

PROCEEDINGS AT HEARING OF JANUARY 28, 2021

COMMISSIONER AUSTIN F. CULLEN

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January 28, 2021
(Via Videoconference)

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

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

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

MR. MCGOWAN: Good morning, Mr. Commissioner. The
first witness today is Mr. Lightbody from the
British Columbia Lottery Corporation.

JIM LIGHTBODY, a witness
called for the
commission, sworn.

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

THE WITNESS: James Douglas Lightbody. First name is
J-a-m-e-s. I do go by Jim. Lightbody is
L-i-g-h-t-b-o-d-y.

THE REGISTRAR: Thank you.

THE COMMISSIONER: Yes. Mr. McGowan.

MR. MCGOWAN: Thank you, Mr. Commissioner.

EXAMINATION BY MR. MCGOWAN:

Q Mr. Lightbody, you are the President and Chief
Executive Officer of the British Columbia
Lottery Corporation?

1 A Yes, I am.

2 Q And that's the position you've held either in an
3 acting capacity or permanently since February of
4 2014?

5 A That's correct.

6 Q You joined the lottery corporation in 2001 as
7 Vice President of Lottery Gaming?

8 A Yes, I did.

9 Q And then in June of 2011 you moved over to Vice
10 President of Casinos and Community Gaming?

11 A I did.

12 Q And in that position you were perhaps engaged in
13 activities that are more closely connected with
14 the mandate of this commission?

15 A Yes. That's true.

16 Q You have prepared for the commission quite a
17 comprehensive affidavit detailing some of your
18 activities, observations and programs undertaken
19 during your time with the lottery corporation?

20 A I have.

21 Q It's approximately 80 pages in length, appending
22 approaching 200 exhibits?

23 A I think it's 79 pages, but pretty close.

24 MR. MCGOWAN: If we could maybe just call the first
25 page of that up, Madam Registrar.

1 Q That looks like the start of the affidavit
2 you've sworn, sir?

3 A Yes.

4 MR. MCGOWAN: Thank you. If that could be the next
5 exhibit, please, Mr. Commissioner.

6 THE REGISTRAR: We are at -- Mr. Commissioner, you
7 are muted.

8 THE COMMISSIONER: Yes. I can't blame anyone but
9 myself.

10 THE REGISTRAR: 505.

11 THE COMMISSIONER: 505, thank you.

12 **EXHIBIT 505: Affidavit no. 1 of Jim Lightbody**
13 **sworn January 25, 2021**

14 MR. MCGOWAN: We can take that down, Madam Registrar.

15 Q Mr. Lightbody, the British Columbia Lottery
16 Corporation is responsible for conducting and
17 managing gaming in casinos in British Columbia?

18 A Yes, we are.

19 Q And one of the central aspects of that role, I
20 take it, is safeguarding the integrity of gaming
21 in the province.

22 A Yes, it is.

23 Q I'd like to start by asking you as president of
24 the organization charged with managing casinos
25 in British Columbia, sitting here before the

1 Commissioner today, do you believe that the
2 facilities your organization is charged with
3 managing were used to facilitate money
4 laundering?

5 A I can tell that you we did everything in our
6 power with the experts that we relied on both
7 within our organization and external like
8 FINTRAC, like Ernst & Young and others to make
9 sure that we had the proper controls in place to
10 mitigate that risk, the risk that criminals
11 could use the casinos in a way to launder their
12 dirty money.

13 Q Sitting here today, despite those efforts, do
14 you believe those facilities were nevertheless
15 used to facilitate money laundering?

16 A I think what we learned was that there was work
17 going on outside of the casinos to loan money
18 to, as Dr. German called them, unwitting
19 high-limit gamblers to use that money in our
20 casinos.

21 Q When did you -- if you became concerned, when
22 did you first become concerned about the origin
23 of cash that was being used to buy in at British
24 Columbia casinos?

25 A Well, we were always concerned about that risk.

1 I can tell you as far back when I first joined
2 in the VP role in 2011 I became aware and read
3 the Kroeker report, which I believe was a very
4 important stepping stone for BCLC to strengthen
5 its anti-money laundering regime, and we worked
6 with the regulator, GPEB, to make sure that we
7 could bring alternatives, cash alternatives into
8 the marketplace. And that was a very important,
9 as I said, stepping stone. And that continued
10 from there where we would proactively try to
11 urge not only GPEB but the police and law
12 enforcement to determine whether these were
13 proceeds of crime.

14 Q Back as far as 2011 did you have a concern that
15 the cash being used to buy in your casinos, at
16 least some of it might be proceeds of crime?

17 A Yes. We had that concern, and we used controls
18 to try and mitigate that, and, as I said, urged
19 others to help us in that fight.

20 Q Yes. And you've detailed in your affidavit some
21 relatively extensive efforts to communicate with
22 other organizations, including law enforcement;
23 correct?

24 A That's correct. And not just me personally. I
25 would say, you know, the team at BCLC I was very

1 proud of starting I would say back with Terry
2 Towns and continued with Brad Desmarais and then
3 on with Rod Kroeker, all of them with very
4 extensive experience in law enforcement and
5 anti-money laundering and drug trafficking
6 offences, and they had not only that experience,
7 but they had lots of relationships within law
8 enforcement they could draw on, and I was very
9 comfortable. I trusted those individuals and I
10 knew that we were in good hands with them
11 leading that four.

12 Q Okay. You've mentioned the Kroeker report as I
13 gather sort of a relatively critical document
14 that was released around the time you moved over
15 to VP of Casino Gaming. Is that fair?

16 A Yes.

17 Q And maybe just for convenience, I'll ask Madam
18 Registrar to pull up page 4 of the exhibits,
19 which is the third page of exhibit 1. It says
20 actually page 2 of 5 at the bottom is the page
21 I'm looking for, please. That's exhibit 1 to
22 the affidavit.

23 So this is a Gaming Policy Enforcement
24 Branch action plan, but I bring it up just
25 because it reproduces one of the recommendations

1 from the Kroeker Report. If we can zoom in on
2 recommendation 3, please, on the next page.
3 Actually, that's not what I'm looking at. It
4 should say page 2 of 5 at the bottom of the page
5 we're looking at. A large number 4 in the top
6 right corner.

7 A I have it.

8 Q Yes, thank you. There we are. Recommendation
9 3. And this is a recommendation I understand to
10 be from Mr. Kroeker's report.

11 "BCLC holds the view that gaming losses on
12 the part of a patron provide evidence that
13 the patron is not involved in money
14 laundering or other related criminal
15 activity. This interpretation of money
16 laundering is not consistent with that of
17 law enforcement or regulatory authorities.
18 BCLC should better align its corporate
19 view and staff training on what
20 constitutes money laundering with that of
21 enforcement agencies and the provisions of
22 the relevant statutes."

23 Let me ask first of all, you read this
24 recommendation presumably at the time?

25 A Yes, I did.

1 Q And did you accept the recommendation as valid?

2 A Yes, we did.

3 Q What did you do to realign the thinking of your
4 organization as suggested in this
5 recommendation?

6 A At the time I recall I was green into the casino
7 business, and the responsibility for this area
8 did rely on Terry Towns' desk and I recognized
9 and understood that he also took this
10 recommendation seriously and acted accordingly.

11 Q Okay. And what did you understand that he did
12 to realign the thinking of the organization on
13 this issue?

14 A I don't -- I can't recall any specifics, but I'm
15 sure he did something. You'll have to
16 unfortunately ask him.

17 Q Conveniently he is coming in not too long, so
18 we'll be sure to do that.

19 I wanted to ask you a few questions about
20 increases in bet limits over the years in
21 British Columbia gaming. Is that something
22 you've got some familiarity with?

23 A Yes.

24 Q When you started with the organization in 2001,
25 am I correct that the maximum bet was in the

1 neighbourhood of \$500?

2 A I can't recall exactly what it was. I was
3 focused on the lottery business at that time.

4 Q Okay. Are you familiar enough to confirm that
5 it eventually rose to the level where a single
6 player playing baccarat on a single hand would
7 wager up to \$100,000?

8 A Yes. At the discretion of the service provider
9 if they felt that they could handle that risk.
10 I'm not sure, quite frankly, if that ever has
11 occurred. You would have to ask one of the
12 service providers.

13 Q Okay. If we can just pull up exhibit 22 to the
14 affidavit, please.

15 This is a chart that's attached to your
16 affidavit. Sir, does this sort of chronicle the
17 development of bet limits at British Columbia
18 casinos, at least maximum allowable bet limits?

19 A Yes. I understand it to be created recently by
20 the policy group at BCLC.

21 Q Okay. I just wanted to ask you about the
22 October 2012 entry. It says on the right
23 "essentially one player could bet \$45,000." Are
24 you familiar enough with the limits to explain
25 how that development happened?

1 A Just for clarification, I was aware that that
2 was -- the player was capable as doing that as
3 far back as 2007, 2008. I recall that being
4 discussed in executive meetings when I was the
5 VP of lottery by the VP of casino who at the
6 time was Darryl Schiewe. So that wasn't the
7 first time that this could have occurred.

8 So the way it would happen is at a private
9 table, a player can bet on one spot, two spots
10 or up to nine spots on the baccarat table, and
11 if he or she did decide to bet on all nine
12 spots, then that could add up to a \$45,000 bet
13 because the limit per spot was \$5,000.

14 Q And the limit per spot eventually went to
15 \$10,000?

16 A Yes. We did a trial in 2013, and then it became
17 a more permanent initiative in 2014.

18 Q And that trial and initiative was successful
19 from the perspective of increasing the table
20 drop and profit from table games. Is that what
21 happened?

22 A I want to say, as I said in my affidavit, that
23 this initiative we did not take lightly. This
24 was something that we knew carried some risk
25 from a money laundering perspective but also

1 from a financial perspective for the service
2 provider and ultimately for BCLC because of the
3 revenue share in our gaming proceeds.

4 And so we had a contractor come in to
5 identify how the various bets could affect the
6 profit and loss of the service provider and
7 BCLC. We also -- I instructed our team to go
8 and speak with the -- make sure they had spoken
9 with our security team, that they are
10 comfortable, that they've got their risk
11 mitigated, and finally we said okay, we will
12 agree to this request from -- I believe it came
13 from Great Canadian to trial this in early 2013.

14 Q If we can pull up exhibit 14, please, to the
15 affidavit. And is this an email from you
16 attaching an email from another member of your
17 organization reporting on that trial?

18 A It's reporting on the financial results of that
19 trial, yes.

20 Q And you say:

21 "As you will read below we had simply out
22 standing results! A key driver was our
23 tactic with your table games strategy to
24 increase bet limits on our regular and
25 high-limit floors, among other promotional

1 events with our service partners."

2 What tactic were you referring to there?

3 A Well, there was -- table game strategy was more
4 widespread, but the tactic was to increase the
5 bet limits from \$5,000 to \$10,000 a spot.

6 Q Okay. And there's reference further down to the
7 table drop in the period being 91 million. What
8 does table drop refer to?

9 A So table drop is the amount that is actually bet
10 on that table.

11 Q Okay.

12 A Or placed at risk, if you will.

13 Q Okay. So that's -- does that essentially
14 represent the magnitude of buy-ins?

15 A Essentially, yes.

16 Q Okay. And that 91 million, was the majority
17 of -- were the majority of those buy-ins during
18 this period in cash?

19 A I could not tell you unequivocally how much was
20 cash and how much went through gaming funds,
21 sorry.

22 Q Is your recollection sufficient enough to say
23 that a substantial portion of that was in cash?

24 A I'll go along with that. I can't say
25 definitively, as I've said.

1 Q I guess I'm just wondering with this magnitude
2 of buy-ins, would that not have been a question
3 that would have been on your mind and something
4 you would have investigated?

5 A That would have been a question for our security
6 team to look into and as we did due diligence
7 around this, and I have full confidence that
8 they would have reviewed how this trial went and
9 if they weren't comfortable with this, they
10 would have definitely let us know.

11 Q And the email references a table net win of
12 24 million. Is that the profit that was taken
13 from essentially the casino's take?

14 A Yeah, I wouldn't use the word "profit" just --
15 it's the revenue. So that is -- yeah. The
16 revenue that we take. And from that we share --
17 we take -- BCLC takes 60 percent of that and
18 service providers take 40 percent of that.

19 Q So the 24 million is the total revenue to be
20 shared between those two organizations?

21 A Yes.

22 Q Okay. And of that 24 million, the substantial
23 majority of it came from baccarat, if you look
24 at the table at the bottom of the page?

25 A Yes.

1 Q Thank you. That document can come down, Madam
2 Registrar.

3 At the time, sir, how concerned were you
4 with these bet limit increases in conjunction
5 with a situation where there was no cap on the
6 amount of cash or requirement that cash be
7 sourced that increasing the limits in this
8 regard would open the door to a risk of larger
9 scale money laundering through casinos?

10 A Well, we were always concerned with that, and
11 that's why we continued to improve the
12 anti-money laundering regime through expanding
13 the work on cash alternatives. In 2013 the AML
14 unit was struck and put together. We began
15 working with GPEB and law enforcement urging
16 them to help us, you know, confirm whether or
17 not there is proceeds of crime potentially
18 coming into our casino.

19 Q And you discuss at length in your affidavit some
20 of the cash alternative initiatives that were
21 undertaken by your organization; correct?

22 A Yes, I do.

23 Q Okay. And is it fair to say that sort of from
24 at least 2009 and certainly from 2011 when you
25 took over as Vice President of Casinos, the

1 development of cash alternatives was the primary
2 approach to addressing the issue of suspicious
3 cash in casinos?

4 A Yes. That was definitely one of the key drivers
5 of our anti-money laundering regime with the,
6 again, expert advice of the Kroeker Report that
7 came from his understanding from FATF and
8 FINTRAC and other experts in the field, and it
9 was in agreement with GPEB. They also agreed
10 that that was the right way to go. How do we
11 eliminate, so reduce the amount of cash coming
12 into our casinos by offering alternatives.

13 Q Okay. And there was a suite of alternatives
14 that were introduced, one of which was the
15 patron gaming fund account?

