the SFTs that were filed, was done  
4                        within the allotted time."

5                       And I take it you viewed that as BCLC being  
6                       compliant.

7           A     Correct.

8           Q     And then you've got "volume."  It said:

9                       "There were six incidents identified by  
10                      John Karlovcec and provided to FINTRAC  
11                      that were not filed and after review they  
12                      were filed in October 2012.  Robby Judge  
13                      provided the following iTrak incident  
14                      numbers identified by John Karlovcec."

15                     Now, it says these were identified by you and  
16                     provided to FINTRAC.  What was the background to  
17                     that?

18          A     Well, the background on that is back in that  
19                     time, prior to switching over to the SFT  
20                     category, if you will, BCLC had a number of  
21                     categories within their casino management system  
22                     that really could make things a little confusing  
23                     when you were trying to identify reports, for  
24                     example, things such as loan sharking or  
25                     categories, other categories that could be

1                   deemed as suspicious. So we just decided that  
2                   it would serve BCLC best if we had the  
3                   suspicious financial transaction category in  
4                   itself to eliminate potential reports being  
5                   missed.

6           Q       So by you identifying these six incidents and  
7                   providing them to FINTRAC, was this basically  
8                   voluntary disclosure, full disclosure to  
9                   FINTRAC?

10          A       It was.

11          Q       And then if I could ask the registrar to scroll  
12                   to the next page, page 2, please. You'll see in  
13                   the third full paragraph, it's got:

14                               "Mike Fowler provided an update."

15                   Do you see that?

16          A       Yes.

17          Q       Mike Fowler, just to be clear, he's a FINTRAC  
18                   representative, is he?

19          A       Yes, he was one of their compliance officers.

20          Q       So Mike Fowler advised he'd read every SFT  
21                   submitted by BCLC during the period January 1st,  
22                   2012, to June 30th, 2012. Just stopping there  
23                   for a moment. Was this one of the periods of  
24                   time when BCLC was continuing to observe  
25                   increasing amounts of cash coming into BC



1 casinos?

2 A Yes, it was.

3 Q And it goes on:

4 "Provided the group with a brief update of  
5 how this information is shared with their  
6 tactical unit for law enforcement  
7 disclosure purposes. In fact the  
8 information that BCLC has provided in  
9 their SFT reports has been frequently used  
10 due for disclosure purpose due to the  
11 excellent content of the reports. This  
12 has been most valuable. They also  
13 commented that the timing and the quality  
14 of the reporting by BCLC/service providers  
15 during the examination period was very  
16 good."

17 It goes on:

18 "BCLC's reports rate right up there with  
19 big five banks."

20 Now, having received that, what was your  
21 reaction?

22 A Well, we felt very good, you know, proud about  
23 getting this sort of feedback from the  
24 regulator. So it said to me that we were on the  
25 right track with what we were doing.

1 Q As we noted, Mr. Fowler said that when he  
2 provided his update that this information is  
3 shared with their tactical unit for law  
4 enforcement disclosure purposes, and before you  
5 received this, had you any understanding of what  
6 FINTRAC typically did with the information that  
7 was provided by BCLC?

8 A No. No, we weren't getting any feedback.

9 Q But did you have any expectation as to what  
10 impact the reporting BCLC was doing -- was  
11 providing would have with respect to triggering  
12 a law enforcement response if appropriate?

13 A Well, we were hoping that it would make a  
14 difference in any potential law enforcement  
15 investigation.

16 Q And having provided this apparently  
17 well-received reporting to FINTRAC, did you  
18 become aware of any investigation being  
19 undertaken or enforcement action being  
20 undertaken by law enforcement arising from this  
21 time frame, January 1, 2012, to June 30th, 2012?

22 A Not specifically.

23 Q And similarly did you become aware of any  
24 investigation or enforcement action taken by  
25 GPEB arising from the reporting in this period?

1 A No, sir.

2 Q Now, I think as you told Ms. Latimer after  
3 Mr. Lightbody was appointed VP casinos and  
4 community gaming, there was a further change in  
5 the BCLC executive team with Mr. Brad Desmarais  
6 being appointed the VP of corporate security and  
7 compliance in December of 2012?

8 A That's correct.

9 Q And with these, this new executive team in  
10 place, did you observe the implementation of a  
11 number of AML measures thereafter at BCLC?

12 A Yes, sir.

13 Q Can you tell us what those were?

14 A I think first and foremost the change that I  
15 think was significant was the fact the  
16 establishment of a dedicated AML unit to be the  
17 core group to manage and implement AML processes  
18 across all BCLC casinos and community gaming  
19 centres.

20 Q And was there also the implementation of the  
21 cash alternatives program?

22 A Yes. That was another piece that was  
23 significant as well.

24 Q You described to Ms. Latimer, in response to  
25 Ms. Latimer's questions, the role of this

1           dedicated AML unit, but did your unit also  
2           prepare a dedicated AML manual for the use of  
3           BCLC personnel setting out the various AML  
4           procedures and protocols?

5           A     Yes, we did.

6           Q     And was that comprehensive in terms of providing  
7           BCLC personnel with information and direction  
8           respecting the AML protocols?

9           A     Not only BCLC personnel but also the service  
10          provider as well because they had access to that  
11          electronically within BCLC's casino case  
12          management system.

13          MR. McFEE:   And actually if I -- I forgot,  
14          Mr. Commissioner, to mark this document as an  
15          exhibit, if that's appropriate.  It's on the  
16          screen, and then we can take it down.

17          THE COMMISSIONER:  All right.  Thank you.  That will  
18          be -- I think we're at 139 Madam Registrar; is  
19          that correct?

20          THE REGISTRAR:  That's correct, Mr. Commissioner.  
21          Exhibit 139.

22          **EXHIBIT 139:  Meeting Notes - FINTRAC Audit**  
23          **January 1 to June 30, 2012, for SFT's Exit**  
24          **Meeting - Meeting date: December 14, 2012**  
25          **(redacted)**

1 MR. McFEE: Thank you.

2 Q Now, you were the first and initial manager as  
3 you told Ms. Latimer of the newly created AML  
4 unit at BCLC?

5 A Yes.

6 Q And as you were staffing and developing this  
7 unit, did you feel that you were receiving  
8 support and encouragement from BCLC senior  
9 management team?

10 A Yes, sir.

11 Q And in your capacity as the manager of the AML  
12 unit, who did you report directly to?

13 A To the vice president of corporate secure,  
14 Mr. Brad Desmarais.

15 Q And was that usual in BCLC structure at the time  
16 for a manager to report directly to a vice  
17 president?

18 A No. Typically it's a director that reports to  
19 the vice president.

20 Q And typically you as a manager would report to a  
21 director who would then go up the chain to a VP.  
22 Do I understand that correctly?

23 A That's correct.

24 Q So what did the creation of this dedicated AML  
25 unit and this direct reporting line tell you, if

1                    anything, about BCLC's senior management's  
2                    commitment to AML measures?

3            A        Everybody was very committed and was buying into  
4                    what -- into the program and what needed to be  
5                    done.

6            Q        And in answer to Ms. Latimer's questions you  
7                    described as manager of the AML unit you had  
8                    interaction with law enforcement agencies,  
9                    particularly CFSEU and its integrated proceeds  
10                   of crime unit?

11           A        That's correct.

12           Q        And that included and a number of exhibits were  
13                    marked providing this list of top 10 casino cash  
14                    facilitators to CFSEU?

15           A        Yes.

16           Q        And I take it, as I understood your evidence,  
17                    opening these avenues of communication was in  
18                    part to try -- tell me if this is correct -- to  
19                    attract the interest of law enforcement and get  
20                    them involved in issues that were of concern to  
21                    BCLC, including cash facilitation?

22           A        Yes, that's correct.

23           Q        And including potential money laundering?

24           A        Correct.

25           Q        And having completed and sent this information



1           determine how to best proceed and potentially  
2           another system, AML system, which would include  
3           some analytics be brought into our -- for us to  
4           utilize.

5           Q     So when you say it would include some analytics,  
6                 what type of analytical capacity did you feel  
7                 would enhance BCLC's abilities at the time?

8           A     Well, we were looking at global risk management  
9                 systems, systems that would be able to provide  
10                us enhanced due diligence, greater insight into  
11                our clients and patrons as to their source of  
12                wealth, their business ventures, et cetera.

13          Q     And if I could ask Madam Registrar to bring up  
14                 BCLC document number 49, please.

15                         And you should see before you AML  
16                         compliance and analytics enhancement project  
17                         final version May 9th, 2014. Was this a report  
18                         that you were tasked with preparing?

19          A     Yes, it was.

20          Q     And to be clear, were you being asked to prepare  
21                 a business case for consideration of BCLC's  
22                 management to acquire and implement an automated  
23                 AML software program with analytical  
24                 capabilities?

25          A     That's correct.



1           Q     I take it from the evidence you gave a moment  
2                   ago that that requirement was driven in part by  
3                   amendments to the *Proceeds of Crime and*  
4                   *Terrorist Financing Act* that were coming into  
5                   effect in February 2014.

6           A     That's correct.

7           Q     And did you recommend that BCLC acquire a  
8                   particular type of software?

9           A     Yes, that's correct.

10          MR. McFEE:  If I could ask Madam Registrar to scroll  
11                   to three pages in.  It should be page 2 in the  
12                   bottom -- well, actually, I guess its BCLC49.03  
13                   in the bottom right-hand corner.

14          Q     Are you able to read that, Mr. Karlovcec?

15          A     Yes.

16          Q     You'll see at the top:

17                   "Objectives.  Meet federal regulatory  
18                   compliance requirements legislated by the  
19                   *Proceeds of Crime (Money Laundering) and*  
20                   *Terrorist Financing Act*, which come into  
21                   effect February 2014, as well as creating  
22                   a flexible, scaleable platform to address  
23                   anticipated changes in regulatory and  
24                   business requirements in the near future."