16 A That's correct.

17 Q And was that really the centrepiece of the cash
18 alternatives?

19 A It was definitely a -- you know, it was the
20 first one. It went through, you know, a couple
21 machinations to further improve it, but debit at
22 cash cage turned out to be a real great
23 alternative for people to use as well as
24 electronic funds transfers. So there was a
25 number that we continued to proactively bring

1 in, but I would say yeah, the patron gaming fund
2 was definitely a major initiative.

3 Q And that program started either late 2008 or
4 early 2009?

5 A That's what I understood when I started in 2011
6 in this area.

7 Q And how could a player contribute to a patron
8 gaming fund account?

9 A They would have to transfer it electronically or
10 through a certified cheque into an account that
11 the casino, service provider created for them.
12 They could not put cash into this PGF account.

13 Q And once the funds were held in the account by
14 the casino, presumably they could draw on those
15 funds to purchase chips to game with?

16 A That's correct.

17 Q Was the program voluntary?

18 A Yes.

19 Q Was there any level of play at any point prior
20 to -- well, prior to 2018 when a player was
21 mandated to use a PGF account?

22 A Players were started in 2014 in a -- I'd say
23 more ad hoc way, in 2015 in a very concerted and
24 serious way to tell certain customers who are at
25 high risk that the only way they would be able

1 to play is by using a cash alternative. In
2 other words, it's known as they were put on
3 condition where they could not play under
4 certain conditions and one of those conditions
5 was they could not play bringing in cash.

6 Q Okay. Prior to the introduction of conditions
7 in really in 2015, maybe a little bit in 2014,
8 was participation in the PGF account program
9 entirely voluntary?

10 A Yes, it was. It was promoted by BCLC. In fact
11 while I was the VP of casino one of the things
12 that I did to support this was instructed my
13 director of operations, who was responsible for
14 liaising with the service providers, call it
15 business folks, not their surveillance or
16 security folks, but the people who ran the
17 business side of the casino, to urge them to
18 actively promote these PGF accounts with their
19 customers.

20 Q Was there a concern or any thought given to how
21 a voluntary program would address the issue of
22 those who might be motivated to introduce
23 illicit cash into the casino?

24 A And that's why it wasn't the panacea for that
25 concern or that risk. We had other controls

1 that we would put in place in order to mitigate
2 that risk, and that included the AML unit
3 looking at that individual very closely in terms
4 of their source of wealth and where they may be
5 able to get these kind of funds and if they
6 weren't satisfied with that person's ability to
7 play at that level, then those players would be
8 either refused or barred or put on condition.

9 Q Right. And you speak of source of wealth and
10 I'm going to come back and ask you some
11 questions about the distinction between source
12 of wealth and source of funds. But I first want
13 to ask you about your understanding of the
14 buy-in patterns from let's say 2011 when you
15 moved over to the casino side, let's say up to
16 2014, despite the introduction of these player
17 gaming fund accounts, were the majority of
18 players who were buying in at the six-figure
19 level still doing so with cash?

20 A I can't say because we did have a lot of, as I
21 said, takeup on the debit and -- debit and cage
22 and other things, but there was -- I would say
23 it was probably still the majority was cash.

24 Q And did you have an understanding whether those
25 cash buy-ins were predominantly in \$20 bills?

1 A I did not have insight into what they were. I
2 did find out that they were \$20 bills, but I --
3 I was not reviewing video in the cash cage or
4 anything like that to know that.

5 Q It seems to me that if somebody was wanting to
6 buy in at that level -- well, maybe I'll ask
7 you. It seems to me it doesn't matter.

8 But was it your expectation that for
9 players wanting to buy in at that level it would
10 be much more convenient and easier for them to
11 arrive with a bank draft or have funds wired
12 rather than walking in with a duffel bag or
13 grocery bag pull of \$20 bills?

14 A You know, Mr. McGowan, I agree with you. I
15 would, too. You and I would. But you and I
16 aren't the kind of people who want to bet \$5,000
17 a hand on baccarat and spend 12 hours of a day
18 sitting at a table and betting that kind of
19 money. These people are not the kind of people
20 that -- that you and I would definitely be
21 hanging out with. These are people who, first
22 of all, have also a real concern about their
23 privacy and they have a real concern about,
24 quote unquote, government knowing about how much
25 money they have, and so using methods like

1 cheques and other things like that aren't things
2 that they necessarily are drawn to. And it
3 was -- it was a real eye opener for a lot of us
4 into this culture of wanting to use cash.
5 Especially for things like gaming that some
6 people may see as a sin, and they don't want,
7 you know, maybe certain people in their family
8 knowing that they're using -- spending this
9 amount of money.

10 Q Well, in your mind did the lack of voluntary
11 participation in these apparently more
12 convenient cash alternative programs tell you
13 anything or cause you to have any concern about
14 what the source of the \$20 bills people were
15 buying in with might be?

16 A And that's why it caused us to say what other
17 controls can we put in place to mitigate that
18 risk; let's not just rely on cash alternatives
19 to solve this problem. We never, ever saw that
20 as a panacea.

21 Q Okay. Up until 2015 what other controls did
22 your organization put in place?

23 A Well, as I said, we put together the AML unit
24 that would be focused on understanding the know
25 your customer requirements that FINTRAC and

1 FATF, you know, advises to, the experts advise
2 us to. So this -- I was very impressed with our
3 AML unit in how they could use open sourced data
4 as well as some subscriptions to understand who
5 exactly Patrick McGowan is and go into all the
6 background. They could look at -- and I'm sure
7 this wouldn't occur for you, Mr. McGowan, but
8 could look at adverse media; they could look at
9 all sorts of transactions you've done and they
10 could potentially tie you to a person who's
11 connected to organized crime or some sort of
12 work. And again, this would not occur if we did
13 a review on you, but if it did, that would then
14 set off an alarm so that we would go and ban
15 that person from our casino.

16 Q And through this open source and subscription
17 data and information from the customers, I
18 gather the service provider and your
19 organization would gather information about
20 whether the individual appeared to have the
21 wealth to -- such that they could play at the
22 level they were playing. Is that what I
23 understand was taking place?

24 A Yes. Like if they came in with \$100,000 and
25 said they were a student or something like that,

1 well, then that set off alarms.

2 Q And is it fair that until at least 2015 BCLC
3 focused really exclusively -- well, not
4 exclusively, but primarily on source of wealth
5 as opposed to source of the funds that were
6 being presented?

7 A That was the -- I'd say the primary tactic we
8 were using was really understanding who these
9 customers are, where they could be getting their
10 funds from. Remember we were also and had been
11 since 2012, maybe even 2011, banning any -- I'll
12 call them alleged loan sharks from the
13 facilities. And that included with service
14 providers ensuring that these weren't even
15 coming onto the property. So there was a lot of
16 effort to get these loan sharks or cash
17 facilitators out of the facility and we were
18 also doing interviews with certain players and
19 saying, if you got this money from this fellow,
20 then sorry, we can't accept you into our
21 facility anymore.

22 Q Who was doing interviews?

23 A Our BCLC investigators.

24 Q You understood your investigators were
25 interviewing patrons about the source of their

1 funds?

2 A Yes, they were.

3 Q In what year?

4 A In 2015.

5 Q Prior to that?

6 A I cannot speak definitively to prior to that,
7 but I do know there was an interview in 2014
8 with the largest player in British Columbia,
9 someone who would spend probably millions
10 gambling over years at BC casinos, and he was
11 barred in 2014.

12 Q And what did he tell your organization about
13 where he was getting his funds that he was
14 buying in with?

15 A I'm not sure. You'd have to ask Brad Desmarais,
16 who I understand he looked after barring that
17 individual.

18 Q Okay. So your organization was conducting
19 investigations into the wealth of the patrons
20 and whether they were connected to organized
21 crime, and I gather, you know, if somebody was
22 playing at the \$100,000 or \$200,000 level and
23 they were a rich oil tycoon that might provide
24 some comfort? Is that sort of the --

25 A Yeah, that would. It was -- if you recall in

1 2014 and 2013, like, after the Olympics, there
2 was a massive influx of immigration and wealth
3 from Hong Kong and Asia and China into the Lower
4 Mainland. That -- it was very clear to any of
5 us who were living here at that time. And in
6 fact I note in my affidavit that I understood
7 from a colleague of mine who is a consultant who
8 was consulting for the state of Massachusetts,
9 the Massachusetts Gaming Commission, and they
10 were considering opening a couple casinos in
11 their state for the first time and there was an
12 RFP out, and one of the respondents to the RFP
13 was Wynn casinos. And Wynn has casinos in Las
14 Vegas as well as Macau. And Steve Wynn, who is
15 the chairman and COE, was asked by the
16 commission why, Mr. Wynn, do you want to open a
17 casino in Boston; why don't you stay in Las
18 Vegas? And he said, Mr. Commissioner, there's
19 only two places in North America outside of Las
20 Vegas that I would consider opening a casino,
21 one is Boston and the other is Vancouver,
22 Canada. And the Commissioner asked him why. He
23 says, because both of these cities have
24 outstanding educational systems, and these very
25 wealthy Asian people want to immigrate to those

1 cities, to send their kids to school there and
2 move there or visit there frequently, and when
3 they're there we like to serve them with the
4 kind of gaming entertainment that they love.

5 Q That's an interesting and nice endorsement. But
6 I want to come back to this focus on source of
7 wealth. Regardless of the wealth of the player
8 who is buying in, wasn't really the obvious
9 question not how did they make their money but
10 where did the \$200,000 in \$20 bills in the
11 grocery bag they just put on the counter come
12 from?

13 A Yes, and I know that our AML unit actually went
14 above and beyond to investigate that, and in
15 fact visited some money services businesses in
16 Richmond to see how they packaged their money
17 and where it might be coming from, and as I
18 understand, I think Ross Alderson led that.
19 That they were packaging it with elastic bands
20 and whatever method possible. And then, you
21 know, I think these people who would then be
22 walking on the street and coming into a casino,
23 they probably wanted it to look as -- I guess as
24 disguised as possible, so they may use shopping
25 bags or other bags so they might not get robbed

1 while walking on the street.

2 Q You speak of money services businesses and I'll
3 come to this, but didn't the RCMP tell you in
4 2015 that they believed at least a money service
5 business was loaning proceeds of crime to
6 your [indiscernible]?

7 A Yes, that was, as I mention in my affidavit, a
8 pivotal moment for us because we had now heard
9 from the RCMP that they had -- and for the first
10 time they'd told us that there's proceeds of
11 crime being used through a money service
12 business in Richmond. And that alarmed me
13 greatly. I was told first by Ross Alderson, our
14 director or AML. Then along with me was Brad
15 Desmarais and Susan Dolinski, who was our VP of
16 communications. We set up a conference call the
17 next following days with the three members of
18 the RCMP and three people from GPEB, including
19 John Mazure and Len Meilleur, I believe, and we
20 were all shocked at this. We said we've got to
21 do something about it and we immediately acted.
22 We ramped up the source of cash conditions
23 program that we had started on a serious basis
24 in April. We ramped it up. We identified the
25 people that were involved in this. We banned

1 those people. We also continued to ban and
2 source condition others following that. I sent
3 a letter to the minister of finance in August of
4 that year, so less than a month later, asking
5 for police presence in casinos and more
6 investigative support for the gambling industry.
7 Mr. Bud Smith, our chair and I then met in
8 September with the minister of finance, Mike de
9 Jong, along with John Mazure and Cheryl
10 Wenezenki-Yolland at this meeting. We implored
11 that we need more investigator and enforcement
12 support to -- for the public safety as well as
13 to make sure that organized crime cannot
14 infiltrate the gaming industry.

15 We -- at that meeting I think it should be
16 noted that this was one of the four times that
17 I'm aware and I was present that we also asked
18 government -- because this would be a broad
19 policy decision -- we asked government if they
20 did not want to take the risk of offering
21 high-limit games anymore, if this risk was too
22 high for government, we were willing and we were
23 able to either reduce or eliminate this offering
24 in BC casinos. And we were told that no, we
25 will deal with this from an enforcement side.

1 The minister said he would convene a meeting
2 with the RCMP and GPEB and potentially BCLC and
3 he would deal with this. And he did, I think,
4 in October. I received a call from Cheryl
5 Wenezenki-Yolland, who said the minister wants
6 to deal with this; he wants to be proactive, and
7 he's looking at putting together an illegal
8 gaming team, and he wants BCLC to pay for it.
9 And we said absolutely we'll pay for it. And
10 the next thing I think I heard about it was a
11 few months later, and it was launched in 2016.

12 Q And which minister was that?

13 A That became JIGIT.

14 Q Yes, which minister were you speaking of?

15 A Sorry, minister Michael de Jong, minister of
16 finance.

17 Q Thank you. So you've talked about imploring
18 government to increase enforcement and offering
19 to scale back or eliminate table gaming. Were
20 these proposed endeavours an attempt to address
21 the issue of suspicious cash coming into
22 casinos?

23 A It was always based on, again, the risk profile
24 that we and government were willing to take, and
25 we risk rated our players in order to determine

1 did we want to do business with them, and if
2 they were at extreme risk, absolutely not, we
3 barred them. If they were at a high risk, we'd
4 put them on conditions and sometimes barred them
5 as well depending on the circumstances. And,
6 again, we had to monitor these players.

7 As part of our requirement under the
8 FINTRAC guidelines, we had to monitor thousands
9 and thousands of players as to what their
10 activities were and whether they were getting
11 into any trouble or anything like that. We were
12 responsible for that. And so that was all
13 considered in how we were going to move forward
14 with this business. How do we continue to put
15 in controls that mitigated that risk?

16 Q Why not just stop taking the cash? Why not say
17 to the players if you want to play at that
18 level, use the PGF account; that's what we're
19 mandating?

20 A And they wouldn't play. This was a -- that was
21 a fact that we would see. Like, they had --
22 they had this call it cultural need not to want
23 to play like that. I mean, to -- you know, the
24 other thing that needs to be understood is BCLC
25 does have a fiduciary responsibility to manage

1 and conduct gaming for the province and part of
2 that is to be financially responsible under the
3 policy that's created for the province, and we
4 were trying to be financially responsible as
5 well to offer this business. And every time, as
6 I said, we brought up the issue about the risk
7 around high limit games their feedback was
8 always just, you know, keep it -- keep the
9 criminality out of it, but keep the business
10 going as best you can, in essence.