25                   So it wasn't just amendments to the *Proceeds of*

1                    *Crime and Terrorist Financing Act*. Were there  
2                    other regulatory changes anticipated?

3            A        The other change centred around, as I mentioned  
4                    earlier, around internet gaming soon to become  
5                    part of considered a casino, so the same rules  
6                    would apply to internet gaming as it did to  
7                    land-based casinos. I mentioned earlier in my  
8                    testimony about the ongoing monitoring of  
9                    business relationships, account-based and  
10                    transactional based, so internet gaming is all  
11                    account-based, so that would have been a  
12                    significant increase in oversight by BCLC to  
13                    meet their anti-money laundering requirements.

14            Q        So I take it this recommendation was being  
15                    proactive, then.

16            A        Yes.

17            Q        If I could ask Madam Registrar to scroll over to  
18                    the next page, please. And you set out various  
19                    scenario. Scenario 1, do nothing. Scenario 2,  
20                    basically stay with the same system but increase  
21                    the number of personnel. And scenario 3,  
22                    compliance with AML regulations by implementing  
23                    SAS, AML software solution, and that was the  
24                    recommended solution?

25            A        Yes, sir.

1 Q You'll see in the bottom paragraph, it's got "in  
2 addition, the patron value optimization  
3 component has been included in this scenario  
4 because," and it sets out three bullets?

5 A Yes.

6 Q And is that an analytics tool?

7 A Yes, that's correct.

8 Q And you'll see the second bullet, it's:

9 "Having access to analytics tool set at  
10 the enterprise level will provide AML team  
11 with additional investigative tools to  
12 analyze patterns and identify anomalies."

13 A That's correct.

14 Q And the third bullet:

15 "Casino analytics team captures  
16 transactional data that can be leveraged  
17 for AML analysis and help form a more  
18 complete picture of player activity."

19 A Correct.

20 Q And was that recommendation accepted?

21 A Yes, it was.

22 Q And was the AML software system implemented?

23 A A component of it was. The analytics side was.  
24 It was after I had left BCLC in March, the end  
25 of March of 2015, this was an ongoing process of

1                   implementing, but it was implemented at the  
2                   analytics side, but the AML reporting side,  
3                   there were some challenges there in that  
4                   component of it. The developer, for whatever  
5                   reason, couldn't make it work.

6                   Q     When you returned, then, at Mr. Desmarais's  
7                   request in the fall of 2017 --

8                   A     Yes.

9                   Q     -- you foolishly came out of retirement and came  
10                  back. When you did that, was the analytics tool  
11                  portion of the SAS software in use?

12                  A     Yes. And it is in use as we speak, and it  
13                  functions very well.

14                  MR. McFEE: Mr. Commissioner, could we have that  
15                  document marked as the next exhibit, please.

16                  THE COMMISSIONER: Yes, very well. That will be 140.

17                  THE REGISTRAR: Exhibit 140.

18                                 **EXHIBIT 140: AML Compliance & Analytics**  
19                                 **Enhancement Project Business Case Fiscal 2014/15**

20                  MR. McFEE: And that can be taken down. We're  
21                  finished with that. Thank you, Madam Registrar.

22                  Q     Now, in answer to some of Ms. Latimer's  
23                  questions you referred to the latter part of  
24                  2017 when BCLC conducted an analysis of the AML  
25                  risks of accepting money from patrons who

1                   sourced their funds from money service  
2                   businesses. Do you recall those questions?

3           A     Yes.

4           MR. McFEE: Madam Registrar, if I could ask that  
5                   exhibit 137 that was marked previously be  
6                   brought up, please.

7           Q     And this is the briefing document, as I  
8                   understood it, for BCLC's executive's  
9                   consideration that you prepared. Do I  
10                  understand that correctly?

11          A     I didn't prepare it. Actually, the team, so  
12                  manager Bal Bamra and manager Daryl Tottenham  
13                  conducted the due diligence review.

14          Q     And you would have gone over it and approved its  
15                  submission to the executive, then?

16          A     That's correct.

17          Q     And if I could go to the fourth page of that.  
18                  It's 4628.04 in the bottom right-hand corner,  
19                  please. There's -- Ms. Latimer took you to  
20                  option -- to the recommended option, but you'll  
21                  see that there's a consideration of a number of  
22                  options. First one is to disallow cash from an  
23                  MSB. The second one is to place a monetary  
24                  limit on the amount of cash, for example,  
25                  \$10,000. And if we scroll to the next page,

1                   please, page 5. There is option number 3:

2                   "Make no changes and allow cash

3                   originating from MCBs to be accepted as

4                   long as there's an accompanying receipt."

5                   And option 4:

6                   "Only accept funds from reputable

7                   franchises."

8                   And you told Ms. Latimer that option number 1,

9                   the total disallowance of cash from MSBs was

10                  what the executive accepted?

11                 A     That's correct.

12                 Q     And what did that tell you in terms of the BCLC  
13                   executives' response to AML in minimizing risks?

14                 A     That they were fully supportive of what we were  
15                   doing. This risk had been identified by the  
16                   federal regulator and as such, BCLC wasn't  
17                   prepared to accept the risk.

18                 Q     Now, do you recall that Dr. Peter German was  
19                   retained by the attorney general of British  
20                   Columbia in the fall of 2017 to conduct a review  
21                   of money laundering in Lower Mainland casinos?

22                 A     Yes.

23                 Q     And are you aware that Dr. German devotes a  
24                   chapter of his report to the SAF software system  
25                   and its implementation at BCLC?

1 A Correct.

2 Q And you are the individual, as we've seen, that  
3 was responsible for recommending the acceptance  
4 of that system by the executive?

5 A Yes.

6 Q And you were also, as we see, the first manager  
7 of BCLC's dedicated AML unit?

8 A Yes.

9 Q Did Dr. German interview you prior to releasing  
10 his report?

11 A He did not.

12 MS. LATIMER: Mr. Commissioner, I apologize if I'm  
13 interrupting, but I just bring to your attention  
14 that Mr. Lightbody's time is up, and we have two  
15 more participants still to come with an hour  
16 allocated between them.

17 THE COMMISSIONER: Thank you. Mr. McFee, how are you  
18 doing?

19 MR. McFEE: I'm moving to my last questions.

20 THE COMMISSIONER: Okay.

21 MR. McFEE: I'll be very brief. Thank you,  
22 Mr. Commissioner.

23 THE COMMISSIONER: Thank you.

24 MR. McFEE:

25 Q Now, as we see, you retired from BCLC in 2015

1                   and came back in the fall of 2017. On your  
2                   return, what were your observations with respect  
3                   to the developments within the AML program since  
4                   you had left and how it had evolved?

5           A       Well, when I left I felt the program had  
6                   progressed significantly under Mr. Towns'  
7                   leadership and Mr. Desmarais's leadership, and  
8                   upon return it had advanced even further, from  
9                   my perspective. Additional programs that were  
10                  in place and had -- were -- appeared to be  
11                  working very well, so I thought it had continued  
12                  to improve in the time that I had been away.

13          Q       So during the time that my client,  
14                   Mr. Lightbody, was the vice president of casinos  
15                   and community gaming and then subsequently the  
16                   president and CEO, as the manager of the AML  
17                   unit, did you feel that you had his full  
18                   support?

19          A       Oh, yes, definitely.

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

21          THE COMMISSIONER: All right. Thank you, Mr. McFee.

22                               Ms. Mainville.

23          MS. MAINVILLE: Yes, thank you, Mr. Commissioner.

24                   Yesterday I mentioned that I would be seeking  
25                   more time with this witness. I think I will try



1           to do my best. At most I may need perhaps five  
2           other minutes, but we can visit that when the  
3           time comes. I do want to make clear, though,  
4           that request is partially based on my  
5           friend's -- commission counsel's comment  
6           yesterday regarding leading the witness and --  
7           or the witnesses, and I just want to be clear  
8           that part of my reason for doing that is very  
9           much due to the time constraints that we have.  
10          And I just want to make clear that I've  
11          consistently been given less time than requested  
12          and so I try to be very efficient with my time  
13          and try to elicit the points I'm trying to --  
14          and have elicited in the time allotted. So I  
15          just -- because I do have some concerns about my  
16          client being prejudiced by less weight being  
17          given to the points I'm eliciting when in part I  
18          am trying to do that to get through what I need  
19          to get through in the time allotted.

20          THE COMMISSIONER: Certainly, that's fine,  
21          Ms. Mainville. Thank you for clarifying that.  
22          Certainly there's absolutely no difficulty in  
23          your leading extensively in areas where it's  
24          appropriate to do so. If you see areas where  
25          there may be some controversy, it may benefit

1                   your client that you not lead to the same  
2                   extent, but again, I leave that up to you.

3           MS. MAINVILLE:  And I appreciate being, you know, put  
4                   on notice of that.  Thank you.

5           THE COMMISSIONER:  Thank you.

6           **EXAMINATION BY MS. MAINVILLE:**

7           Q     Mr. Karlovcec, first of all, under  
8                   Mr. Desmarais, we've heard that BCLC made fairly  
9                   significant efforts to get law enforcement  
10                  engaged; correct?

11          A     That's correct.

12          Q     Are you aware that those efforts took place  
13                  while Mr. Kroeker was VP of compliance at GCGC?

14          A     Yes, that's correct.

15          Q     And in fact you were presented -- I don't think  
16                  we need to bring them up unless you need your  
17                  memory refreshed -- but you were presented with  
18                  a couple of emails, exhibits 121 and 122, where  
19                  you are -- well, where BCLC is in communication  
20                  with the CFSEU and do you recall Mr. Kroeker is  
21                  copied on those emails?

22          A     Yes.

23          Q     Do you recall him being present at the meeting  
24                  with the CFSEU at River Rock in mid-2014?

25          A     I do.

1 Q Do you know if Mr. Kroeker was a proponent of  
2 engaging the police?

3 A Yes, definitely. He was instrumental, I would  
4 say, in bringing this to the forefront and was  
5 very supportive of our efforts to engage the  
6 CFSEU, conduct the site orientation and be  
7 present during the presentation that we did for  
8 them.

9 Q And you indicated in response to a question that  
10 you -- that BCLC believed at least for a period  
11 of time after meeting with the CFSEU that the  
12 police would be investigating; right?

13 A That's correct.

14 Q Do you -- is your group from your perspective,  
15 was that generally the view of everybody who  
16 attended the meeting with the CFSEU in mid-2014?

17 A Yes.

18 Q When Mr. Kroeker was at GCGC, would he bring  
19 issues to the attention of BCLC?

20 A Yes, either himself or his manager.

21 Q And could we pull up exhibit 129, I believe, it  
22 is, which is document GCGC24.

23 You've seen this earlier. This may be  
24 where there was a mixup in the exhibit numbers.  
25 127. My apologies. I think it may be. That is

1 not it. I'm just trying to see, it was GCGC24.

2 Do you have the document numbers, Madam

3 Registrar, or ...

4 THE REGISTRAR: Sorry, counsel. Can you repeat the  
5 document number once again.

6 MS. MAINVILLE: It was GCGC24.

7 THE REGISTRAR: GCGC24.

8 MS. MAINVILLE: Perhaps I'll ask the question --

9 MR. SMART: Ms. Mainville, it might be 204 you're  
10 looking for.

11 MS. MAINVILLE: Is it -- it's an email from

12 Mr. Kroeker to Mr. Desmarais and Mr. Karlovcec.

13 THE REGISTRAR: I beg your pardon. Was it marked as  
14 an exhibit previously?

15 MS. MAINVILLE: It was. How about I'm getting notice  
16 perhaps GCGC24481. Sorry.

17 THE REGISTRAR: 24481, that would be exhibit 129.

18 MS. MAINVILLE: Okay. That's what I found earlier,  
19 but let's see. Yes. Okay. Yes.

20 THE REGISTRAR: My apology for the delay.

21 MS. MAINVILLE:

22 Q So do you recall this being shown to you,  
23 Mr. Kroeker was flagging an issue here?

24 A Yes.

25 Q Yes. Regarding \$100 -- \$100 denominations

1                   having been given out when the buy-in was in  
2                   20s?

3           A     Yes.

4           Q     And he indicates there he said he would follow  
5                   up on his end; correct?

6           A     Right.  Correct.

7           Q     But in terms of what he is flagging for BCLC, is  
8                   this bringing the issue to your attention --  
9                   well, is it your interpretation that he's  
10                  suggesting that BCLC investigators perhaps  
11                  should have gone further?

12          A     Yes, he is.  I mean, he's looking at this as a  
13                  potential vulnerability of refining.

14          Q     And from this do you take it he was supportive  
15                  of BCLC questioning casino staff?

16          A     Yes.

17          Q     Because there he's indicating would you expect  
18                  BCLC investigators to have interviewed the cage  
19                  staff?

20          A     Yes, that's correct.

21          Q     Do you know if he was similarly supportive of  
22                  BCLC player interviews while he was at GCGC?

23          A     I wasn't -- I'm just looking at the time frame  
24                  there.  Yes, I would say.  Is that August or is  
25                  that January?

1 Q January 2015.

2 A Yeah, January -- yes.

3 Q That's your best recollection?

4 A Yes.

5 Q I'm done with this document. Thank you, Madam  
6 Registrar.

7 You were asked about Mr. Jin when he was  
8 barred in 2012 and reported to the police. Your  
9 evidence was that that was for facilitating cash  
10 for patrons?

11 A That's correct.

12 Q That was BCLC's concern?

13 A Yes.

14 Q And you've said you didn't know whether cash  
15 facilitators were loan sharks in that BCLC  
16 didn't generally know whether interest  
17 was being -- criminal interest rates were being  
18 charged; right?

19 A That's correct.

20 Q Does that apply to Mr. Jin at the time?

21 A Yes, as well, yes.

22 Q And despite not knowing whether he was in fact a  
23 loan shark, BCLC was interested in law  
24 enforcement investigating him simply as a cash  
25 facilitator?

1           A     Yes, that's correct.

2           Q     And at that time, so around 2012, were cash  
3                 facilitators something you expected to see in  
4                 the casino environment?

5           A     Well, I mean, large casinos, certainly -- I'm  
6                 not a gambler myself, so certainly it's  
7                 something that appeared to be common because,  
8                 you know, up until that point cash was king, and  
9                 I'm not even sure that our cash alternatives  
10                program had even really started up yet.

11          Q     And for large gamblers, if they were gambling  
12                 and they suddenly needed more money, or they  
13                 were playing and gambling, what were their  
14                 options at the time if they ran out of money?

15          A     Well, there wasn't much.  Certainly couldn't get  
16                 the cash at the casino, other than maybe small  
17                 amounts from the NRT machines.  But at the level  
18                 that some of these patrons were playing, they  
19                 were looking for larger sums of money, so it  
20                 would have to be through either our money  
21                 services business or offsite somehow, somebody  
22                 provide them that cash.

23          Q     And cash facilitators I gather was one of the  
24                 methods they relied on?

25          A     Yes.

1           Q     But BCLC nevertheless sought to have law  
2                    enforcement investigate cash facilitation?

3           A     That's correct.

4           Q     And would you say GCGC as well?

5           A     Yes.

6           Q     Now, you spoke about your knowledge of what may  
7                    have been happening in other provinces. You  
8                    mentioned that at least at the time when these  
9                    measures were implemented in BC, no other  
10                   province was doing source cash conditions or  
11                   source of fund declarations; right?

12          A     That's correct.

13          Q     Do you know if other provinces were interviewing  
14                   players when BCLC began that in 2015?

15          A     Not to my knowledge.

16          Q     And do you know whether there was any kind of  
17                   information sharing agreement with the police  
18                   when that was instituted in 2014?

19          A     Well, Ontario's got a different model. They  
20                   actually have provincial police at their casinos  
21                   or stationed at some of their casinos. As far  
22                   as other information sharing agreements, I'm  
23                   unaware of that in other jurisdictions.

24          Q     Do you know if anyone was proactively in banning  
25                   players at the time, around 2015?



1 A No.

2 Q You don't know?

3 A No. Yeah, I didn't -- I wasn't aware of any  
4 other jurisdictions actually banning patrons.

5 Q And can you just give us some context as to how  
6 you were aware of what was happening in other  
7 provinces?

8 A We were part of a cross-Canada gaming  
9 jurisdictional group. We would share best  
10 practices, if you will, on a regular basis. And  
11 that was implemented back even under Terry  
12 Towns's leadership in the early days, and it  
13 continued forward as well, so we were attending  
14 a gaming conference and would have our own  
15 meetings at those conferences and actually even  
16 formed an AML subcommittee when we were there in  
17 order to share best practices.

18 Q Did service providers attend these conferences?

19 A Yes. Great Canadian did for sure.

20 Q Did other regulators?

21 A I'm trying to remember. There was -- Alberta  
22 attended, Manitoba, Saskatchewan, Quebec. Yes.

23 Q Did GPEB attend?

24 A I don't ever recall GPEB attending.

25 Q More recently you -- in 2018 you -- well,

1                   perhaps we could bring up exhibit 138.

2                   Commission counsel had you identify in relation  
3                   to discussions that BCLC was having with GPEB  
4                   surrounding its role, and how GPEB could support  
5                   BCLC?

6           A        Yes.

7           Q        If I could just you to a few passages here.

8                   Question 1 was a question, as I understand it,  
9                   asked to you by Cary Skrine?

10          A        Yes.

11          Q        From GPEB.  And he asked:

12                    "What role did you see GPEB playing in the  
13                    casino relative to money laundering  
14                    proceeds of crime matters surrounding  
15                    source of funds and know your client?"

16          A        Yes.

17          Q        And do you see in the last -- at the bottom half  
18                    of the response you wrote:

19                    "BCLC does not have insight into GPEB's  
20                    present role as it relates to money  
21                    laundering proceeds of crime  
22                    investigations."

23          A        Yes.

24          Q        Was that your view?

25          A        Yes.

1 Q And has that been the case in earlier years as  
2 well?

3 A Yes.

4 Q And in the second question Mr. Skrine indicates  
5 Rob -- do you take him that to mean Rob Kroeker?

6 A That's correct.

7 Q So Mr. Kroeker mentioned that:

8 "BCLC investigators have been thrust into  
9 areas outside of their mandate because no  
10 one else --"

11 And Mr. Skrine took this to mean GPEB and/or  
12 police of jurisdiction.

13 "-- was available to take the issue on.  
14 Can you advise what those areas are."

15 A Correct.

16 Q And it indicates there, again, around the  
17 middle:

18 "As to investigation of any criminal  
19 matters, BCLC and its service providers  
20 would want to have a clear, written  
21 understanding as to what each agency GPEB,  
22 JIGIT, RCMP local police will or will not  
23 investigate."

24 Is that to say that as of October 2019 BCLC  
25 didn't have such an understanding?

1           A     Certainly didn't have a clear understanding,  
2                     that's correct.

3           Q     And on the second page, Madam Registrar, if we  
4                     can go there.

5                     You provide additional comments for his  
6                     consideration. Under "rule clarification" BCLC  
7                     investigations was interested in seeking  
8                     clarification as to what the roles and  
9                     responsibilities for the 24/7 onsite GPEB  
10                    special constables will be. Am I right that  
11                    that comes from a recommendation made by Peter  
12                    German?

13          A     Yes. It was -- I think it was one of his  
14                     interim recommendations.

15          Q     And has that occurred to your knowledge, 24/7  
16                     onsite GPEB special constables?

17          A     When I left in the end of June 2019, there  
18                     wasn't 24/7 onsite, per se, investigators. They  
19                     did set something up, but it wasn't actually  
20                     onsite 24/7.