11 Q Wasn't the most obvious way to ensure that
12 illicit cash wasn't making its way into casinos
13 to instruct the service provider to stop
14 accepting it, take only buy-ins only from
15 legitimate financial institutions?

16 A In other words, get out of cash altogether and
17 just accept cheques and debit cards? Is that
18 what you're suggesting?

19 Q I'm suggesting that at least at a certain level
20 wasn't that one obvious option?

21 A Well, you have to, again, remember the gaming
22 industry in a commercial way started back in
23 1998. It had always been cash, and that was a
24 directive actually from GPEB, and it wasn't
25 until 2009 when there was that little test and

1 then 2011 for the first time we were able to
2 offer alternatives. And so this is an evolution
3 of an industry that had been embedded -- and
4 it's not just embedded in BC. These people come
5 from Las Vegas, they come from Washington State,
6 they'll come from Macao, they'll come from
7 Ontario, they'll come from anywhere, and you
8 walk into a casino and you put cash into a slot
9 machine. You walk into a casino and you put
10 cash at a cash cage. That is -- it's a standard
11 expression, I guess, that people use.

12 Would we like it to be all done
13 electronically? Absolutely. Before I left on
14 leave, we had a -- we were spearheading an
15 initiative to try to remove the need for cash in
16 a casino in a big way by creating player
17 accounts that they could use and hopefully one
18 day we will have that.

19 Q Okay. I want to ask you a few questions about
20 this evolution you spoke of. From 2009 to 2015
21 did you understand that the volume of cash
22 coming into British Columbia's casinos was
23 increasing substantially year by year?

24 A Especially in the -- sort of the 2014, 2015
25 period. In 2014 there was a huge increase, and

1 that caused us, and I know talking to Rob
2 Kroeker at the time, he said, we need to make
3 sure that our controls are working because we've
4 got all this increase in large cash
5 transactions. So there was a concerted effort
6 to work on have we got our controls working, are
7 they effective, and we had FINTRAC auditing us
8 in 2014, we had EY auditing us in 2015 and we
9 were listening and obviously trying to learn
10 from their expert advice as to what else -- what
11 was working and what could we do to improve or
12 strengthen or evolve our money laundering
13 controls.

14 Q Okay. And did you at the time know that the
15 majority of the cash that was being used to buy
16 in at high levels was \$20 bills?

17 A I can't say I knew that. I'm not surprised by
18 it because the \$20 bill is the most prevalent
19 bill. I think it's 80 percent of Canadian
20 currency is in 20s.

21 Q Had your team reported to you that on a number
22 of occasions high-limit patrons who had
23 exhausted their initial buy-ins had left the
24 table and perhaps left the property outside of
25 banking hours and returned a short time later

1 with substantial cash buy-ins?

2 A Yes. We became -- I remember being apprised of
3 that, and that is one of the reasons why we
4 wanted to provide credit to patrons so that if
5 they needed to go and get money at 2:00 in the
6 morning, the banks weren't open, they could have
7 an alternative to using a cash facilitator.

8 Q But absent credit being introduced, was it your
9 position that the buy-ins should continue to be
10 accepted in circumstances like that?

11 A Well, the proper procedure should happen with
12 that. If it's -- again, in 2016 when we started
13 live monitoring these buy-ins, if they were seen
14 to have come from a source that looked illicit,
15 and the cash cage, the surveillance team from
16 the service provider would view that, talk to, I
17 understand, the BCLC investigator and they could
18 refuse that at the first instance.

19 Q Okay. You mentioned and we have spoke of a
20 meeting you had with the RCMP, and I'd like to
21 just turn up, Madam Registrar, paragraph 113 of
22 Mr. Lightbody's affidavit. It's page 22.

23 A I have it.

24 Q And this is the paragraph where you speak of
25 that meeting, at least one of the paragraphs?

1 A Yes.

2 Q And this is in July 2015, Mr. Alderson I gather
3 initially had some communication and then
4 communicated with you and subsequently there was
5 a conference call set up involving you and the
6 RCMP and other BCL personnel?

7 A And GPEB, yes.

8 Q Thank you. And I'll just read from your
9 affidavit. You say:

10 "During this call, the RCMP advised BCLC
11 of a money services business in Richmond
12 lending out proceeds of crime that may be
13 used to gamble in BC casinos. I
14 considered the receipt of this information
15 from the RCMP as a pivotal moment. To my
16 knowledge, this is the first time that
17 BCLC was told directly by law enforcement
18 that they had evidence indicating that
19 people were bringing proceeds of crime to
20 lend to patrons in casinos."

21 So that's your summary of the meeting of what
22 was told to you?

23 A Yes, it is.

24 Q And you talked about this being a pivotal moment
25 because it was the first time you had been told

1 directly by law enforcement about evidence of
2 proceeds of crime coming into casinos. I wanted
3 to ask you this: prior to this time through the
4 years of 2011 up to this meeting had any of your
5 investigators or managers or other vice
6 presidents told you that GPEB or law enforcement
7 believed that the cash may be proceeds of crime
8 and part of a money laundering scheme?

9 A We had never heard it directly from the RCMP.
10 There was suspicions and we had controls to deal
11 with those risks, but this was an actual case of
12 organized crime lending money to patrons who
13 were going to casinos and going and buying real
14 estate and other things that they were using
15 this money service business for, and there was a
16 potential tie-in with transnational terrorist
17 financing. And I -- I was blown away. I said,
18 we need to address this and we need to address
19 it quickly. And as I mentioned earlier today,
20 we did so. We acted immediately.

21 Q It was a shock to you in 2015 that substantial
22 sums of \$20 bills that were being used to buy in
23 were proceeds of crime or might be proceeds of
24 crime?

25 A It was a shock to me that there was an

1 international organized crime unit down in
2 Richmond that was using this money service
3 business to lend money to people to buy real
4 estate and gamble and buy cars and do all sorts
5 of things. That -- that was a -- and remember
6 this was information that the individuals that
7 were being investigated were individuals that
8 our AML team that given to -- I think it was
9 FSOC at the time to investigate. So it turned
10 out to be -- I think the word was we thought you
11 guys were throwing us a minnow and we found a
12 whale.

13 Q Prior to that meeting had anyone on your team
14 from 2011 up to that meeting told you that
15 members of the Gaming Policy Enforcement Branch
16 and law enforcement believed that the funds
17 entering British Columbia casinos were proceeds
18 or might be proceeds and that British Columbia
19 casinos were being used to facilitate a money
20 laundering scheme?

21 A There were lots of, I think, conjectures. But
22 I -- the people I relied on, my experts, whether
23 it was Terry Towns, who you'll hear from later;
24 whether it was Rob Kroeker, who is a published
25 author in anti-money laundering, who worked in

1 civil forfeiture and was an RCMP officer; or
2 whether it was Brad Desmarais, who worked in the
3 RCMP and the Vancouver Police Department and
4 worked around the world on money laundering
5 efforts, and on top of that FINTRAC and Ernst &
6 Young, you know, those are the experts that I
7 also relied on, and I can tell you I never had a
8 senior officer from RCMP tell me that we have
9 evidence this is happening now until that day.

10 Q Were the expert that you've just told us about
11 prior to 2015 telling you these aren't proceeds,
12 this isn't money laundering?

13 A They said there's a risk that they're proceeds.
14 But we don't have the investigative authority or
15 the investigating ability to determine that.
16 And that's why we kept urging GPEB and urging
17 police, tell us if it is or not, and we will do
18 something about it.

19 Q Was the risk that it was not sufficient to cause
20 the lottery corporation to take a step back and
21 question whether they should be accepting the
22 funds?

23 A We put in the controls to ensure that anything
24 that we did accept met our risk tolerance. So
25 we were understanding who these players were, we

1 started questioning their source of funds. If
2 we weren't satisfied, that their risk was too
3 high or their answers weren't good enough, we
4 banned them or we said, you cannot bring in cash
5 anymore. So we acted. And this was a
6 continuous improvement as we started getting
7 more information.

8 Q Okay. And the questions about source of funds
9 started in around the time of this meeting with
10 RCMP?

11 A Yeah, it had started in April and the meeting
12 was in July.

13 Q Okay. I gather from reading some of the
14 correspondence appended to your affidavit that
15 in the ensuing months and years after this
16 meeting, the Gaming Policy Enforcement Branch
17 and in at least one instance the minister were
18 questioning the adequacy of BCLC's response and
19 their initiatives related to source of wealth
20 and source of funds. Is that a fair
21 understanding to take from some of this
22 correspondence?

23 A Which correspondence are you referring to?

24 Q Well, why don't we go to some of it. If we
25 could turn up exhibit 48, please. I'll take you

1 efforts to develop and promote the use of
2 cash alternatives and implement
3 enhancements to its due diligence and
4 compliance program as part of its
5 anti-money laundering (AML) regime in its
6 gaming facilities."

7 If we just turn over the page, Mr. Mazure says
8 to you:

9 "To enhance the AML regime, BCLC is asked
10 to pursue the following activities:
11 develop and implement additional Customer
12 Due Diligence policies and practices
13 constructed around financial industry
14 standards and robust Know Your Customer
15 requirements with a focus on identifying
16 source of wealth and funds as integral
17 components of client risk assessment.
18 This assessment should be based upon
19 suspicious currency transactions."

20 And then it also goes on to suggest promoting
21 existing cash alternatives.

22 Did you understand this to be a direction
23 or a request that BCLC assess the source of
24 funds with every suspicious transaction, cash
25 transaction?

1 A No. I took this to say continue what you're
2 doing, which was to focus on identifying source
3 of wealth and funds with your customer due
4 diligence as integral components of your
5 client's risk assessments, which we were doing,
6 and I appreciated him understanding that.

7 Q So Mr. Mazure says to you that he's requesting
8 that BCLC increase its efforts, you took that as
9 being an indication that you ought to continue
10 what you were doing?

11 A Well, I think, you know, there's always
12 improvements that you can make in a protocol and
13 upon receiving this I shared this with Rob
14 Kroeker, and I'm sure he went to his team and
15 said okay, look, we've got to strengthen our
16 work, and I know we added people to the AML unit
17 in this year to help with the customer due
18 diligence around that. So we further
19 strengthened the customer due diligence policies
20 and practices.

21 Q If we could turn to the next exhibit, please.
22 Exhibit 49 to the affidavit. And this is you
23 reporting to the minister on BCLC's anti-money
24 laundering enhancement strategy?

25 A Yes.

1 Q Okay. And I'm reading from the fourth paragraph
2 down:

3 "While BCLC continues to encourage cash
4 alternative options for customers in
5 British Columbia casinos, cash is still
6 the preferred deposit method and it is not
7 uncommon for some individuals to have
8 multiple Suspicious Transaction Reports in
9 a calendar year based on their cash
10 buy-ins alone."

11 And is this you reporting to the minister that
12 despite BCLC's efforts over the last, I guess,
13 nine years, the cash alternatives including the
14 patron gaming fund option have not proved
15 popular amongst a number of patrons?

16 A What I'm saying here is that cash is still
17 preferred. And in terms of individuals
18 receiving multiple suspicious transactions, a
19 suspicious transaction could be -- if you look
20 on the list of -- and I don't think we're
21 allowed to share this because it's FINTRAC's
22 proprietary information, but you know, a trigger
23 for a suspicious transaction could be -- I don't
24 want to get in trouble here, but it could be if
25 they're aware of the \$10,000 threshold. And

1 that sparks a suspicious transaction.

2 So for somebody to get a suspicious
3 transaction, it could be relatively benign or it
4 could be something very important. So it's
5 really critical for our analyst to -- when
6 they're writing the suspicious transaction
7 reports that they're giving that context to
8 FINTRAC, to GPEB, to law enforcement around why
9 they're writing these Suspicious Transaction
10 Reports. But our concern was that if there was
11 a prescriptive approach of saying, you get two
12 STRs; you're done, we could -- the implication
13 of that is you could have somebody who was a
14 very legitimate player who came in and was
15 barred from playing in a casino just because
16 they were aware of the FINTRAC rules about the
17 \$10,000 threshold.

18 Q Right. So somebody might get a Suspicious
19 Transaction Report for buying in at \$9,800, but
20 in this time period, sir, weren't a number of
21 the Suspicious Transaction Reports coming out of
22 Lower Mainland casinos being related to bags of
23 \$20 bills being used to buy in?

24 A They were being -- yes, there was those. There
25 was lots of other suspicious transactions. And

1 in terms of the large cash transactions,
2 94 percent of the large cash transactions were
3 under \$25,000, and that was also 77 percent of
4 the total dollar value of large cash
5 transactions. So most -- the bulk of those LCTs
6 were in the under \$25,000 area.

7 Q Okay. In the year your reporting on here
8 411 individuals are noted to have had one or
9 more STRs?

10 A Yes.

11 Q And 101 had five or more STRs?

12 A Yes.

13 Q And I take your point that the majority of those
14 were under \$25,000, but you also note that of
15 these 101 individuals they accounted for
16 approximately 686 million in table drop?

17 A That's correct.

18 Q Okay. And then you go on to say:

19 "BCLC believe that currently no one agency
20 in British Columbia is equipped to
21 identify the actual source of funds. To
22 do so would require in most cases law
23 enforcement intervention. Currently BCLC
24 and GPEB lack the legislative authority
25 and law enforcement lack the available

1 budget, resources and visibility."

2 Why did you need an enforcement agency to

3 investigate the actual source of funds?

4 A Well, we needed somebody with that law
5 enforcement authority to actually investigate
6 the -- I understand, and I'm not a policeman and
7 I'm not a lawyer -- but they have to understand
8 the predicate crime; they have to understand
9 where this source of funds came from in order to
10 draw it back to the money that had been lent to
11 a casino player.

12 Q Why back in 2015 couldn't you do what you do
13 now, say if you want to buy in with funds, bring
14 us the receipt from the bank from today?
15 Couldn't a series of questions to the patrons
16 along with a receipting requirement have taken
17 BCLC a long way in 2015 without the assistance
18 of law enforcement to identify the actual source
19 of funds?

20 A And our thinking at the time was that would have
21 been a prescriptive approach, one that the
22 experts were telling us not to follow, that you
23 should be trying to follow a risk-based
24 approach, treating all these customers as unique
25 individuals and understanding their

1 circumstances and making the decisions on
2 whether to accept their funds or not based on
3 those individual circumstances. And having the
4 controls in place. There was a danger with this
5 prescriptive approach that a tick the box
6 mentality could be implemented where you could
7 have people work around that system. And
8 that's -- as -- again, I'm not the money
9 laundering expert. I, you know, happily had two
10 very smart people working for me at the time in
11 Brad Desmarais and Rob Kroeker. I had the
12 luxury of FINTRAC audits and EY audits and GPEB
13 audits and all sorts of other reviews that could
14 tell me -- and status, that we have to stick to
15 this risk-based approach, and going that
16 direction would have been a prescriptive
17 approach and would have been first probably in
18 the world.

19 Q Well, even from a risk-based approach, wouldn't
20 any buy-ins, say over \$25,000, in predominantly
21 \$20 bills be sufficiently risky that the source
22 of funds should be ascertained prior to the
23 funds being accepted?

24 A And we were asking those people. So we were
25 doing those live monitoring where those were

1 coming in, and as I said, in 2016.

2 Q Who was doing live monitoring?

3 A The cash cage. So it was done with the support
4 of their surveillance group and I believe where
5 they were available the BCLC investigator.

6 Q Next exhibit, please. Number 50.

7 I wanted to ask you about this, sir. This
8 is a letter to you from Mr. Mazure, and he
9 appears to be responding to a document that's
10 attached which is a BCLC document about cash
11 alternatives in casinos. And one of the things
12 he appears to be responding to is a -- and
13 correct me if I'm wrong, but it appears there
14 was a request in the middle of 2015 on the part
15 of BCLC to allow cash deposits into PGF
16 accounts, the initial account opening and for
17 subsequent deposits for VIPs. Have I got that
18 right?

19 A Yes.

20 Q So the patron gaming fund account had been
21 introduced in 2019 and had been promoted -- or,
22 pardon me, 2009, and had been promoted since
23 then as an alternative to cash to try to limit
24 the amount of cash coming into British Columbia
25 casinos; is that right?

1 A That's right.

2 Q Why in 2015 is the lottery corporation seeking
3 permission to allow cash deposits, as I
4 understand it, in the amount of \$10,000 and more
5 into PGF accounts?

6 A Well, that would be sourced cash was my
7 understanding. I would have to look at the
8 recommendation from our AML unit.

9 Q Okay. Well, let's do that. If we could flip
10 forward to the page at the top right corner,
11 number 227. Just looking at the second
12 paragraph under "proposed change number 1":

13 "Existing procedures would remain in place
14 for PGF account creation, including
15 stringent verification of identify and
16 declaration of source of funds."

17 So do I take it that the proposal here was to
18 allow VIPs to buy into their PGF account in the
19 amounts of \$10,000 or more on the basis of
20 establishing their identity and their
21 declaration of where the funds came from?

22 A That's what it says, yes.

23 Q Okay. And that was the proposal BCLC made?

24 A Yes.

25 Q Was that rejected?

1 A I understand it was.

2 Q I've just got two more brief pieces of
3 correspondence I want to take you to, sir. If
4 we could go forward to exhibit 53. This is a
5 letter to Bud Smith, and who is Bud Smith?

6 A He was the chair of our board of directors.

7 Q Okay. And it's from Minister de Jong?

8 A Yes, it is.

9 Q Copying you and Mr. Mazure?

10 A That's correct.

11 Q Okay. And the minister writes in the second
12 paragraph:

13 "Despite the introduction and promotion of
14 non-cash alternatives in gaming facilities
15 through earlier phases of the AML
16 strategy, I am advised that large and
17 suspicious cash actions remain prevalent.
18 This situation must be addressed. As
19 such, BCLC is directed to take the
20 following actions with respect to AML:
21 Number 3. Enhance customer due diligence
22 to mitigate the risk of money laundering
23 in British Columbia gaming facilities
24 through the implementation of AML
25 compliance best practices, including

1 processes for evaluating the source of
2 wealth and source of funds prior to cash
3 acceptance."

4 Did you interpret that as a direction from the
5 minister for your organization and service
6 providers under your direction to source funds
7 prior to acceptance?

8 A Yes, I did. And we had numerous conversations
9 after this, both with our board of directors
10 under the guidance of our chief of compliance,
11 Chief Compliance Officer Rob Kroeker, which also
12 resulted in more conversations with government
13 about the capability for us to do this. And I
14 was advised by Cheryl Wenezenki-Yolland that the
15 minister didn't mean all funds; he meant just
16 keep doing it, you know, on your risk basis, so
17 it's not every single large cash transaction.

18 Q So when the minister --

19 A Just clarity on that, and that's what we were
20 led to understand.

21 Q So despite this expression of -- what I'll call
22 an expression of concern and a direction to
23 source funds, you took subsequent conversations
24 to clarify this as a direction to keep doing
25 what you're doing?

1 A Well, and to continue to improve on our risk
2 basis, the understanding the source of funds of
3 players. So we continued to now move, follow
4 down the chain to lower risk individuals to
5 ensure that they have -- that their source of
6 funds can be validated.

7 Q Who told you this direction didn't apply to all
8 cash?

9 A Cheryl Wenezenki-Yolland.

10 Q When did she tell you that?

11 A It was shortly after this letter came.

12 Q Was it in writing?

13 A No, it was not.

14 Q Was anyone else present when she told you that?

15 A I can't recall, but I did take notes of it. And
16 it's in my notebooks.

17 Q Okay. Those aren't appended to your affidavit,
18 I take it.

19 A No. I understand you do have them, though.

20 Q Yes. Thank you. Perhaps over the break we'll
21 take a look for that. Would the meeting or
22 conversation with her have been in and around
23 the time of that correspondence?

24 A Yes, it should have been.

25 Q Just -- then, sir, is it your recollection that

1 counterpart in Ontario and they moved to a
2 standards-based approach of managing their BCLC
3 equivalent and he was very interested in this
4 risk basis, and so that's how I took it, that we
5 were on this road of risk basis and not looking
6 at prescriptive.

7 I was also aware of the MNP report that he
8 was recommended or GPEB was recommended to look
9 at a cap on things. And so, you know, if he
10 felt it was that critical, then I would assume
11 he might have acted on that recommendation.

12 Q Okay. In the following paragraph Mr. Mazure
13 acknowledges a downward trend in total dollar
14 value of cash entering casinos, and goes on to
15 note:

16 "However, 72 million is still a
17 significant amount of suspicious cash."
18 And I gather that's the STR value for 2016. And
19 then over the page, if we could flip over the
20 page to the top of the next page, Madam
21 Registrar.

22 Mr. Mazure says the following:

23 "GPEB remains concerned by both the large
24 volume of unsourced cash that continues to
25 enter BC gaming facilities and the

1 circumstances under which the cash was
2 accepted as detailed in the Section 86
3 Reports. The following information was
4 taken from Section 86 Reports during
5 December 2016:

- 6 - Approximately \$2.3 million of the
7 \$3.8 million accepted were \$20 bills,
8 often bundled in elastic bands
- 9 - 13 incidents in which cash was
10 observed to be delivered to patrons by
11 a third party, and.
- 12 - Of 124 suspicious cash transactions
13 from December 2016, service providers
14 refused the transaction on only four
15 occasions."

16 Were you surprised by this information that was
17 being communicated to you in early 2017?

18 A It was the first I'd learned of it.

19 Q Were you surprised that service providers
20 continued to accept suspicious cash buy-ins in
21 circumstances where the cash had been delivered
22 to patrons by third parties?

23 A That wasn't -- that shouldn't have happened. If
24 our supervisors had seen that, that should have
25 been stopped.

1 Q How do we reconcile the risk-based approach with
2 120 of 124 specific cash transactions being
3 accepted by the service providers?

7 Q In this time period if a service provider
8 ascertained a cash transaction to be suspicious,
9 would you have expected them to have refused it?

11 Q Had you given directions to the service
12 providers relating to in what circumstances they
13 should refuse a transaction?

17 Q Did you look into it after getting this letter?

20 Q Okay. And were you given any feedback as to the
21 nature of the 124 suspicious transactions?

24 MR. MCGOWAN: I'm going to suggest, Mr. Commissioner,
25 that we take a brief break at this time.

1 Mr. McFee, would 10 minutes be appropriate or
2 would you like 15?

3 MR. McFEE: I'm in Mr. Lightbody's hands. Is 10
4 minutes sufficient.

5 THE WITNESS: 10 is okay.

6 MR. McFEE: 10 is sufficient. Thank you.

7 MR. McGOWAN: Thank you, Mr. Commissioner.
8 10 minutes, please.

9 THE REGISTRAR: This hearing is adjourned for a
10 10-minute recess until 11:28 a.m.

11 **(WITNESS STOOD DOWN)**

12 **(PROCEEDINGS ADJOURNED AT 12:20 P.M.)**

13 **(PROCEEDINGS RECONVENED AT 12:30 P.M.)**

14 **JIM LIGHTBODY, a witness**
15 **for the commission,**
16 **recalled.**

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

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

21 MR. McGOWAN: Thank you, Mr. Commissioner.

22 **EXAMINATION BY MR. McGOWAN (continuing):**

23 Q Mr. Lightbody, during your time with the British
24 Columbia Gaming Corporation has your contract
25 provided for bonuses that were tied to gaming

1 revenue?

2 A My contract had what is known as a salary
3 holdback, and that was 10 percent of my total
4 salary would be held back and only provided
5 given certain criteria being met. And there was
6 five different criteria. One was -- I would say
7 two were financial and the other three were set
8 by the board of directors, being usually around
9 an issue with -- or an item that came from our
10 mandate letter, another usually around our
11 people and culture, another around strategy.

12 Q Can you give us some further insight on the two
13 that was tied to financial aspects.

14 A It would have been our total revenue and our net
15 income that was in our budget to government.

16 Q Okay. So there were targets that if you met,
17 you would have satisfied those criteria?

18 A Correct.

19 Q And does that bonus structure remain in place
20 today?

21 A No, it does not.

22 Q When did that change?

23 A Good question. A couple years ago, I think.

24 Q And is it the case that the holdback or bonus is
25 no longer tied to revenue considerations?

1 A The case now is there's no more holdback.

2 Q Okay.

3 A We just get our salary as it's laid out. They
4 don't hold anything back anymore.

5 Q We've talked a little bit about sourced-cash
6 conditions, and the first of those, am I
7 correct, were introduced in is it 2015?

8 A Yes. There was -- as I said, an ad hoc one in
9 2014, but in essence it really kicked off in
10 April of 2015.

11 Q Okay. And that was a program where select
12 patrons were only permitted to buy in with cash
13 if there was information about the source?

14 A Well, it would be, first of all, they could be
15 barred, or they could be restricted. And that
16 restriction could be that you can't use cash,
17 period, or it could be -- you can use cash as
18 long as you bring in a source of that cash, like
19 a receipt.

20 Q Okay. And I've taken a look at some information
21 that's been provided by the lottery corporation.
22 It seems to me that in 2015, 42 players were
23 placed on conditions. Does that sound about
24 right to you?

25 A I've seen -- I think that's a similar report to

1 Cathy Cuglietta's --

2 Q Yes.

3 A Yes. And those were the high targets that the
4 RCMP had given us and we had also established
5 maybe related to them, and those were the first
6 for us to go after immediately.

7 Q Okay. The letter -- one of the 2015 letters we
8 went to, August 2015 letters from you spoke of
9 400-some-odd players who had been in the
10 previous year who had had suspicious
11 transactions, STRs filed in respect of them.
12 Over 100 of -- approximately 100 of whom
13 resulted in 600-some-odd million dollars in
14 table drop. Why only 42 players on conditions
15 in 2015?

16 A I would -- I'd have to ask the people who
17 actually did the work in our AML unit to be
18 sure, but one of the things that they would
19 consider would be the risk profile of all those
20 people under our KYC guidelines and they would
21 have identified these as the priority
22 individuals to go after. And remember above and
23 beyond this, we also had an information sharing
24 agreement with the RCMP which was struck in 2014
25 under the leadership of Brad Desmarais, and as I

1 legitimate cash from a legitimate financial
2 institution, just show us?

3 A I'll answer that in a number of ways. First of
4 all, that would have been a departure from the
5 expert advice that we were getting about a
6 risk-based AML framework versus a prescriptive
7 base. So that's number one.

8 Number two, that would have had a -- made a
9 broad policy decision that I could not make
10 alone that would have had to have gone to
11 government, mainly to the minister, to decide
12 because it would have had financial implications
13 as well as customer access implications in the
14 industry. So we were aware that that was an
15 option because it had been brought up by MNP,
16 and as I came to understand my team, namely Brad
17 Desmarais and Rob Kroeker, were working on okay,
18 if they come up with that \$10,000 prescriptive
19 limit, what are the implications of that on all
20 sorts of levels. How would it affect jobs at
21 service providers? How would it affect revenue
22 for the public good? How would it affect the
23 experience, you know, at the casino and how
24 would it affect, improve our anti-money
25 laundering controls? And they actually came

1 back to me and said if we are advised, we
2 actually have a different number that we could
3 live with.

4 Q Okay. So do I understand from your answer that
5 it was concern about the impact on revenue that
6 guided the decision not to introduce
7 sourced-cash conditioned across the board at a
8 certain dollar level?

9 A No. That was a consideration, but the driving
10 force was to stick within a risk-based process
11 and not go to a prescriptive base.

12 Q Okay. So you indicated that an across the board
13 source of cash condition would require the
14 approval of the government or the minister. Did
15 you take that proposal to the government or the
16 minister as an option and get feedback?

17 A That was already brought forward to GPEB and we
18 expected to have that conversation at some point
19 when GPEB wanted to raise it.

20 Q You didn't raise it with them?

21 A We ultimately did in -- I guess it was 2018 when
22 we actually went to them and said, we're
23 recommending a \$25,000 cash cap.

24 Q You're talking about a hard cap regardless of
25 receipting?

1 initially placed on cash conditions, those were
2 players that had previously been buying in at a
3 high level with cash?

4 A Sorry, I don't know the identities or the
5 circumstances around those 42 players.

6 Q Was it your understanding that they were
7 predominantly VIP patrons who had been gaming
8 with cash?

9 A It was my understanding that they were high-risk
10 individuals. I'm not even sure if they were all
11 players, but they were individuals.