21          Q     And under "industry expertise," you write:

22                     "Along the same lines as the above, once  
23                     clarified, BCLC investigations would like  
24                     to clarify if the GPEB special constables  
25                     will be taking a more active role

1                   regarding criminal activities specific to  
2                   the gaming industry."

3                   So that, I take it, would be something useful  
4                   for BCLC to know.

5           A       Yes.

6           Q       And similarly, under "information sharing," if  
7                   you go down at the last sentence there. First  
8                   of all, you mention that BCLC relies currently  
9                   on local police of jurisdiction for information  
10                  and intelligence. "It would be" -- and you  
11                  write:

12                         "It would be far more beneficial and  
13                         effective to have the same relationship  
14                         between BCLC investigations and the GPEB  
15                         special constables."

16                  Are you saying here that BCLC wants to be  
17                  receiving information from GPEB?

18           A       Where appropriate. And of course GPEB is  
19                   entitled to anything that BCLC has in its  
20                   systems.

21           Q       And is this a new position that BCLC was taking,  
22                   to your knowledge? In other words, had BCLC  
23                   previously wanted or requested or wanted an  
24                   information sharing relationship with GPEB?

25           A       Yeah. We weren't getting very much, if

1 anything, back from GPEB.

2 Q And then finally the last section is Mr. Skrine  
3 asking about whether -- what are the industry  
4 sensitivities for both service providers and  
5 BCLC within the casino environment that we  
6 should be aware of when formulating our --  
7 reminds me what SOP means, service --  
8 operational plans?

9 A Our SOP is standards of procedure.

10 Q Okay. So GPEB is asking about industry  
11 sensitivities?

12 A Yes.

13 Q And you respond:

14 "There are no sensitivities that should in  
15 any way inhibit any investigative or  
16 regulatory body from discharging its  
17 mandate."

18 A Correct.

19 Q And so at least at this time when Mr. Kroeker is  
20 VP of compliance, BCLC's position is that  
21 industry sensitivities should not inhibit any of  
22 the work or the discharge of the investigative  
23 or the regulatory body's mandates?

24 A Correct.

25 Q In other words, you're conveying to GPEB you can

1 do what needs to be done. Is that the position?

2 A Yes.

3 Q We can take this document down. Thank you,  
4 Madam Registrar.

5 In terms of information sharing, do you  
6 recall GPEB raising concerns about bank drafts  
7 with BCLC?

8 A Yes.

9 Q Would that have been around 2017?

10 A 2017, somewhere -- end of 2017, early 2018, I  
11 believe.

12 Q Do you recall what those concerns were?

13 A I believe the concern was that -- that these  
14 bank drafts were handwritten or they  
15 contained -- didn't contain the appropriate  
16 information. I can't fully recall exactly what  
17 the issue was there, but they were challenging  
18 the bank drafts that were coming into some of  
19 the casinos.

20 Q Do you recall specifically who at GPEB raised  
21 these concerns?

22 A I can't.

23 Q Do you know if Mr. Meilleur was one of --

24 A He was there, so it may have been. May have  
25 been him.

1           Q     And you indicated earlier in response to a  
2                   question that BCLC did a complete review of all  
3                   bank drafts for a period of time and found no  
4                   anomalies?

5           A     That's correct.

6           Q     Was that in response as well to concerns raised  
7                   by GPEB?

8           A     That's correct.

9           Q     And these -- just to situate you, does it seem  
10                  correct to you that this was around November  
11                  2017?

12          A     That's when I returned to BCLC, so it's probably  
13                  right.

14          Q     And did BCLC do any followup with GPEB after  
15                  this review where it found no anomalies?

16          A     Yes, I believe we reached out to them to say  
17                  that we've done a complete review of 7,000-plus  
18                  bank drafts and couldn't find any anomalies so  
19                  we were actually asking for what the bank drafts  
20                  were, if they could send us some information so  
21                  that we could actually figure out what the issue  
22                  was.

23          Q     Are you aware of BCLC having difficulty  
24                  obtaining specifics from GPEB regarding this  
25                  issue?



1 A Yes.

2 MS. MAINVILLE: If we could pull up, Madam Registrar,  
3 GPEB2229. And go to the last page -- or the --  
4 page 8, second to last page. Or I guess --  
5 page 8.

6 Q You say at the bottom there Mr. Kroeker is  
7 writing to Anna Fitzgerald and Cary Skrine at  
8 GPEB and you're copied if we can go back up just  
9 a bit. You're copied on this email?

10 A Right.

11 Q And this is January 2019; correct?

12 A Yes.

13 Q And if I take you -- you see:

14 "We understand the attached table was  
15 released to media by GPEB and is the basis  
16 for the most recent story alleging that  
17 billions of dollars were laundered over  
18 the last year through PGF accounts using  
19 anonymous bank drafts from MSBs and  
20 banks."

21 If you go to the next page, Mr. Kroeker  
22 references a November 2017 bank draft review?

23 A Correct.

24 Q And at the last paragraph he says:

25 "In order to make sure we do not have a

1                   gap in our control, we would appreciate if  
2                   you could bring copies of the bank drafts  
3                   that led to this chart being produced and  
4                   GPEB's conclusion that casinos are  
5                   accepting millions of dollars in anonymous  
6                   bank drafts from MSBs and banks."

7                   And he goes on to talk about what -- why seeing  
8                   the bank drafts would assist?

9           A        Correct.

10          Q        So is this Mr. Kroeker still asking for copies  
11                   of the bank drafts in 2019?

12          A        Yes.

13          Q        And this inquiry was prompted by a Postmedia  
14                   article referencing a GPEB chart made in 2017?

15          A        Correct.

16          Q        And perhaps I won't go through the entire chain,  
17                   but at page 7 Mr. Skrine responds that the chart  
18                   was produced in August 2017 in preparation for a  
19                   briefing with the attorney general?

20          A        Yes.

21          Q        And he provides some explanation of the chart  
22                   and GPEB's position regarding bank drafts. Do  
23                   you see Mr. Kroeker's response up above is,  
24                   again, to ask for copies of the drafts to which  
25                   the analysis refers?

1 A Yes.

2 Q If we go to page 6, Mr. Skrine indicates he's  
3 not sure he understands the necessity of the  
4 request?

5 A Correct.

6 Q And if we go further up, right here this is  
7 Mr. Kroeker's response, and he explains at the  
8 top how he wants to improve and tighten our  
9 controls to better across the risk of anonymous  
10 bank draft. And he talks about BCLC's controls,  
11 but if you go to the paragraph that starts with  
12 the RCMP analyst. He indicates:

13 "The GPEB analysis appears to be much more  
14 in-depth and indicates this is a large  
15 systemic and ongoing problem. BCLC needs  
16 to take any action it can, and it is  
17 seeking GPEB's assistance."

18 And a bit further down:

19 "In addition, it will give us the factual  
20 basis to de-risk the customers and banks  
21 involved. Once we see the evidence GPEB  
22 has based its analysis on, BCLC may then  
23 be in a position to write to the banks  
24 involved to advise that due to the money  
25 laundering GPEB has identified going

1                   through their business, we will no longer  
2                   be able to accept bank drafts from them  
3                   unless they address the money laundering  
4                   that is occurring."

5                   So is it my understanding that what is being  
6                   requested there by BCLC is copies of the bank  
7                   drafts that GPEB says is of concern in part to  
8                   know which institution -- financial institutions  
9                   they relate to?

10            A     Yes.

11            Q     So that they may be able to address that with  
12                those institutions?

13            A     Yes, that's correct.

14            Q     And is it your understanding that what informs  
15                this is the fact that BCLC's visibility is  
16                limited to in terms of accessing banking  
17                information relating to bank drafts?

18            A     Limited that we have no access to any of that  
19                banking information due to privacy, privacy  
20                laws.

21            Q     Has BCLC tried to gain access to additional  
22                information through the banks?

23            A     Yes, we have.

24            Q     Are banks willing to share that information with  
25                BCLC?

1 A Not up until the date that I left.

2 Q And can BCLC compel banks to provide this  
3 information?

4 A No.

5 Q And did BCLC take any other measures to address  
6 concerns with bank drafts despite not receiving  
7 any specifics on the bank drafts from GPEB?

8 A We continued to work with the banks, hoping that  
9 we could develop a process with them, but as  
10 with requesting information from them, it pretty  
11 much fell on deaf ears.

12 Q Did BCLC issue a directive in respect of bank  
13 drafts to require receipts?

14 A Oh, yes, we did.

15 Q Was that implemented under Mr. Kroeker's  
16 leadership?

17 A It was.

18 Q And I'm going to suggest that was in December  
19 2017. Does that sound accurate to you?

20 A Yes, it does.

21 Q So this was shortly after the November review of  
22 bank drafts by BCLC; correct?

23 A Correct.

24 Q And so do I take it BCLC took this action solely  
25 based on GPEB's expressed concerns?

1 A Correct.

2 MS. MAINVILLE: We can take this document down, Madam  
3 Registrar.

4 MS. LATIMER: I apologize to interrupt, but my friend  
5 is out of time as well.

6 THE COMMISSIONER: Ms. Mainville, what is your  
7 situation?

8 MS. MAINVILLE: I would need at most five minutes,  
9 perhaps less.

10 THE COMMISSIONER: All right. That's fine. We'll  
11 have to sit a little late today to finish, but  
12 that's fine.

13 MS. MAINVILLE: I very much appreciate it,  
14 Mr. Commissioner.

15 Q Do you recall receiving an inquiry from  
16 Postmedia about bank drafts in December 2017,  
17 Mr. Karlovcec?

18 A Yes.

19 Q And did it relate to an internal GPEB memo on  
20 the issue?

21 A Yes.

22 Q Had you ever seen that document before?

23 A I had not, no.

24 MS. MAINVILLE: Could we bring up, please, BCLC6982.

25 Q You'll see at the bottom, at the very bottom --

1                   oh, here it is. You indicate to GPEB's Anna  
2                   Fitzgerald that BCLC received an inquiry from  
3                   Postmedia Sam Cooper related to a shipment of  
4                   documents that he yesterday received from GPEB,  
5                   and you asked to -- and BCLC received a copy of  
6                   this internal GPEB memo and you are requesting  
7                   an unredacted copy to be able to answer?