12 Q Okay. And I understand an additional 61 players
13 were placed on in 2016. Does that sound about
14 right to you?

15 A That sounds to my recollection.

16 Q Did your team report to you on whether the
17 players that were required in 2015 and 2016 to
18 source their cash continue to play at Lower
19 Mainland casinos or British Columbia casinos?

20 A I was aware that many of them went to the PGF
21 program and that our table revenue was
22 relatively stable.

23 Q Do you know how many of those 100 players that
24 were put on conditions in 2015 or 2016
25 subsequently opened PGF accounts and continued

1 to game?

2 A I'm sorry. I don't have that level of detail.

3 Q How often in your time as President and CEO of
4 the British Columbia Lottery Corporation have
5 you had contact with the responsible minister or
6 deputy minister regarding issues related to
7 suspicious cash in casinos?

8 A Well, on a couple of occasions with former
9 Minister of Finance, Michael de Jong, numerous
10 discussions with the Associate Deputy Minister
11 Cheryl Wenezenki-Yolland, and then other people
12 in the finance industry, and as I said, the
13 finance ministry and as I said also in the
14 treasury board. And then with the changing
15 government in 2017, with the Deputy Minister
16 Richard Fyfe, with the Associate Deputy Minister
17 Doug Scott, with the minister's assistants, Sam
18 Godfrey and Derrick Harder, George Smith a
19 little, and then of course with Minister Eby.

20 Q Okay. And you also detail in your affidavit, to
21 be fair, some engagement you had around the
22 deputy minister's committee?

23 A Yes.

24 Q And let's talk about the time prior to that.

25 Did you at any point communicate to government

1 that there was a concern that cash being used to
2 buy in at British Columbia casinos might be
3 proceeds of crime?

4 A Yes. In my August letter to Minister de Jong
5 that we saw earlier.

6 Q Okay. Did you express to government a concern
7 that British Columbia casinos might be being
8 used to facilitate money laundering?

9 A I recall at a briefing that we had with Minister
10 Eby, I believe it was around October of 2017, it
11 was myself, Bud Smith, Rob Kroeker, Minister
12 Eby, Richard Fyfe was there. I think John
13 Mazure was there. And we took him through some
14 of our anti-money laundering controls, but we
15 also took him through a couple scenarios where
16 we believe that the risk of proceeds of crime
17 coming into casinos was high, and we told him
18 about the MSB issue, E-Pirate, et cetera.

19 Q And what was the minister's response?

20 A He was very concerned with money laundering in
21 casinos. I think that would come as no surprise
22 to anybody. And we shared with him some of the
23 work we'd done. We'd asked him about some
24 support on a couple initiatives. One was to
25 really implore him to ensure that there was a

1 coordinated effort amongst all of the parties.
2 We could not do this alone. GPEB could not do
3 it alone. Law enforcement should not do it
4 alone, could not do it alone. And there was, as
5 I said, you know, five different parties that
6 really needed to be acting as one in
7 collaboration. And that included service
8 providers, BCLC, GPEB, FINTRAC and law
9 enforcement.

10 Q Okay.

11 A And we -- I remember specifically in another
12 meeting with Richard Fyfe, and at that meeting
13 was Megan Harris from the Ministry of Finance
14 and then two communications people from BCLC,
15 and I, again, implored Mr. Fyfe that we needed
16 that coordination; could the minister facilitate
17 that coordination because we weren't getting any
18 response despite our ongoing request for support
19 or collaboration. And he said he would take
20 that to the minister. And the second thing I
21 wanted to talk to him about is how could we
22 coordinate this communication effort because I
23 was aware that one of the outcomes of this and
24 one of the -- I believe the intention was to
25 protect the integrity of the casino gaming

1 industry, which includes protecting the image of
2 the gaming industry in British Columbia and
3 therefore a well-coordinated communications plan
4 was critical.

5 Q Okay. And in what year are these communications
6 you're speaking of?

7 A It would have been probably in 2018, I think.

8 Q You spoke of a communication to Minister de Jong
9 raising the prospect that funds being used to
10 buy into British Columbia casinos might be
11 proceeds of crime. Did you have a response from
12 the minister to that representation?

13 A He did not respond to me in writing, but as I
14 mentioned, we met with him a couple weeks later
15 in his office in Victoria, and yes, he did want
16 to respond to this. He was concerned not only
17 with potential proceeds of crime being used in
18 casinos, but he was also concerned about illegal
19 casinos showing up, as we noted, and as we
20 cracked down on these cash facilitators and
21 potential money service businesses being able to
22 lend money to the players, these money service
23 businesses in fact started to open up their own
24 casinos, was the understanding, and there was a
25 number of them that we knew operating in

1 Richmond quite brazenly.

2 Q Okay. Thank you. There's a couple of things
3 that I've seen in some BCLC materials, views
4 that have been expressed and I wanted to ask you
5 about them. One of them was referenced in the
6 Kroeker Report, and we've discussed it briefly.
7 And that is the notion that if a player loses
8 money it's not money laundering. Is that a
9 sentiment that was communicated to you by your
10 team at any point?

11 A I did not agree with that, and I think the way
12 that -- if it was ever -- if I ever heard that,
13 it was said in the context as, they must be a
14 pretty bad money launderer to lose their money
15 in that way, but we never dismissed the risk
16 just because of that.

17 Q Is that a message you ever communicated to
18 government, that if a player was losing money --

19 A No.

20 Q Okay. One of the other sentiments I've seen
21 expressed in some materials related to certain
22 BCLC personnel is a suggestion that perhaps cash
23 is being brought from other countries like China
24 and that's why there's a predominance of cash
25 buy-ins in British Columbia casinos. Is that a

1 sentiment that was ever expressed to you by your
2 team?

3 A There -- you know, we were always wondering what
4 is the source of this cash and, you know, where
5 could they be getting this from, and as I said
6 earlier, there was a huge influx of capital
7 coming in from Hong Kong that didn't have any
8 capital restrictions on them and some coming
9 from Mainland China presumably using Hong Kong.
10 And I know Brad Desmarais had seen that there
11 was a lot of cash being brought in through
12 Vancouver airport. And not that any of these on
13 their own would be the only way people would
14 bring it in, but you know, I learned through
15 reading that, again, in the Asian culture, they
16 were -- they didn't find it awkward or different
17 to carry around bulk cash. That was what they
18 used to do their commerce.

19 Q Was the theory that was being proposed and
20 considered was that these Asian players were
21 bringing hundreds of thousands of dollars in
22 Canadian \$20 bills from Hong Kong or China to
23 British Columbia?

24 A That was -- I remember somebody raising that.
25 We never thought that that was the source of it

1 all. We believed that it was from, you know --
2 depending on the size of it, there's money
3 service businesses that are wrapping \$20 bills
4 as they were in elastic bands, and there was,
5 you know, people who have cash-based businesses
6 like restaurant owners, et cetera, people in the
7 construction industry who -- you know, that
8 underground banking system is a fact. It exists
9 in a very big way in Canada and other parts of
10 the world.

11 Q Was your assessment that funds from the
12 construction industry was as possible --

13 A No. I'm just using that as an example.

14 Q Okay. You made various presentations to
15 government over the years about BCLC's
16 anti-money laundering efforts and your
17 assessment of the degree of risk and what was
18 being done to respond to it. Is that fair?

19 A Yeah, it was an evolving program, continuously
20 improving. We were -- you know, I think we
21 started in 2015 with three people in our AML
22 unit, and when I left, the amount I'd approved
23 for that unit was 13 and included raising the
24 leadership level to a director, who is a very
25 senior role in BCLC. And, you know, the board

1 presentation which you presented to the Ministry
2 of Finance in January of 2015.

3 A I personally didn't present this.

4 Q Okay.

5 A I cannot recall exactly. It may have been Brad
6 Desmarais who presented it.

7 Q Okay. Do you know if you were at the
8 presentation?

9 A Yes. I was.

10 Q I just want to ask you about not the title page,
11 but the first slide behind that. If we could
12 pull up that slide, please. Exhibit 61. The
13 large PDF number is 276 that I'm looking for.
14 Yeah. And the heading is "The Media Story That
15 Stays the Same" and you put up some -- or
16 Mr. Desmarais has put up some -- or whoever
17 prepared this has put up some images of articles
18 with titles like "*Despite Tougher Rules, Reports*
19 *of Possible Money Laundering Up At BC Casinos.*"
20 And then this is the bullet point that's on the
21 page:

22 "Negative and inaccurate perception that
23 casinos are vulnerable to large-scale
24 money laundering and other criminal
25 activities."

1 So my question for you is, sir, was the British
2 Columbia Lottery Corporation communicating to
3 government that the perception that casinos were
4 vulnerable to large-scale money laundering was
5 inaccurate?

6 A No. What we were saying was -- and this is a
7 bullet point; the conversation around it was we
8 were concerned about the possibility of money
9 laundering in casinos and the risk of that, and
10 we also understood that there was negative media
11 coverage and some of the coverage of the media
12 was inaccurate.

13 Q Okay. Well, what's inaccurate about the
14 perception that casinos are vulnerable to
15 large-scale money laundering?

16 A There's nothing inaccurate about that.

17 Q So if the bullet point suggests that, then
18 that's not --

19 A That's not how we felt.

20 Q Okay. Looking at this bullet point now, do you
21 have a concern that it might have been
22 misleading in respect of the lottery
23 corporation's perspective?

24 A Well, I know these were talking points so I'm
25 sure -- I don't recall a lot from this meeting,

1 but I'm sure it would have been explained as a
2 soft of start-off for a little conversation.

3 Q Okay. There was a bit of a downturn in the
4 quantity of cash coming into casinos following
5 certain players being placed on sourced-cash
6 conditions in 2015 and '16 and '17. Does that
7 accord with your understanding of things?

8 A Yes, I believe so.

9 Q And then in January 2018, in response to Peter
10 German's interim recommendation, the British
11 Columbia Lottery Corporation introduced an
12 across-the-board source of cash requirement
13 above the \$10,000 level?

14 A That's correct. January 18.

15 Q And I don't know that Dr. German's
16 recommendations specifically spoke to a
17 receipting requirement, but British Columbia --
18 the British Columbia Lottery Corporation, did
19 they institute a receipting requirement in
20 conjunction with that source of cash
21 requirement?

22 A Yes. In fact upon receiving it, I recall Rob
23 Kroeker saying, I think we can improve upon this
24 even further, so we contacted Dr. German and got
25 his agreement. And then we contacted GPEB as

1 well. The timing may have been different -- to
2 work with them on implementing this initiative.
3 We also understood that they had a
4 recommendation to put GPEB individual
5 investigators into the five Lower Mainland
6 casinos on a 24/7 basis.

7 So we worked with GPEB specifically on
8 the -- exactly how the source of funds procedure
9 would work. They had some suggestions as well.
10 I recall one of them was to have the player
11 actually sign the affidavit, whatever, the proof
12 of source, and we had put in that you should
13 have a receipt from the bank. And so that
14 all -- that whole process was finished and the
15 directive was sent to service providers, as I
16 said, around January '18.

17 Q Okay. And after that direction was put in place
18 and players were required to put a receipt
19 from -- I guess a recent receipt a Canadian
20 financial institution prior to cash being
21 accepted, did British Columbia casinos continue
22 to see any appreciable number of really large
23 cash buy-ins?

24 A There were -- I'd have to look at the data, but
25 the large cash transactions definitely went

1 down. There was some, but effectively the
2 source of funds declaration reduced that
3 dramatically.

4 Q And did it -- was there a corresponding
5 reduction in revenue?

6 A There was some. At that point we were really
7 focused on our casino slot machine category more
8 and our low-limit tables more, and so there was
9 a drop, but it didn't materially affect BCLC's
10 revenues.

11 Q Did high-limit table revenue drop off?

12 A Yes, I believe it did.

13 Q Okay. Sir, we had a discussion earlier about
14 communication you had with
15 Ms. Wenezenki-Yolland, and you indicated that
16 you had kept some notes of that.

17 A Yes.

18 Q And we have -- I have taken -- and my -- our
19 office take a look, and I believe we've found
20 those notes.

21 That document can come down, Madam
22 Registrar.

23 Mr. Commissioner, we just very recently
24 received these notes. They have not been
25 distributed to participants, and I certainly

1 hadn't given notice of them because I hadn't
2 anticipated this issue to arise. But in
3 fairness to the witness, him having referred to
4 them on a point of some significance, I did want
5 to with your leave offer him the opportunity to
6 look at them and refer to them if you think
7 that's appropriate and certainly if his counsel
8 doesn't have any objection.

9 MR. McFEE: I don't have any objection.

10 MR. MCGOWAN: Mr. Commissioner?

11 THE COMMISSIONER: Should counsel for the province be
12 canvassed on that, Mr. McGowan, or is it just --

13 MR. MCGOWAN: I think if any participant has an
14 objection, certainly I would invite them to
15 raise it with you.

16 THE COMMISSIONER: All right. So let's leave it on
17 that footing. If Mr. McFee, I take it, has no
18 objection, does any other of the -- do any other
19 the participants have an objection to that? All
20 right. Hearing none I think then it's
21 appropriate. Thank you.

22 MR. MCGOWAN: Thank you.

23 Q Mr. Lightbody, would it assist you to -- and
24 would you like to look at those notes and have
25 them called up for you?

1 A Yes, please.

2 Q Okay. Madam Registrar, I believe that
3 Mr. McCleery sent you a PDF document, and I'm
4 led to understand that we believe the entry the
5 witness is referring to might be on page 9 of
6 the PDF. If you could call that up, please.
7 And I think out of abundance of caution we
8 should not put this on the live stream because
9 it contains some personal contact information?

10 THE COMMISSIONER: All right.

11 MR. MCGOWAN:

12 Q Is this the note you were referring to, sir?
13 And feel free to ask our staff to go forward or
14 back if that assists.

15 A That doesn't include my comment yet. No, it's
16 on there -- or her comment.

17 Q I'm just wondering, I see -- if we could go
18 back, I see --

19 A Oh, there it is. There is it at the bottom.

20 "She said 'Minister didn't mean all cash
21 transactions.'"