8           A       Correct.

9           Q       And you indicate there, "I have never seen this  
10           document prior to today"?

11          A       That's correct.

12          Q       And if you go up to the top, this document is  
13           sent to you by GPEB at that time, and you  
14           indicate -- you managed to get an unredacted  
15           copy that was recently provided to Postmedia.

16                   "Surprised the heck out of me. At the end  
17           of the day, their own internal memo  
18           essentially states that there are no  
19           issues with bank drafts, which lies in the  
20           face of what we had been hearing from  
21           GPEB. Go figure."

22          A       Yes.

23          Q       So is it -- do I understand your reading of this  
24           memo from GPEB was that it confirmed that there  
25           were no issue with the bank drafts accepted by

1 BCLC?

2 A Correct.

3 Q Had GPEB shared that conclusion with BCLC prior  
4 to BCLC obtaining a copy from Sam Cooper?

5 A Not to my knowledge, no.

6 Q Was that typical of your interactions with GPEB,  
7 to not be provided with information that would  
8 have perhaps been of assistance to BCLC?

9 A Well, it was like pulling teeth at times.  
10 Certainly we didn't get a lot of information  
11 from them, other than potential audit reviews  
12 they had conducted, but -- yeah, not a whole  
13 lot.

14 Q Is it the case that they would occasionally  
15 conduct investigations and you would not get the  
16 results of those investigations?

17 A That's correct.

18 Q Now, just in terms of Mr. Kroeker as VP  
19 compliance at BCLC, would you say that AML was  
20 always a concern of his?

21 A Top of mind, yes.

22 Q Did he ever express concerns about AML measures  
23 having an impact on revenue?

24 A No.

25 Q Did he ever interfere with implementation of AML



1 measures?

2 A No, he did not.

3 Q To your knowledge has he ever given any  
4 direction to ease up on cash conditions or other  
5 AML measures?

6 A None whatsoever.

7 Q Did he take active steps to address potential  
8 money laundering in BC casinos?

9 A Yes, he did.

10 Q Does that also include to address proceeds of  
11 crime entering casinos?

12 A That's correct.

13 Q And was there any reason you returned to BCLC in  
14 November 2017 after having retired? I  
15 understand the event that led to it, but was  
16 there anything that prompted you to return?

17 A Well, probably the only reason I returned is  
18 because of the respect that I had not only for  
19 Brad Desmarais, Mr. Lightbody, but also Rob  
20 Kroeker, these are men of integrity, and I  
21 looked forward to working with Rob based on my  
22 experiences with him at Great Canadian casino,  
23 so it was a real pleasure working with him and  
24 under his leadership.

25 Q Was that where you knew him from, was from his

1 work at GCGC?

2 A Yes. That's where I first met him.

3 Q And I simply -- you indicated that earlier under  
4 Mr. Lightbody BCLC continued to focus on what  
5 was required as the legislation changed. I'm  
6 going to suggest that under Mr. Kroeker BCLC did  
7 much more than what the legislation required.

8 A I would say so, yes.

9 Q And not to take away from Mr. Lightbody,  
10 Mr. Kroeker was VP compliance under  
11 Mr. Lightbody's leadership?

12 A That's correct.

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

15 THE COMMISSIONER: Thank you, Ms. Mainville.  
16 Mr. Smart.

17 MR. SMART: Thank you, Mr. Commissioner.

18 THE WITNESS: Excuse me, Mr. Commissioner. Could I  
19 have a five-minute break.

20 THE COMMISSIONER: Yes, of course you can. We will  
21 stand down for five minutes. Thank you.

22 THE REGISTRAR: This hearing will stand down for five  
23 minutes until 13 -- 1:29 p.m. Thank you.

24 **(WITNESS STOOD DOWN)**

25 **(PROCEEDINGS ADJOURNED AT 1:24 P.M.)**

1                                   **(PROCEEDINGS RECONVENED AT 1:28 P.M.)**

2   **JOHN KARLOVCEC, a**

3   **witness for the**

4   **commission, recalled.**

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

7                   THE COMMISSIONER: Thank you, Madam Registrar. Yes,  
8                                   Mr. Smart.

9                   MR. SMART: Thank you.

10                   **EXAMINATION BY MR. SMART:**

11                   Q     Mr. Karlovcec, I'm going to begin, and I'll do  
12                                   this briefly, but the same questions I asked for  
13                                   Mr. Friesen. You spent most of your adult life  
14                                   as a police officer with the RCMP?

15                   A     That's correct.

16                   Q     25 years or over 25 years?

17                   A     Yes. Over 25 years.

18                   Q     And the last 12 of that period of time you were  
19                                   in Surrey, dealing primarily with investigating  
20                                   drug trafficking and organized crime --  
21                                   organized crime groups that traffic drugs?

22                   A     That's correct.

23                   Q     You often gave -- or you at least sometimes, I  
24                                   don't know how often, but you gave expert  
25                                   evidence in court in drug prosecution cases?



1                   suspicious doesn't mean it's the proceeds of  
2                   crime; you needed proof before you could tell  
3                   service providers, reject it?

4           A       That's correct.

5           Q       And you told the commission that you and your  
6                   fellow investigators at BCLC didn't have the  
7                   authority to investigate whether the source of  
8                   funds used in the suspicious cash transaction  
9                   was in fact proceeds of crime. That task was  
10                  for law enforcement?

11          A       That's correct.

12          Q       But these suspicious transactions, these large  
13                   cash transactions, that was in addition to being  
14                   reported to police and FINTRAC, it was reported  
15                   to GPEB?

16          A       That's correct.

17          Q       And GPEB ultimately had oversight over BCLC. Am  
18                   I correct on that?

19          A       That's correct.

20          Q       So I'd like to take you to, please, exhibit A,  
21                   Mr. Commissioner, which was introduced  
22                   yesterday. I wonder if Madam Registrar can pull  
23                   that up. It's GPEB document 181.

24                   You were asked -- this is a letter that you  
25                   can see directed from Mr. Schalk to Mr. Hodgkin.



1 by Kroeker stated in January 2011 a series  
2 of news reports ran on cash transactions  
3 occurring at gaming facilities in British  
4 Columbia."

5 I'll just interject there. Do you recall media  
6 reports about cash transactions, large cash  
7 transactions occurring?

8 A Yes. There were several reports going on.

9 Q Yes. So I'll just carry on:

10 "The media stories focused on a number of  
11 large cash transactions involving small  
12 denomination of Canadian currency,  
13 typically \$20 bills, which occurred over  
14 the summer of 2010. In the course of  
15 these reports, the media raised questions  
16 about how well gaming in the province was  
17 protected from money laundering."

18 Mr. Schalk then says:

19 "Mr. Kroeker's report made several  
20 recommendations regarding suspicious  
21 currency transactions in casinos,  
22 including that the British Columbia  
23 Lottery Corporation accept law  
24 enforcement's professional opinion that  
25 this activity is money laundering."

1                   So I'll just -- do you read Mr. Kroeker --  
2                   sorry, Mr. Schalk's statement there -- I'll just  
3                   read it again:

4                   "Mr. Kroeker's report made several  
5                   recommendations regarding suspicious  
6                   currency transactions in casinos,  
7                   including that the British Columbia  
8                   Lottery Corporation accept law  
9                   enforcement's professional opinion that  
10                  this activity ..."

11                 Do you read that as being the suspicious  
12                 currency transactions?

13                 A     Yes.

14                 Q     Yes.

15                 "That this activity is money laundering."  
16                 It doesn't say "may." It says "is money  
17                 laundering." So I want to take you to  
18                 Mr. Kroeker's report to see whether Mr. Schalk  
19                 accurately has summarized this recommendation  
20                 that is included in this letter that was put to  
21                 you yesterday by commission counsel.

22                 MR. SMART: Mr. Commissioner, the report -- I'm  
23                 seeking leave to refer to the report. I gave my  
24                 friend only notice about 6:30 this morning, but  
25                 given the fact that I didn't anticipate that my



1 friend commission counsel would be asking about  
2 the Schalk letter and what Mr. Kroeker said, I'm  
3 seeking leave to be able to refer to that  
4 report. It's BCLC7108.

5 THE COMMISSIONER: Ms. Latimer.

6 MS. LATIMER: I don't object to that.

7 THE COURT: All right.

8 MR. SMART: Thank you. So -- and while I do so,  
9 Mr. Commissioner, I've asked that a copy of  
10 Mr. Schalk's -- exhibit A be put before the  
11 witness so I don't have to go back and forth, so  
12 he has a copy in front of him, because I'm going  
13 to refer what Mr. Kroeker said as I go through  
14 this report. If I may have permission?

15 THE COMMISSIONER: Yes, that's fine, Mr. Smart.

16 MR. SMART: Thank you.

17 Q I'm going to go through this in a little bit of  
18 detail because it covers more than just what  
19 Mr. Schalk said and it may be of some assistance  
20 to the commission. This is in February of 2011,  
21 Mr. Karlovcec, and do you understand that  
22 Mr. Kroeker was not an employee of BCLC or an  
23 employee of Great Canadian at this point in  
24 time?

25 A That's correct, yeah.

1           Q     Did you know that at one point he was the  
2                    director of civil forfeiture for the province?

3           A     I did.

4           Q     So he had experience in dealing with proceeds of  
5                    crime and money laundering?

6           A     Yes.

7           Q     So beginning -- you'll see the pages at the top,  
8                    executive summary. And it may be helpful to  
9                    just put in perspective different  
10                  responsibilities. The second paragraph:

11                         "Gaming in British Columbia is operated  
12                            and managed by the British Columbia  
13                            Lottery Corporation. BCLC is a Crown  
14                            corporation responsible for implementing  
15                            and managing anti-money laundering  
16                            measures at gaming facilities throughout  
17                            the province. Gaming is regulated by  
18                            government through the gaming policy and  
19                            enforcement branch. The branch's mandate  
20                            includes oversight of BCLC activities  
21                            including its anti-money laundering  
22                            regime."

23                  Does that accord with your understanding of  
24                    GPEB's role?

25           A     Yes.

1           Q     Do you understand that GPEB can actually give  
2                   directions, maybe through the government and the  
3                   minister, of what BCLC should and shouldn't do?

4           A     Yes.

5           Q            "In January 2011, the Minister of Public  
6                   Safety and solicitor general ordered a  
7                   review of anti-money laundering strategies  
8                   employed at BC gaming -- BC's gaming  
9                   facilities. A review conducted at a high  
10                  level was intended to determine whether  
11                  anti-money laundering policies, practices  
12                  and strategies were in place.

13                  Additionally, the review was to identify  
14                  any opportunities to strengthen the  
15                  existing anti-money laundering regime."

16                  Just to put this report, which was February  
17                  2011, into context, this was just shortly after  
18                  Mr. Dickson wrote his letter to Mr. Friesen and  
19                  you responded Christmas Eve day to him, and  
20                  Mr. Schalk responded to your letter in February?

21          A     Correct.

22          Q     So it's all in the same time period?

23          A     Yes.

24          Q     Okay. Mr. Kroeker continues:

25                    "The review found that BCLC and its

1 operators with oversight and guidance from  
2 GPEB employs standard and appropriate  
3 anti-money laundering strategies.  
4 Notwithstanding these measures,  
5 opportunities to further strengthen the  
6 anti-money laundering efforts were  
7 identified. The review found four  
8 specific steps BCLC could take to improve  
9 its anti-money laundering regime."

10 This may be what Mr. Kroeker referred to as  
11 recommendations, but it's identified here as  
12 steps. Certainly Mr. Schalk referred to as  
13 recommendations, but it's referred to here as  
14 steps. And over the next page, page 3, there's  
15 four steps that Mr. Kroeker is -- found that  
16 BCLC could take to improve its AML -- its  
17 anti-money laundering regime. And I want to  
18 direct you to the third step he recommended.  
19 The first one had to do with buy-in cash-out  
20 policy. The second you'll see with enhanced  
21 training and corporate policy, and then the  
22 third is:

23 "BCLC holds the view that gaming losses on  
24 the part of a patron provide evidence that  
25 the patron is not involved in money

1                   laundrying or other related criminal  
2                   activity."

3                   And I'll interrupt. That was sort of the thrust  
4                   of your response to Mr. Dickson that the patron  
5                   in question had essentially lost all the money.  
6                   Do you agree with that?

7                   A       Yes, that's correct.

8                   Q       So Mr. Kroeker is saying:

9                               "BCLC holds the view that gaming losses on  
10                              the part of a patron provide evidence that  
11                              the patron is not involved in money  
12                              laundrying or other related criminal  
13                              activity. This interpretation of money  
14                              laundrying is not consistent with that of  
15                              law enforcement or regulatory authorities.  
16                              BCLC should better align its corporate  
17                              view and staff training on what  
18                              constitutes money laundrying with that of  
19                              law enforcement and the provisions of the  
20                              relevant statutes."

21                   So Mr. Kroeker is saying to BCLC, do you agree  
22                   that just because you lose the money, that  
23                   doesn't mean the patron isn't involved in  
24                   laundrying money. Do you agree with that?

25                   A       Yes.

1 Q Okay. Does Mr. Kroeker say just because it's a  
2 large cash transaction that means it is money  
3 laundering?

4 A No.

5 Q Okay. He then goes on -- I won't go to -- 4:  
6 "Gaming is almost entirely a cash business  
7 in BC. This presents opportunities for  
8 organized crime. Transition from cash  
9 transactions to electronic funds transfer  
10 would strengthen the anti-money laundering  
11 regime."

12 Do you agree with that?

13 A Yes.

14 Q And ultimately it has occurred, hasn't it?

15 A Yes.

16 Q Okay. So let me -- I'm not going to read all  
17 this to you, but I want to go through the parts  
18 that are relevant to Mr. Schalk's summary of  
19 Mr. Kroeker's recommendations. So let me take  
20 you to page 5 at the top. I'll just -- in terms  
21 of the background.

22 A Yes.

23 Q "Gaming in British Columbia is regulated  
24 under the provincial *Gaming Control Act*  
25 introduced in 2002 and by the *Criminal*

1                                    *Code of Canada*. GPEB is an office of  
2                                    government established under the *Gaming*  
3                                    *Control Act*. GPEB's mandate is to  
4                                    regulate and provide oversight of gaming  
5                                    in British Columbia. Its responsibilities  
6                                    include ensuring the integrity of gaming  
7                                    operators, staff and equipment, generally  
8                                    through the development of gaming policy  
9                                    as well as monitoring BCLC and  
10                                    investigating regulatory and criminal  
11                                    offences related to gaming facilities."

12                                    Does that accord with your understanding and  
13                                    knowledge of GPEB's role?

14                    A     Yes.

15                    Q     Were you aware that GPEB investigators are  
16                                    special constables under the police act?

17                    A     Yes.

18                    Q     And they therefore have the ability to  
19                                    investigate criminal offences?

20                    A     That's correct.

21                    Q     Let me take you over to the next page, please.  
22                                    Under heading "Emerging Concerns":

23                                    "In early January 2011, a series of news  
24                                    stories emerged about cash transactions at  
25                                    BC gaming facilities. The stories focused

1 on a number of large cash transactions  
2 involving small denomination Canadian  
3 currency, typically \$20 bills that  
4 occurred over the summer of 2010. While  
5 the stories acknowledged that BCLC was  
6 meeting all reporting requirements,  
7 questions arose in the media about the  
8 adequacy of anti-money laundering efforts  
9 and other measures intended to protect BC  
10 gaming facilities from criminal activity.  
11 Ultimately the minister responsible for  
12 gaming ordered a review of the anti-money  
13 laundering strategies employed at BC's  
14 gaming facilities."

15 I'll take you, then, over, please, to page 8  
16 where Mr. Kroeker sets out his summary of  
17 findings.

18 A Yes.

19 Q "This review was met with an approach on  
20 the part of BCLC that was open, helpful  
21 and straightforward. Those interviewed at  
22 BCLC were clearly focused on ensuring that  
23 gaming services were delivered in the  
24 manner that protected the integrity of  
25 gaming in the province."



1 I'll interject. Was that consistent with your  
2 perception of BCLC's efforts?

3 A Yes.

4 Q He continues:

5 "It was evident that BCLC understands its  
6 mandate in regard to the delivery and  
7 management of gaming. Moreover, BCLC is  
8 fully aware of its responsibility to make  
9 sure gaming is delivered in a manner that  
10 is compliant with anti-money laundering  
11 requirements and that appropriately  
12 balances gaming revenue objectives with  
13 strategies to minimize the risk of  
14 criminal activity at gaming facilities."

15 Again, did you agree with -- from your  
16 experience up to that period of time that  
17 accurately summarizes BCLC's perspective and  
18 work?

19 A Yes.

20 Q I note that he says:

21 "It appropriately balances gaming revenue  
22 objectives with strategies to minimize the  
23 risk of criminal activity at gaming  
24 facilities."

25 Was gaming revenue -- what's the purpose -- your



1 knowing a client; tracking all play that  
2 falls within reporting requirements;  
3 segregating and verifying gaming wins from  
4 the cash out of funds brought into a  
5 gaming facility to buy in; policies  
6 prohibiting customers from exchanging  
7 small denomination bills for large  
8 denomination bills; restricting the  
9 movement of gaming chips between players  
10 in gaming facilities; issuing cheques only  
11 in relation to verified gaming wins and  
12 reporting larger suspicious cash  
13 transactions."

14 Does that accord with your recollection of  
15 efforts that BCLC was making up to that period  
16 of time?

17 A Yes.

18 Q And those efforts dealing with money laundering  
19 expanded during the time you were at BCLC over  
20 the subsequent years?

21 A That's correct.

22 Q I'm going to take you to page 10, please.  
23 Mr. Kroeker then addresses BCLC's reporting  
24 obligations, and he writes:

25 "BCLC's obligation is primarily a duty to

1                   report.  These reporting obligations do  
2                   not --"

3                   I emphasize that.

4                   "-- do not extend to a duty to investigate  
5                   and confirm the exact provenance of cash  
6                   used to buy in."

7                   Does that accord with your understanding of your  
8                   response -- what your responsibility was and  
9                   other investigators at BCLC at that time?

10                  A     Yes.

11                  Q     Okay.

12                                 "Detailed inquiries and an investigation  
13                                 into legitimate or illegitimate sources of  
14                                 cash appropriately fall to various law  
15                                 enforcement and regulatory authorities."

16                   Again, does that accord with your understanding  
17                   of who had responsibility to investigate large  
18                   cash transactions, suspicious transactions?

19                  A     That's correct.

20                  Q     And that would be RCMP, FINTRAC and GPEB?

21                  A     That's correct.

22                  Q     Okay.  It then goes on and says:

23                                 "BCLC takes the position that a patron is  
24                                 known when picture identification is  
25                                 produced.  The patron states an occupation

1 in general terms and the patron  
2 establishes a pattern of play at a BC  
3 gaming facility. Where these criteria are  
4 met, BCLC concludes that cash used by the  
5 patron to buy in at a gaming facility is  
6 legitimate and not criminally tainted.  
7 Vigilance is warranted when assessing any  
8 large cash transaction and is particularly  
9 important in regard to transactions  
10 involving large volumes of small  
11 denomination bills. Drawing the  
12 conclusion that a large cash transaction  
13 involves funds from legitimate sources  
14 based only on patron identification and  
15 playing history is not consistent with  
16 best anti-money laundering practices.  
17 Conclusions and statements as to the  
18 ultimate legitimacy of cash should only be  
19 made where there is detailed, independent  
20 information verifying the source of the  
21 funds."