22 Q Okay. Is that your note of the conversation you
23 were talking about where she clarified to you
24 what the minister meant in his letter directing
25 BCLC in respect of source of funds?

1 A Yes.

2 MR. MCGOWAN: Thank you. Mr. Commissioner, I wonder
3 if that single page could be the next exhibit,
4 please.

5 THE COMMISSIONER: Very well.

6 THE REGISTRAR: Exhibit 506, Mr. Commissioner.

7 THE COMMISSIONER: Thank you.

8 **EXHIBIT 506: 1-page undated notes of James**
9 **Lightbody dealing with the conversation with**
10 **Cheryl Wenezenki-Yolland**

11 MR. MCGOWAN: If we could please have exhibit 154
12 displayed for the witness.

13 Q Sir, this is a letter from Mr. MacLeod to you.
14 Am I correct Mr. MacLeod is an Assistant Deputy
15 Minister?

16 A He's the General Manager of GPEB.

17 Q Yes. Also holding the post of Assistant Deputy
18 Minister?

19 A Correct.

20 Q Okay. And this letter, sir, speaks to on my
21 reading of it, at least in part, the
22 implementation of Dr. German's interim
23 recommendation respecting source of funds, and
24 speaks to an audit having been conducted from
25 May to June 2018 and also in August 2018 of the

1 five largest Lower Mainland casinos, and
2 discusses letters that were sent to those gaming
3 service providers that run those casinos about
4 non-compliance. And then on the top of the
5 second page of the letter, if we could flip
6 there, second sentence it says:

7 "This policy --"

8 And I take it he's referring to the source of
9 cash policy.

10 "-- has been in effect for 11 months and
11 formally incorporated into BCLC standards
12 for two months, yet non-compliance remains
13 at unacceptable levels."

14 Can you assist the Commissioner with the nature
15 of the non-compliance that's being referred to
16 here?

17 A Sure. And it was unacceptable to us too, and in
18 fact we put in what we call a monitor,
19 Mr. Commissioner, to ensure that these
20 sourced-cash declarations were done properly
21 once we found out that they weren't being done
22 to our satisfaction and GPEB helped eliminate
23 that as well. I'm trying to remember the date
24 we did it. But we employed Deloitte to work
25 with each of the big five, as we call them,

1 casinos in the Lower Mainland, and so we had
2 Deloitte in there, and they would review all of
3 their transactions and make sure that they are
4 reporting them properly.

5 As we came to learn, the issue really
6 stemmed from buy-ins that occurred outside of
7 the cash cage. Because on first glance you'd
8 say well, how can they screw it up; you just go
9 to the cash cage with \$11,000 and they have to
10 fill out this, show this and how can they get
11 that wrong? Well, it's because that's not the
12 only way that customers buy in at a casino.
13 They also can buy in at a table. And they'll
14 buy in at that table maybe for \$2,000 and then
15 maybe three hours later they'll buy in for
16 another \$4,000, and then two hours later they
17 might go to another table and buy in for \$5,000.
18 And so now they're up to, if my math is
19 correct -- what are they up to, 9,000?

20 Q I think we're at 9.

21 A Yeah. And then another few hours later they buy
22 in for another \$1,500. Well, they've now
23 exceeded that threshold, but somebody had to be
24 basically tracking them and following them
25 around to make sure that once they hit that

1 \$10,000, they had a receipt. And that wasn't
2 occurring as it should, and that's what we were
3 finding some of the issues. And so, again,
4 Deloitte was put in to try a find out a better
5 way to manage this. And I won't get into all
6 that. But they needed to solve that. It took a
7 few weeks, but ultimately we got all the service
8 providers back to a level of compliance.

9 Q You talk about somebody following the patron
10 around. Was this tracking done manually?

11 A Yes, yes.

12 Q And was that --

13 A Actually I told the minister in a -- Minister
14 Eby in a call because he wanted to know about it
15 and I said you know, until we have a digital
16 process tracking, there's always going to be,
17 you know, some manual errors, and we have to
18 accept that, but we don't want to -- we want to
19 minimize it, obviously.

20 Q Okay. We're now in 2021, three years
21 post-implementation of the recommendation. Do
22 we have a digital solution?

23 A I have been outside of the office for the last
24 year, so I'm not sure if it's -- I know it was
25 something that we had approved the RFPQ for

1 before I left. It was Rob Kroeker's initiative.
2 I'm not sure if it has been put forward yet.

3 Q Okay. One of the other issues that you raise --
4 if you could just pull up paragraph 286 of your
5 affidavit, page 63, please, Madam Registrar.
6 I'm going to read paragraph 286 into the record:

7 "One result of the Source of Funds
8 Declaration is that there are individuals
9 now coming in and buying in just under the
10 \$10,000 limit. It's my belief and
11 understanding that BCLC is recording many
12 of these transactions as suspicious
13 transactions. An individual being
14 familiar with AML protocols is an element
15 of suspicious transaction."

16 Has your organization undertaken a review to
17 determine whether there continues to exist a
18 money laundering risk and a concern about cash
19 being used to buy in just below the
20 \$10,000 limit in circumstances which avoid the
21 receipting requirement?

22 A Again, I can't speak for what's been done in the
23 last year, but I can speak to the fact that --
24 and I expressed this concern to the Associate
25 Deputy Minister Doug Scott as well as the

1 Minister Eby that there existed a risk under
2 \$10,000, and we'll call it the, quote unquote,
3 smurfing risk. And that we were looking at a
4 long-term solution to that to, again, bring some
5 technology in and digitize those transactions so
6 that we could have an account-based gaming
7 platform that essentially could eliminate the
8 need for cash to come into a casino. It would
9 also -- what I was also very interested in was
10 it would strengthen our voluntary self-exclusion
11 program for problem gamblers. And this was high
12 on the list of my priorities as well because we
13 have an agreement with people who go on this
14 voluntary self-exclusion program, and that is to
15 try and keep them out of the casino, and having
16 this ability for mandatory use of an account
17 would allow us to do that much more effectively.

18 Q Okay. Thank you. I just might have a moment,
19 Mr. Commissioner. If we could bring up the last
20 exhibit, the page of notes that was entered.
21 PDF page 9.

22 Sir, this note is not dated. If we go back
23 a page or two, was it your practice to date your
24 notes?

25 A I wasn't always diligent on dating every page,

1 no.

2 Q Okay. If we could maybe scroll back until we
3 see a date. Backwards, not forwards. Going to
4 the earlier pages.

5 I wonder, sir, there's a date there, October
6 28th. Do you know what year we're in here?

7 A No. I would have to look at my -- I'd have to
8 look -- at the beginning of that book you'll see
9 a year.

10 Q Okay. So whichever year it is, the
11 communication was after October 28th?

12 A Appears -- yeah.

13 Q Is that right?

14 A Yeah.

15 Q Okay. If we could go to the front of the book,
16 please, Madam Registrar. Can you assist us,
17 sir, in getting -- so this is --

18 A 2015.

19 Q Okay. So sometime after October 28, 2015, that
20 note was made?

21 A Yeah.

22 Q On or after?

23 A Yeah.

24 Q Thank you. Thank you, Madam Registrar. That
25 document can come down now. If we can turn to

1 paragraph 167 of the witness's affidavit,
2 please.

3 A Which page?

4 Q Page 33. It actually starts on page 32, but the
5 portion I want to ask you about is on page 33.
6 You're here discussing in your affidavit
7 communications with Mr. Mazure, and your
8 perception of your understanding of issues in
9 the relationship between he and
10 Ms. Wenezenki-Yolland, and you say starting at
11 the top of page 33:

12 "I recall that Mr. Mazure shared with me
13 on occasion the difficulties he
14 experienced in reporting to
15 Ms. Wenezenki-Yolland. I recall a
16 specific conversation in 2017 in which he
17 shared with me he was on very thin ice and
18 he expected to be removed as General
19 Manager of GPEB and transferred elsewhere
20 in government following the review by
21 Dr. German."

22 In that second sentence were you intending to
23 communicate an understanding that Mr. Mazure was
24 on thin ice and might be removed from general --
25 as general manager following the German review,

1 that that was in some way connected to
2 Ms. Wenezenki-Yolland?

3 A It could have been. He was on thin ice with
4 Ms. Wenezenki-Yolland, he said that.

5 Q Okay. Because I've been contacted by counsel
6 for Ms. Wenezenki-Yolland, and my understanding
7 based on that communication was that
8 Ms. Wenezenki-Yolland left government in July of
9 2017 prior to Dr. German being appointed to
10 conduct his review. Does that accord with your
11 recollection, or do you have any understanding
12 about that?

13 A I'd have to see when I had that conversation
14 with John. But I believe it was before
15 Ms. Wenezenki left. She left in, like, June or
16 July. Right at the election.

17 Q Yeah. I guess what Ms. Wenezenki-Yolland's
18 counsel is wondering about is the connection in
19 this paragraph to the German review given
20 that -- at least it's his understanding that
21 Dr. German hadn't been appointed --

22 A That's right. It was two different things.
23 That's a good point. I should have put them in
24 two different sentences. In 2017 before Cheryl
25 left he talked about being on thin ice. And

1 then after the German report came out, I
2 remember him telling me that everybody at GPEB
3 is all worried about their jobs and stuff. He
4 said, you know, actually, I'm not going to worry
5 because I'm sure I'm getting sent to another
6 part of government.

7 Q Okay. Thank you. We've had some evidence
8 before the Commissioner about a briefing
9 relating to some issues about money laundering
10 controls in casinos and a suggestion that had
11 been made to BCLC that 10 players were buying in
12 with bank drafts originating from proceeds. Do
13 you recall this issue?

14 A Yes.

15 Q Okay. Who communicated to you a suggestion that
16 10 players had been buying in with bank drafts
17 funded by proceeds?

18 A Rob Kroeker brought it to my attention.

19 Q Okay. And did you follow up on that
20 information?

21 A I recall being in a meeting with Rob Kroeker and
22 Richard Fyfe and the minister and I can't
23 remember who else was there, and we asked him --
24 first, actually, the minister had to leave
25 because he got called to the legislature. We

1 asked Richard about these 10 names, and he said,
2 I'll get back to you. And then Mr. Eby returned
3 pretty shortly after. We kind of talked about
4 what we had talked about, and he said okay,
5 Richard, you look after that. And then we got
6 onto something else. And then I think it was
7 probably a week later or so -- because I was
8 having weekly calls with Richard at that time.
9 I asked him about it and he said Jim, I don't
10 know if there even are 10 names.

11 Q Did you ask him what he meant by that?

12 A I didn't want to put him on the spot and I just
13 took it at that.

14 Q Did you ever follow up further?

15 A Pardon me?

16 Q Did you follow up further?

17 A No, I didn't.

18 Q Okay. Our understanding from the evidence is
19 that this issue arose somewhere around October
20 2017. Does that seem about right?

21 A Yeah.

22 MR. MCGOWAN: If we could pull that document down,
23 Madam Registrar.

24 Q In early 2018 did you in conjunction with your
25 counterparts at the British Columbia lottery

1 service essentially de-risk money services
2 businesses such that you would no longer accept
3 funds that were sourced from there?

4 A Yeah. After the -- we'll call it the E-Pirate
5 news in July of 2015, the AML unit looked at
6 further mitigations they could put in place
7 around this risk. So they were starting to
8 create a -- kind of a protocol about which money
9 service businesses we might accept, which
10 wouldn't we. And Rob was telling me that we
11 were working on that. In late 2017, I gave the
12 heads-up because one.

13 Thing you learn working with government,
14 that's what they like, no surprises. So I gave
15 Doug Scott and Derrick Harder and Richard Fyfe a
16 heads-up that we were going to be doing this.
17 They were satisfied with that.

18 Then later in that year, Rob Kroeker came
19 to me and said Jim, I think we got to de-risk all
20 of them because in our review even the big guys
21 like Wells Fargo and that have some history that
22 we don't think is -- meets our risk tolerance,
23 so we're going to, quote unquote, de-risk all
24 MSBs.

25 So I informed in early January of 2018 -- I

1 informed Richard Fyfe, Doug Scott and Derrick
2 Harder that we were going to de-risk all of those
3 MSBs. I think it came into action a couple
4 months later.

5 Q Was there any response from government to that
6 representation that you were doing to de-risk all
7 MSBs?

8 A Not at that time. Later, once it was unveiled,
9 I did hear a comment that, what's BCLC doing
10 that; I thought they weren't going to put in any
11 new measures until after the German report is
12 released.

13 Q Who made that comment to you?

14 A I heard it -- it apparently was attributed to
15 Minister Eby. I did not hear it directly from
16 Minister Eby. I can't recall exactly who told
17 me that.

18 Q Okay. Did you communicate anything about that
19 to Mr. Kroeker?

20 A I probably did.

21 Q Okay.

22 A I had a very open relationship and discussions
23 with him so that he was aware of everything that
24 was going on.

25 Q So in 2015 you had a communication about the

1 possibility proceeds were being sourced from
2 MSBs to buy into your casinos. You de-risked
3 them in 2018. From 2015 to 2018 did service
4 providers under the management of the British
5 Columbia Lottery Corporation continue to accept
6 buy-ins sourced to money services businesses?

7 A Not -- depending on where the player was rated
8 at. I can't say for certain if they did have
9 any sources of MSBs. We didn't. They were
10 still not de-risked at that point, to answer your
11 question, but I also understood from Rob Kroeker
12 that he didn't think there was a lot of MSB
13 action after that.

14 Q Okay. You're familiar with the EY report?

15 A Two EY reports, yes.

16 Q Yes. I'm speaking of the one that was released,
17 I believe, 2019.

18 A The cheque audit.

19 Q Cheque audit. Did you present that report to
20 government?

21 A I was part of a group that did, yes.

22 Q Was there any discussion about whether or not
23 that report would become public with government?

24 A Yes.

25 Q Okay. I wonder if you could tell the

1 Commissioner what those communications were.

2 A So at the end of the discussion, we asked
3 Minister Eby if he would like to be involved in
4 the release of this report publicly, and his
5 comment was no, this is BCLC's report; you guys
6 do with it what you will. And I said okay, and
7 part of that is we are going to be transparent
8 and we're going to post this report on BCLC.com
9 and we will advise the public that it's
10 available for all to read, you know, with proper
11 redactions.