22 And I'll stop there. Does that accord with your  
23 understanding of your role in 2010, 2011 at  
24 BCLC?

25 A That's correct.

1 Q Okay. So "conclusions and statements."  
2 This is the ultimate legitimacy of cash, and  
3 that would be cash transactions, large cash  
4 transactions, suspicious cash transactions.

5 A That's correct.

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

13 Again, does that accord with your understanding  
14 of your responsibilities?

15 A Yes, sir.

16 Q And when Mr. Kroeker says "should be made by the  
17 enforcement agencies with a mandate to conduct  
18 these types of inquiries," what's your  
19 understanding of what those enforcement agencies  
20 that had that mandate?

21 A Law enforcement, the police, Gaming Policy  
22 Enforcement Branch regulator.

23 Q Do you see anywhere in there that Mr. Kroeker is  
24 saying in his report that suspicious cash  
25 transactions is money laundering?

1           A     No.

2           Q     I'll go over the page at page 10 -- or 11  
3                 rather. I'll just look at this under "gaming  
4                 losses," and then Mr. Kroeker is sort of  
5                 repeating what he said before:

6                         "BCLC views gaming losses on the part of a  
7                         patron as evidence that the patron is not  
8                         involved in money laundering or other  
9                         related criminal activity. BCLC's  
10                        rationale is that where a patron puts  
11                        significant funds at risk through gaming  
12                        and losses, the loss demonstrates  
13                        laundering was not occurring because the  
14                        patron did not achieve a financial gain or  
15                        retain a significant portion of his or her  
16                        initial buy-in. This view of money  
17                        laundering is much narrower than the  
18                        definition found in the *Criminal Code* and  
19                        is not in accord with the opinion of  
20                        police or regulators as to what  
21                        constitutes money laundering. Moreover,  
22                        this view does not recognize the inherent  
23                        value irrespective outcome of gaming  
24                        services to a gambler. BCLC's anti-money  
25                        laundering practices would be strengthened

1                   by better aligning its corporate view and  
2                   staff training on what constitutes money  
3                   laundering by that of the enforcement  
4                   agencies and the provisions of the  
5                   relevant statutes."

6                   So you agree now in hindsight, certainly after  
7                   2011, that with Mr. Kroeker's analysis that the  
8                   view you expressed in the letter that that  
9                   patron lost the money was a bit too -- not a  
10                  bit -- was too narrow?

11                 A     It was narrow.  There probably should have been  
12                   more explanation in there relative to within the  
13                   confines of the casino, but it was narrow.

14                 Q     And I'll just -- you were looking in the casino  
15                   and not directing your attention to where the  
16                   money was coming from?

17                 A     Yes.  Because we had no insight into where the  
18                   money was coming from in our roles.

19                 Q     I'll just conclude, then, Mr. Kroeker's report  
20                   at page 15 under the conclusion.

21                 A     Yes.

22                 Q                 "Circumstances set out by BCLC in a series  
23                   of section 86 of the *Gaming Control Act*  
24                   reports ..."

25                   Those are the ones that go to BCLC -- or to



1 GPEB?

2 A That's correct.

3 Q Yeah.

4 "Large cash transaction reports and  
5 suspicious transaction reports completed  
6 between May and September 2010 and  
7 reported upon in the media have given rise  
8 to questions about cash transactions  
9 occurring at BC gaming facilities. This  
10 review involved a high level look at those  
11 transactions and the anti-money laundering  
12 policies, practices and strategies in  
13 place at BC gaming facilities. The review  
14 found that BCLC in terms of policies and  
15 procedures has a robust anti-money  
16 laundering regime in place."

17 Do you agree with that?

18 A I do.

19 Q I'll stop there and then take you back, please,  
20 Madam Registrar, to exhibit A. GPEB0181. And  
21 to the second page. And read again to you what  
22 Mr. Kroeker -- I'm sorry, what Mr. Schalk said.

23 "Mr. Kroeker's report made several  
24 recommendations regarding suspicious  
25 currency transactions in casinos,

1 including that the BC Lottery Corporation  
2 accept law enforcement's professional  
3 opinion that this activity ..."

4 And I again interject, suspicious currency  
5 transactions:

6 "-- is money laundering."

7 Do you agree that's an accurate summary of what  
8 was recommended by Mr. Kroeker?

9 A No.

10 Q And when he carries on:

11 "BCLC accepted these recommendations and  
12 agreed to enhance its anti-money  
13 laundering initiatives and strategies."

14 Did BCLC agree that suspicious currency  
15 transactions are money laundering?

16 A I'm sorry, could you repeat that last one.

17 Q Yes. After setting out his summary of  
18 Mr. Kroeker's recommendation, Mr. Schalk says:

19 "BCLC accepted these recommendations and  
20 agreed to enhance its anti-money  
21 laundering initiatives and strategies."

22 So what I'm asking you is whether to your  
23 knowledge did BCLC accept that suspicious  
24 currency transactions is money laundering?

25 A No.

1           Q     All right. Did you accept the fact that  
2                    suspicious currency transaction was money  
3                    laundering? By simply the fact it is  
4                    suspicious?

5           A     No.

6           Q     And what you did about suspicious large cash  
7                    transaction was, again, what?

8           A     We reported not only to the federal regulator  
9                    but to GPEB as well as the integrated proceeds  
10                  of crime unit.

11          MR. SMART: Mr. Commissioner, it's 2 o'clock. If I  
12                  can have another five to 10 minutes, I'll  
13                  complete.

14          THE COMMISSIONER: Yeah, that's fine, Mr. Smart. I  
15                  don't think you've come to the end of your time  
16                  quite yet. You've got another five minutes.

17          MR. SMART: Thank you.

18          Q     I'm seeking leave to put two -- another document  
19                  to the witness that I had -- I gave notice this  
20                  morning. It's not one that I anticipated  
21                  because I didn't anticipate this witness being  
22                  asked questions about Mr. Schalk's letter. And  
23                  this is BCLC15775.

24          MS. LATIMER: Commission counsel doesn't take a  
25                  position on this late arising document.



1 are not only without foundation and simply  
2 erroneous but could be perceived as  
3 inflammatory and offensive. He has also  
4 inferred that all STRs are money  
5 laundering files, which of course is not  
6 correct. In the first paragraph of page 2  
7 it seems obvious that certain provocative  
8 statements are personal opinion and not  
9 supported by fact or proper analysis. To  
10 the contrary, BCLC has worked closely with  
11 numerous enforcement departments and units  
12 to ensure organized crime is not  
13 associated to BC casinos and such  
14 statements undermine both BCLC and GPEB's  
15 efforts."

16 I'll just stop there without reading. And then  
17 go back, please, to the first page. Mr. Scott  
18 responds to Mr. Graydon:

19 "Thank you for this email. As you know,  
20 I've reviewed the letter that's the  
21 subject of your message this afternoon. I  
22 spoke to Larry Vander Graaf regarding your  
23 concerns as well as mine. By way of this  
24 email, I want you to know that I regret  
25 this communication from our office. As I

1                   discussed with Larry, my greatest concern  
2                   is that our correspondence on this and  
3                   indeed all matters should be constructive  
4                   and move issues forward. I recognize this  
5                   letter may have given your office the  
6                   impression that it was accusatory in  
7                   nature, and I want to assure you that GPEB  
8                   recognizes that the AML issue is a joint  
9                   responsibility that we must work on  
10                  together to resolve. Further, I also note  
11                  that BCLC has undertaken everything that  
12                  we have asked and agreed to as part of the  
13                  comprehensive AML strategy."

14                  You're not copied on either of these letters,  
15                  Mr. Karlovcec, and I haven't had a chance to  
16                  speak to you because you've been under  
17                  examination. Were you aware of either  
18                  Mr. Graydon's response to Mr. Schalk's letter or  
19                  Mr. Scott's response to Mr. Graydon?

20                  A     No, I was not.

21                  Q     Okay. Do you agree with what Mr. Scott has  
22                  written that "BCLC has undertaken everything we  
23                  have asked and agreed to as part of the  
24                  comprehensive AML strategy"?

25                  A     I would like to think so, yes.

1 MR. SMART: Okay. I'll ask to have those marked as  
2 exhibit B for identification given he can't  
3 identify them. And I'm hoping that commission  
4 counsel will consider -- they have asked many  
5 questions of the investigators of what BCLC did  
6 and didn't do. Answers have been that was  
7 higher up than management. I'm hoping  
8 commission counsel will consider calling  
9 Mr. Graydon as a witness and hopefully Mr. Scott  
10 as well.

11 THE COMMISSIONER: All right. We'll mark those as  
12 exhibit B collectively.

13 **EXHIBIT B: Consisting of two documents: 1.**  
14 **Summary Review Anti-Money Laundering Measures at**  
15 **BC Gaming Facilities, February 2011; 2. Email**  
16 **exchange between Douglas Scott and Michael**  
17 **Graydon, re GPEB letter - Privileged and**  
18 **Confidential - January 18, 2013**

19 MR. SMART: Just one more area. And it will be quite  
20 brief. But it has to do with a -- some evidence  
21 that commission counsel asked Mr. Karlovcec  
22 about, and commission counsel said to you  
23 earlier in your examination, Mr. Karlovcec, that  
24 I think the following:

25 "We heard on February 13th, 2014, BCLC

1                   investigator Murray Ross informed Stone  
2                   Lee that he had spoken to you about it and  
3                   his evidence was that Ross told him to  
4                   make up an --"

5                   Sorry.

6                   "... that you had told Mr. Ross to make up  
7                   an occupation so that a report could be  
8                   processed."

9                   I don't know if I've got it quite right. But  
10                  essentially Mr. Lee was saying that there was a  
11                  report in the file that Mr. Ross had told him  
12                  that you had told Mr. Ross that Mr. Lee should  
13                  just make up an occupation and enter that on a  
14                  report to be filed I guess with FINTRAC, I  
15                  expect, and commission counsel asked you, do you  
16                  recall ever giving that instruction, and you  
17                  said no. I don't know if you remember that  
18                  question and that answer.

19                 A     Yes, I do remember it.

20                 Q     So that may be a little ambiguous in this sense  
21                  because it may leave the impression that you did  
22                  say that to Mr. Ross to simply make up an  
23                  occupation and enter it on the report, and you  
24                  simply don't recall that today, so I want to ask  
25                  you further about that.



1                   Assuming Mr. Lee accurately heard what  
2                   Mr. Ross said to him, can you tell the  
3                   commission whether you gave that instruction to  
4                   Mr. Ross to make up an occupation?

5           A       No, I did not give Mr. Ross that instruction to  
6                   tell Mr. Lee to make up an occupation.

7           Q       Is there any doubt in your mind about that?

8           A       Absolutely there's no doubt. There was  
9                   established processes in place to deal with  
10                  that, and Mr. Lee as an investigator would have  
11                  been aware of what those -- what the process was  
12                  for doing that.

13          Q       Have you ever been given an instruction like  
14                  that at any time in your time with BCLC?

15          A       No.

16          Q       Can you -- assuming Mr. Lee accurately heard  
17                  what Mr. Ross said, can you think of any reason  
18                  why Mr. Ross might say something like that to  
19                  Mr. Lee?

20          A       Well, for those that know Mr. Ross, he's a bit  
21                  of a jokester, so he may have jokingly said that  
22                  to him, or maybe Mr. Lee misunderstood what he  
23                  was being told.

24          MR. SMART: Given the time, Mr. Commissioner, I'll  
25                  stop there. Thank you.

1 THE COMMISSIONER: Thank you, Mr. Smart.

2 Mr. Latimer, do you have anything arising from  
3 the various cross-examinations?

4 THE REGISTRAR: Sorry. Sorry to interrupt,  
5 Mr. Commissioner. May I clarify exhibit B would  
6 be those two documents BCLC15775 and BCLC7108  
7 collectively.

8 THE COMMISSIONER: Yes. I think Mr. Smart was asking  
9 to mark them collectively.

10 THE REGISTRAR: Yes.

11 THE COMMISSIONER: I'm sorry, Ms. Latimer.

12 MS. LATIMER: I don't have anything arising, but I've  
13 been passed a note that GPEB does have a  
14 redirect.

15 THE COMMISSIONER: All right. Thank you.  
16 Ms. Chewka.

17 MS. CHEWKA: Thank you, Mr. Commissioner. We just  
18 have a couple of questions.

19 THE COMMISSIONER: I'm sorry, go ahead.

20 MS. CHEWKA: Thank you.

21 **EXAMINATION BY MS. CHEWKA:**

22 Q If Madam Registrar could please pull up what was  
23 just marked as exhibit B, in particular document  
24 BCLC7108. Yes, thank you.

25 Mr. Karlovcec, my friend Mr. Smart just

1                   took you through this document which I'll refer  
2                   to as a Kroeker report, and it's my  
3                   understanding from your evidence which is that  
4                   you largely agreed with the contents of this  
5                   report. Is that correct?

6           A        Yes.

7           Q        You agreed with the reporting obligations that  
8                   are set out on page 10?

9                   Madam Registrar, could you please turn to  
10                  page 10. Thank you.

11                  Sorry, you agreed with the reporting  
12                  obligation information set out here on page 10?

13          A        Yes.

14          MS. CHEWKA: Madam Registrar, could you please go to  
15                  page 11.

16          Q        You also agreed with what Mr. Smart took you to  
17                  with respect to the gaming losses section?

18          A        Correct.

19          Q        And you also agreed with what Mr. Kroeker said  
20                  regarding the reporting obligations of -- sorry,  
21                  not the reporting obligations. The response  
22                  to -- the responsibility to investigate of RCMP  
23                  and FINTRAC and GPEB?

24          A        Correct.

25          Q        And so my understanding from your evidence is



1 not directly related to money laundering  
2 is the responsibility of both GPEB and the  
3 police agency of jurisdiction where a  
4 gaming facility is located. GPEB's  
5 authority and mandate to investigate  
6 criminal offences is more limited than  
7 that of police agencies. For instance,  
8 GPEB does not have the authorities  
9 required to conduct investigations that  
10 necessitate the carrying of firearms,  
11 require surveillance to be conducted or  
12 call for the interception of private  
13 communications. Investigations involving  
14 these requirements and techniques must be  
15 led by police agencies."

16 He continues to say:

17 "Currently there are no formal links  
18 between the GPEB investigations division,  
19 the RCMP proceeds of crime section or  
20 police agencies of jurisdiction. However,  
21 the investigations division does enjoy  
22 strong informal links with police.  
23 Despite this, it will remain difficult to  
24 assure an appropriate level of response  
25 to, and an investigation of, criminal

1                   offences related to gaming, including  
2                   money laundering, without a formal  
3                   agreement or arrangement of some form  
4                   between the province, GPEB, and the police  
5                   agencies of jurisdiction. Without these  
6                   changes, money laundering and other  
7                   serious criminal activity suspected at  
8                   gaming facilities will rarely rise  
9                   sufficiently in priority to warrant police  
10                  investigation."

11                 So, Mr. Karlovcec, was that your understanding  
12                 at the time?

13                 A     Yes.

14                 Q     You would agree with what's set out here in the  
15                   Kroeker report regarding the authority of GPEB  
16                   regarding criminal investigations?

17                 A     Yes.

18                 MS. CHEWKA: Thank you, Mr. Commissioner. We have no  
19                   further questions.

20                 THE COMMISSIONER: Thank you, Mr. Chewka. Do any of  
21                   the other counsel have any questions in  
22                   re-examination? I'll start with Ms. French.

23                 MS. FRENCH: Nothing. Thank you, Mr. Commissioner.

24                 THE COMMISSIONER: Mrs. Harmer.

25                 MS. HARMER: Nothing. Thank you.

1 THE COMMISSIONER: Mr. Gruber.

2 MR. GRUBER: Nothing arising.

3 THE COMMISSIONER: Mr. McFee.

4 MR. McFEE: Nothing arising. Thank you, Mr. Commissioner.

5 THE COMMISSIONER: And Ms. Mainville.

6 MS. MAINVILLE: No. Thank you very much.

7 THE COMMISSIONER: All right. Thank you, then,  
8 counsel.

9 MR. SMART: Mr. Commissioner, before we break, I, as  
10 I often do, forgot to have that Kroeker report  
11 marked as an exhibit. I'll be seeking to do  
12 that as the next exhibit.

13 THE COMMISSIONER: Yes, all right. Are we at 141  
14 now, Madam Registrar?

15 THE REGISTRAR: That's correct, Mr. Commissioner.  
16 141.

17 **EXHIBIT 141: Summary Review Anti-Money**  
18 **Laundering Measures at BC Gaming Facilities,**  
19 **February 2011 (Previously marked as Exhibit B)**

20 THE COMMISSIONER: I just want to check something.  
21 I'm glad, actually, that Mr. Smart intervened  
22 there. Was there a document that Ms. Mainville  
23 referenced that was not marked as an exhibit, or  
24 have I -- I thought perhaps the last document  
25 she referred to may not have been marked, but I

1           just wanted to check to ensure that's the case.

2           MS. MAINVILLE: I am verifying.

3           THE COMMISSIONER: I think it may have been GPEB2229.

4           MS. MAINVILLE: Yes, 2229. There was one document I  
5           put to Mr. Karlovcec after that, which was 6982,  
6           BCLC6982. Was that made an exhibit?

7           THE COMMISSIONER: Was that marked?

8           THE REGISTRAR: No, it wasn't marked,  
9           Mr. Commissioner.

10          MS. MAINVILLE: My apologies.

11          THE COMMISSIONER: Do you wish that marked,  
12          Ms. Mainville?

13          MS. MAINVILLE: I do. Thank you.

14          THE COMMISSIONER: All right. So that will be marked  
15          as exhibit 142, then.

16          THE REGISTRAR: So BCLC6982 is exhibit 142.

17                 **EXHIBIT 142: Email from John Karlovcec to Daryl**  
18                 **Tottenham, Subject: FW: Postmedia Inquiry -**  
19                 **December 14, 2017**

20          MS. MAINVILLE: I do note, if it's of assistance,  
21          Mr. Kroeker's report is part of an overview  
22          report. It may well facilitate things to file  
23          it on its own, but I do know it's contained in  
24          one of the overview reports that's been filed.

25          THE COMMISSIONER: It's lurking somewhere between 67



1                   and 77, then. All right. Thank you. Well,  
2                   we've marked it, but it will be one of those  
3                   anomalies that's marked twice. All right.  
4                   Thank you.

5                   Is there anything further, Mr. McGowan or  
6                   Ms. Latimer?

7                   MS. LATIMER: No, Mr. Commissioner. There was one  
8                   affidavit we were going to mark, but perhaps we  
9                   can do it on Monday.

10                  THE COMMISSIONER: All right. That's fine. We can  
11                  do that. Thank you. We will adjourn, then,  
12                  until Monday morning at 9:30.

13                  THE REGISTRAR: This hearing is adjourned until  
14                  9:30 a.m. on November 2nd, 2020.

15                  **(WITNESS EXCUSED)**

16                  **(PROCEEDINGS ADJOURNED AT 2:17 P.M. TO NOVEMBER 2, 2020)**

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