12 Q Was any objection raised to that?

13 A No.

14 Q Okay. Who else from BCLC was present at that
15 meeting?

16 A The new chair of our board, Peter Kappel, Rob
17 Kroeker, Gurmit Aujla, our internal auditor, and
18 then from EY was Peter Law from their Vancouver
19 office, Bob Boyle from their New York office,
20 who was their AML international expert, and then
21 there was Sam MacLeod and Richard Fyfe and I
22 believe Derrick Harder would have been there
23 too.

24 Q Was there any discussion about whether the
25 report could be marked draft or whether

1 information that contradicts somebody else, but
2 it is factual information conducted by a reputed
3 organization and knowledgeable on money
4 laundering. And everybody agreed to that.

5 Q Was anybody at that meeting or any other meeting
6 seeking to keep this report out of the public
7 domain?

8 A No.

9 Q Sir, I wanted to -- you've spent a lot of time
10 in the British Columbia Lottery Corporation and
11 in and around the gaming industry and you've
12 seen a development of gaming in this province
13 that's changed quite a bit over your time. So I
14 wanted to ask you whether you have any proposal
15 or suggestions for the Commissioner of
16 additional measures that could be put in place
17 to guard against the risk of money laundering
18 through British Columbia casinos.

19 A Thank you for that. Mr. Commissioner, I think I
20 said in one of my earlier proposals to you that
21 I do believe it's critical that we look at it in
22 a multi-sectoral approach. That we understand
23 that, you know, the criminals are insidious and
24 they'll look for cracks and if the crack gets
25 closed in casinos, you know, they're going to

1 look for a crack somewhere else. So it's really
2 important that we look at it from a
3 multi-sectoral approach. I would also say it's
4 really critical that we have the resources
5 dedicated in the areas of investigation and
6 enforcement to be able to work on these files
7 that are very time-consuming but also require a
8 keen amount of insight into those industries and
9 knowledge. So there is going to have to be a --
10 we'll call it a public/private association.

11 I think finally we are going into a digital
12 age. And while a lot of people have said, well,
13 this is going to solve the problem because we're
14 going to have all these digital currencies and
15 stuff, and in fact, you know, that is going to
16 bring itself its own set of problems, so we're
17 going to have to be very, very mindful of how
18 digital currencies could potentially be
19 vulnerable to money laundering efforts by
20 criminals.

21 MR. MCGOWAN: Thank you for that, sir. And thank you
22 for answering my questions. Mr. Commissioner,
23 those are my questions for this witness.

24 We do have for scheduling reasons and to
25 accommodate the witness scheduled him over two

1 days. So we do have him back for a couple of
2 hours tomorrow. The allocations for
3 participants questioning is a little over that
4 two-hour mark, so hopefully we can move
5 officially. But I'm going to suggest at this
6 time that we stand Mr. Lightbody down on the
7 understanding that he will return tomorrow
8 morning for 9:30 a.m. and to continue
9 questioning by participants.

10 THE COMMISSIONER: All right.

11 MR. MCGOWAN: Is 9:30 okay for you tomorrow?

12 THE WITNESS: Yes, and I appreciate your
13 accommodation of my condition.

14 THE COMMISSIONER: That's fine. I think that's a
15 good solution. We'll do that and we'll stand
16 you down, Mr. Lightbody. And we'll recommence
17 with you tomorrow at 9:30. Thank you for your
18 attendance today.

19 THE WITNESS: Thank you.

20 **(WITNESS STOOD DOWN)**

21 THE COMMISSIONER: Mr. McGowan, I understand we have
22 another witness scheduled for today.

23 MR. MCGOWAN: We do.

24 THE COMMISSIONER: And we should stand down briefly
25 to bring him onto the screen; is that correct?

1 MR. MCGOWAN: Yes. Madam Registrar, do you need
2 10 minutes or 15?

3 IT SUPPORT: Five minutes would be enough. Thank
4 you.

5 THE COMMISSIONER: Let's take 10 minutes. That gives
6 everyone a bit of a break and then we'll resume
7 at 12:40.

8 THE REGISTRAR: The hearing is stood down for
9 10 minutes until 12:40 p.m. Thank you.

10 **(PROCEEDINGS ADJOURNED AT 1:32 P.M.)**

11 **(PROCEEDINGS RECONVENED AT 1:42 P.M.)**

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

14 THE COMMISSIONER: Thank you, Madam Registrar. Yes,
15 Ms. Latimer, do you have conduct of this
16 witness?

17 MS. LATIMER: I do, Mr. Commissioner. This next
18 witness is Mr. Sturko, who I believe wishes to
19 be affirmed.

20 THE COMMISSIONER: Thank you.

21 **DEREK STURKO, a witness**
22 **called for the**
23 **commission, affirmed.**

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

1 THE WITNESS: Derek Sturko, D-e-r-e-k S-t-u-r-k-o.

2 THE REGISTRAR: Thank you.

3 **EXAMINATION BY MS. LATIMER:**

4 Q Thank you. Mr. Sturko, you prepared an
5 affidavit to assist in giving evidence in this
6 commission; is that right?

7 A Correct, I did.

8 MS. LATIMER: Madam Registrar, could I have that
9 affidavit placed before the witness, please.

10 THE COMMISSIONER: Just before -- I'm sorry,
11 Ms. Latimer, just before we put that on the live
12 stream, is the address in the first line your
13 personal address or is it a --

14 THE WITNESS: Personal address, Mr. Commissioner.

15 THE COMMISSIONER: I think maybe we shouldn't make
16 that live streamed until that's been redacted.

17 MS. LATIMER: Yes, I agree.

18 Q Mr. Sturko, do you recognize this as the
19 affidavit number 1 you made on January 15th,
20 2021?

21 A I do.

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

24 THE COMMISSIONER: Very well.

25 THE REGISTRAR: Exhibit 507, Mr. Commissioner.

1 THE COMMISSIONER: Thank you.

2 **EXHIBIT 507: Affidavit no. 1 of Derek Sturko**
3 **made on January 18, 2021**

4 MS. LATIMER:

5 Q Mr. Sturko, in 1999 you became the Executive
6 Director of the Gaming Policy Secretariat; is
7 that right?

8 A Correct.

9 Q And that was the province's policy arm for
10 gaming at that time; correct?

11 A Correct.

12 Q Was money laundering on the radar of the
13 secretariat at this time?

14 A Not that I was aware of, no.

15 Q What about cash facilitation by third parties
16 outside of casinos?

17 A Not that I was aware of.

18 Q In or around 2001 you became the first General
19 Manager of the new Gaming Policy and Enforcement
20 Branch; correct?

21 A Correct.

22 Q That position was later formalized as an
23 Assistant Deputy Minister position; is that
24 right?

25 A Correct.

1 Q You say in your affidavit that you conducted a
2 functional analysis of GPEB's role and the
3 functions it was required to perform to fulfill
4 its mandate, and I was wondering if today you
5 could explain to the Commissioner what the
6 conclusion of that analysis was.

7 A Certainly. Once the new gaming model for the
8 Province of British Columbia was commenced and
9 everybody was aware of what's happening, we
10 began a process to look at all the functions
11 that had to be conducted and overseen by GPEB.
12 And after that analysis we included basically at
13 that time, I think it was six units that would
14 comprise GPEB. One was the policy legislation
15 arm, which also included all the sort of
16 operational parts of any government operation
17 like finance and IT, et cetera. Second one was
18 licensing and grants. This was the provision of
19 licenses to charitable organizations to run
20 gaming events or grants to charitable
21 organizations. The third is a racing division
22 which oversaw the running of race events at race
23 tracks in the province. The fourth was
24 registration and certification. This group
25 registered all the people and companies that

1 were involved in the gambling business as well
2 as certifying all the equipment that was
3 involved. Audit and compliance, which conducted
4 a number of -- and variety of types of audits
5 on -- within the gaming industry. And then
6 finally it was then called investigations, which
7 was the group that investigated all the
8 allegations of wrongdoing.

9 Q Thank you. Madam Registrar, I don't need that
10 affidavit displayed any longer. Thank you.

11 What was your understanding of the
12 respective roles of law enforcement and the
13 investigation division of GPEB in this time
14 period?

15 A After GPEB was created, you mean?

16 Q Yeah.

17 A So GPEB was not a law enforcement agency. GPEB
18 was a regulator. GPEB had responsibility to
19 look into allegations of wrongdoing, to assemble
20 evidence and information, to share that with a
21 variety of agencies, including law enforcement.

22 Q In its role as a regulator and looking into
23 wrongdoing, did it look into activity that might
24 be considered criminal offences?

25 A Yes.

1 Q And did it have an obligation to investigate
2 those activities?

3 A It would depend on the kind of activity. Some
4 activities were investigative, if I can use that
5 term, by GPEB. Some were beyond the scope and
6 capacity of GPEB to investigate.

7 Q Could you give us an example of what kinds of
8 offences might be within the scope of
9 investigation that GPEB would be looking at?

10 A To the best of my recollection, GPEB would
11 investigate things like cheating at play and
12 passing chips thinks, things that would occur
13 maybe on the gaming floor and share that again
14 with the lottery corporation and service
15 providers.

16 Q What kind of things were outside of the scope?

17 A Well, the other thing I should mention is GPEB
18 also had a responsibility to assist law
19 enforcement in conducting its investigations.
20 So something like suspicious currency
21 transactions, money laundering, which I know is
22 the subject of this convention, were really
23 beyond the scope of GPEB to investigate.

24 Q You discuss in your affidavit the respective
25 roles of GPEB and the BC lotto corporation, and

1 I understand that in 2006 you prepared a roles
2 and responsibilities document that sort of
3 spelled out the responsibilities of BCLC and
4 GPEB. My question is why did you prepare that
5 detailed document?

6 A Could I see the document, please.

7 Q Certainly.

8 THE REGISTRAR: Sorry, Ms. ...

9 MS. LATIMER:

10 Q Maybe I'll come back to that in a moment, but
11 for now let me ask you this: was there a
12 misunderstanding or any lack of understanding
13 between those organizations as to their
14 respective roles and responsibilities at this
15 time?

16 A In 2006?

17 Q Yes.

18 A I think there was still some confusion. When
19 the new model was announced, the new model for
20 gambling in the province was announced, and the
21 new legislation was in place in 2002, there was
22 a lot of change that occurred after that time,
23 and we were putting in place new structures, a
24 new business model and so forth. And there was
25 some back and forth of responsibilities between

1 GPEB and the lottery corporation partly because
2 we had taken five agencies and put them into
3 two. So there was still ongoing, I guess,
4 clarifications I would say at that time.

5 Q Okay. Did Mr. Schalk -- you worked with Mr. Joe
6 Schalk, is that right, at the Gaming Policy
7 Enforcement Branch?

8 A Yes.

9 Q And did Mr. Schalk ever tell you there was a
10 conflict of interest in having both GPEB and the
11 BC lotto corporation under the same ministry?

12 A I can't recall if Mr. Schalk told me, but I know
13 I have heard that. I did hear that at times
14 from people with the investigation division,
15 probably including Mr. Schalk.

16 Q What did you make of that concern?

17 A Well, I don't know. It's an opinion Mr. Schalk
18 held, so I'm not sure I made much of that
19 opinion, but I'll try and understand the
20 question, sorry.

21 Q You say at your affidavit that there were --
22 that investigations, the investigations in
23 compliance functions caused friction between
24 BCLC and the service providers. Was there a
25 similar kind of friction between the

1 investigations division and the BCLC?

2 A Sorry, could you say that again. I didn't quite
3 get the question.

4 Q I'm asking if it was your experience that there
5 was friction between the investigation division
6 and the BC lotto corporation during your tenure?

7 A I would say at times there were, yes.

8 Q And did you form a view about the source of that
9 friction or the cause of it?

10 A I don't think I had one particular view, to the
11 best of my recollection. Many of the
12 individuals in the investigation division and
13 the security division of the lottery
14 corporation, I can't remember if that's the
15 exact title of the division, but that part of
16 the corporation came from similar backgrounds,
17 so there was a lot of, again, clarification of
18 roles at time went on.

19 Q Why would a similar background cause a friction
20 in a relationship? Can you explain that?

21 A I can't explain that, no. I didn't actually
22 observe the friction.

23 Q Okay. But you say you were aware that there
24 were some frictions between those -- the
25 investigation division and BC lotto corporation

1 during your tenure?

2 A Yes.

3 Q Did that friction impede the ability of the --
4 of those two organizations to work effectively
5 together?

6 A Not to my recollection [indiscernible].

7 Q Okay. In your affidavit at paragraph 36 you say
8 there were some challenges in the relationship
9 the GPEB investigations division and other
10 divisions of GPEB. Can you elaborate today on
11 what those challenges were?

12 A Yeah. I would say they were occasional. They
13 weren't constant. I think one of the challenges
14 would have been many of the staff of GPEB came
15 from traditional public service backgrounds.
16 They understand the role of the public servants
17 and so forth. Most of the staff in the
18 investigation division came from a law
19 enforcement background. So they weren't used to
20 the traditional public service way of doing
21 things, if I can use that phrase. And I think
22 at times there were challenges in that work.

23 Q Did those challenges between those relationships
24 impede the ability of the different divisions to
25 work collectively together?

1 A Not to my recollection, no.

2 Q Do you recall specific tensions between
3 Ms. Birge, who I understand was the executive
4 director of the policy division and Mr. Vander
5 Graaf, who was the executive director of the
6 investigations division?

7 A To a degree, yes.

8 Q Did you understand where those tensions stemmed
9 from?

10 A Well, again, to the best of my recollection,
11 based on observing them, part of it was due to
12 style. They had two very different styles of
13 work. Ms. Birge came from a much more
14 traditional public service background.
15 Mr. Vander Graaf, than he did, and so there was
16 some style issues there.

17 Q Did you have concerns that the tensions between
18 those two individuals compromised their ability
19 to work collectively together?

20 A Not in any fundamental way, no.

21 Q Okay. In or around 2006 -- well, first of all,
22 do you recall a gentleman by the name of Ed
23 Rampone who worked for GPEB at a time?

24 A Yes.

25 Q In around 2006 did Mr. Rampone send you a letter

1 warning that money laundering was going to
2 explode and that more enforcement action was
3 needed?

4 A Not that I recall, but ...

5 Q You don't -- you have no recollection of a
6 letter like that?

7 A No.

8 Q Did Mr. -- do you have any recollection of
9 Mr. Rampone advising you that GPEB investigators
10 should attend and seize suspicious cash at the
11 cash cage either orally or in writing?

12 A Could you repeat the last part of that question
13 again, please.

14 Q Whether Mr. Rampone advised you that GPEB
15 investigators should attend and seize suspicious
16 cash at the cash cage?

17 A I don't recall that suggestion from Mr. Rampone.

18 Q Do you recall the issue of suspicious cash being
19 raised to your attention in or around 2006?

20 A No.

21 Q What was your -- what would be your reaction
22 today to the suggestion that GPEB investigators
23 should at that time have been attending and
24 seizing suspicious cash at the cash cage?

25 A Today? That would be speculative, I think.

1 difference of opinion about the scope of IIGET's
2 mandate?

3 A I don't recall that, no.

4 Q Was it ever suggested to you that IIGET viewed
5 its mandate as extending to within legal
6 casinos?

7 A I believe it probably was by some IIGET members.
8 I know, for example, that Mr. Pinnock made a
9 proposal, who was head of the IIGET for a
10 while -- made a proposal to make that change.

11 Q And did you understand that GPEB took a view on
12 the scope of IIGET's mandate?

13 A Well, I'm not sure I would say GPEB took a view.
14 IIGET's mandate was established by the parties
15 involved through a memorandum of understanding.
16 It wasn't up to GPEB or the consultative board
17 to change that.

18 Q Okay. Was it ever suggested to you that it was
19 because of tensions between the investigations
20 division of GPEB and IIGET that IIGET moved to a
21 different office location?

22 A I don't know if it was ever suggested to me that
23 one of those caused the other. I do know that I
24 was -- I has been aware of both the fact that at
25 times there were tensions and that for some

1 reason not explained to me I get relocated I
2 think within the same building but a different
3 floor.

4 Q Insofar as GPEB was meant to be working with
5 IIGET was it your understanding that those
6 efforts were focused outside of legal casinos?

7 A Ask that again, please.

8 Q Was GPEB meant to be working with IIGET in an
9 integrated way?

10 A Yes, it was an integrated team. That was the
11 intention. As I said earlier, GPEB would assist
12 law enforcement as part of its general
13 responsibilities and that carried through into
14 IIGET, so yes, GPEB could assist in some
15 investigations.

16 Q When GPEB was assisting IIGET, was it your
17 understanding that GPEB's focus was outside of
18 legal casinos, then?

19 A Yes.

20 Q You say in your affidavit that the suggestion
21 made in exhibit B, which is dated 2007, that
22 money laundering and loan sharking were
23 significant concerns in legal gaming venues
24 would come as a surprise to you at the time in
25 2007. Mr. Vander Graaf has given evidence that

1 loan sharking was one of the primary issues of
2 concern to GPEB at that time. And my question
3 is did you have regular briefings with
4 Mr. Vander Graaf in and around this time?

5 A Tell me which paragraph you're referring to.

6 Q Yes. It's paragraph 56 of your affidavit.

7 A Thank you. Okay. Sorry, what is the question
8 again?

9 Q My question is did you have regular briefings
10 with Mr. Vander Graaf in or around 2007?

11 A To the best of my recollection, yes.

12 Q Mr. Vander Graaf has given evidence that loan
13 sharking was one of the primary issues of
14 concern to GPEB in or around this period. Did
15 he communicate that to you at those briefings?

16 A I don't recall for sure.

17 Q Does that strike you as something that would
18 have stood out to you?

19 A Yes. But I recall money laundering or the
20 potential of money laundering really becoming an
21 issue around -- I became aware of it at GPEB
22 around 2010, much later than those supposed
23 discussions.

24 Q Okay. And I'd like to refer you, and I take it
25 you have a copy of your affidavit in front of

1 you. Is that right?

3 Q I'd like to refer you if I could to exhibit K
4 and the page I'm looking for is page 73 in the
5 top right-hand corner.

7 Q And you -- first of all I take it you recognize
8 this, Mr. Sturko, as feedback you provided to
9 Dr. German on a draft of his first report. Is
10 that correct?

12 Q And if you look about halfway down the page,
13 it's just above the heading -- do you see the
14 heading "Paragraphs 430 to 439"?

16 Q And looking about halfway down about -- looking
17 at the paragraph just above that, and in that
18 paragraph you say -- and I'll just read it:

20 money laundering and organized crime in
21 casinos. The RCMP portion of the IIGET
22 team was never consistently or fully
23 staffed. IIGET demonstrated it could not
24 undertake high level investigations. As
25 such, I believe it is likely the rise of

1 loan sharking, money laundering and
2 organized crime in casinos was always up
3 to BCLC and GPEB to sort out, even when
4 IIGET was operational."

5 My question is first of all, on what basis do
6 you say that IIGET demonstrated it could not
7 undertake high level investigations?

8 A First off I'll just advise you, I was making
9 these observations for Dr. German after leaving
10 GPEB without any of the value of any documents
11 or any information that I could draw upon. So
12 I'm saying this solely from memory. But my
13 recollection of the IIGET team was that they
14 were focused on -- there were three categories
15 of illegal gambling -- illegal gaming activities
16 that were identified as part of the IIGET
17 discussions, and IIGET focused on the lower and
18 mid-level investigations, and at one time took
19 upon itself, the RCMP team, to take on a
20 high-level investigation of an internet gaming
21 company or something. I'm not quite sure. I
22 can't recall. And was I able to complete that
23 work because of the resources and the number of
24 members they had, et cetera, available to it.
25 So the IIGET RCMP team was limited to 12 people

1 and didn't have the kind of resources you would
2 need to look into that kind of or investigate
3 that kind of activity. That was I think the
4 basis of that comment.

5 Q You said earlier that you didn't think GPEB --
6 that you didn't think investigating money
7 laundering was within GPEB's mandate. Do I have
8 that right?

9 A I don't think it was in its mandate. I don't
10 think it had the resources or the tools to do
11 it.

12 Q What do you mean, then, when you say it was
13 always up to BCLC and GPEB to sort out loan
14 sharking, money laundering and organized crime
15 in casinos?

16 A Again, this is on much more in hindsight. I
17 guess it's around 2018 that I wrote this, many
18 years after I left, again. I think GPEB and the
19 lottery corporation were the two organizations
20 primarily involved in a day-to-day basis in the
21 gambling industry other than service providers,
22 and whatever understanding we could come
23 through, whatever approaches were going to be
24 proposed, it would have to be by the best of my
25 recollection those two organizations that would

1 have kind of sorted that out.

2 Q Do you mean that they needed to find a
3 regulatory or compliance solution to those
4 problems?

5 A [Indiscernible] I don't have a specific solution
6 in mind.

7 Q Did you -- sitting there now, is it your view
8 that law enforcement had no role in sorting out
9 the rise of loan sharking, money laundering and
10 organized crime in casinos?

11 A No, that's not my view at all and wasn't then.

12 Q Okay. Did you understand that -- you were aware
13 that neither BCLC nor GPEB had the resources
14 necessary to conduct any of those kinds of
15 investigations; is that correct?

16 A I knew GPEB didn't. I suspected BCLC didn't,
17 but I couldn't absolutely confirm that. I doubt
18 it did. Or the mandate.

19 Q In 2008 did you attend a GPEB branch meeting in
20 Victoria along with Deputy Minister Corinne
21 McDonald and others at which Mr. Ed Rampone
22 stood up and said publicly words to the effect,
23 ladies and gentlemen, we now have a money
24 laundering problem in BC casinos?

25 A I don't specifically recall that happening. I

1 have read it again since receiving some of the
2 documents, so it's ...

3 Q And having read it, it didn't refresh your
4 memory?

5 A It wouldn't surprise me that that happened.

6 Q But you don't have an independent recollection
7 of it?

8 A It's 13, 14 years ago.

9 Q Okay. In 2009 was Larry Vander Graaf strongly
10 expressing his concerns to you at branch
11 management meeting about the acceleration of
12 large and suspicious currency transactions in
13 the casinos?

14 A He did express that on occasion, yes.

15 Q And in or around 2009 did he tell you at an
16 executive meeting that there was a money
17 laundering problem in casinos?

18 A I don't recall if he did that or not.

19 Q In March 2009 did you ask the investigation
20 audit and registration divisions of GPEB to
21 review and make recommendations for the
22 requirements enforcement instruments and methods
23 in relation to the potential risk of money
24 laundering in gaming facilities?

25 A I know I received either an email or memorandum,

1 I can't recall which, from Ms. Van Sleuwin on
2 behalf of the three of them in I think it was
3 March 2019. So I probably would have asked
4 sometime earlier than that for that work to be
5 done.

6 Q In 2009 do you mean?

7 A Probably earlier than 2009, yes.

8 Q Well, it's appended at exhibit H to your
9 affidavit, so maybe I'll just refer you to that.

10 A Yes.

11 Q This document provides in the first paragraph
12 that the audit registration and investigations
13 division have been requested to review and make
14 recommendations for requirements enforcement
15 instruments and enforcement methods in relation
16 to the potential risk of money laundering in
17 commercial gaming facilities. You agree that if
18 those three divisions received a request like
19 that that would have come from you; correct?

20 A Yes. And my only point was I probably would
21 have made that request earlier than March 2009.

22 Q Okay. So money laundering as a concern must
23 have been on your radar before March 2009;
24 correct?

25 A I suspect potential money laundering, we were

1 aware of it.

2 Q Okay. You were aware of it enough to ask these
3 three divisions of GPEB to look into it and do
4 this detailed memorandum; correct?

5 A Yes.

6 Q And the recommendations made were first of all
7 set out in the second paragraph that:

8 "In order to mitigate or substantially
9 reduce the potential risk in relation to
10 this area, it is our recommendation and
11 position that prior to even considering
12 authorizing PGF accounts it is absolutely
13 necessary for the branch to define in a
14 regulation and/or term or condition of
15 registration specific anti-money
16 laundering requirements."

17 Do you recall that idea being discussed at this
18 time?

19 A I didn't until I reviewed the documents.

20 Q Did you elevate this recommendation to the
21 deputy minister or the minister?

22 A I don't know if I elevated this specific
23 document to the deputy minister or minister. I
24 can't recall. But I would have made them aware
25 of discussions at some time during our

1 deliberations on this.

2 Q Would you have made the deputy minister or the
3 minister aware of the details of the
4 recommendations that your three divisions were
5 putting forward?

6 A I don't recall.

7 Q The memo says that without that enforceable
8 legal requirements the present risk in the BC
9 gaming environment is extremely high. Was that
10 an issue that you remember at this time?

11 A Again, we were aware of potential risk, yes.

12 Q And did you elevate that concern that the
13 present risk was extremely high to the deputy
14 minister or the minister at this time?

15 A I don't recall.

16 Q This memo sets out here a recommendation that
17 suspicious activity needed to be defined and the
18 suggestion here is among other things that cash
19 transactions of greater than \$3,000 which
20 comprise only 20 dollar denominational notes
21 should be deemed to be suspicious. Was that an
22 issue that you were aware of at this time, large
23 cash transactions occurring mostly in \$20 bills?

24 A Yes. We were aware of the large cash
25 transactions, often \$20 bills.

1 Q And other indicators of suspicion here include
2 the smell of illegal or suspicious substances.
3 Was that an issue you were aware of at the time,
4 cash that smelled like illegal substances?

5 A Probably a little bit, yes, maybe.

6 Q Okay. If you go to the next page after the
7 first set of bullets, the recommendation made
8 here is that once a transaction or attempted
9 transaction had been deemed to be suspicious and
10 prior to it being completed, it should be
11 refused or it must be refused. Was that an idea
12 that you remember being discussed at the time,
13 that service providers should be refusing
14 suspicious cash transactions?

15 A Yes, I remember it being raised through this
16 process.

17 Q Did you elevate that recommendation to the
18 deputy minister or the minister?

19 A I don't recall specifically.

20 Q Okay. If you go to the bottom of page 3 of this
21 document, it's suggested that PGF account
22 policies and procedures must include
23 requirements detailed in this document, and in
24 the last line before the bullets, that service
25 providers must exercise appropriate diligence to

1 ensure they understood the background of account
2 holders and the source of funds. Was that idea
3 of verifying the source of funds one that you
4 remember being discussed at this time?

5 A That's a possibility, yes.

6 Q Did you elevate that recommendation to the
7 deputy minister or the minister?

8 A I don't remember what specific elements I raised
9 with the deputy minister.

10 Q Okay. If you go to the last page of this memo,
11 the recommendation here is that the
12 investigation division must have or one of the
13 recommendations here is that the investigation
14 division must have legal authority to prohibit
15 individuals from gaming facilities. I take it
16 the investigation division did not have that
17 authority at this time. Is that right?

18 A Correct.

19 Q And was this an idea you remember being
20 discussed at this time?

21 A Again, by reviewing the documents I do remember
22 it, yes.

23 Q Okay. Did you elevate that idea to the deputy
24 minister or the minister?

25 A Again, I don't recall what specifics I raised

1 with either of them.

2 Q Was it within the scope of your own authority to
3 implement any of these recommendations?

4 A Many of these recommendations would have taken
5 agencies or authorities other than me. For
6 example, I could not implement a regulation or
7 directive on my own. I'm not sure it
8 requires -- some needs to be included in the
9 BCLC casino standards policies. I'm not sure
10 about that this late -- this many years later.
11 So some of these things would have taken other
12 participants to be involved, to be active on.

13 Q And who would those other participants have
14 been?

15 A For example, regulation. That would have
16 involved legal counsel, the Ministry of Attorney
17 General. It would have involved the cabinet
18 operations to move these things through the
19 process. There's a whole process within
20 government when there's legislation,
21 regulations, et cetera, being -- as an example,
22 undertaken.

23 Q But would it fall to you to elevate it to those
24 other agencies if this was a recommendation
25 worth pursuing?

1 A It could.

2 Q In other words, the divisions wouldn't suggest
3 it directly to the minister to introduce a
4 regulation, would they?

5 A The policy division might. They would be the
6 most likely, but most likely it would be me.

7 Q Okay. Did you communicate about the contents of
8 this memo to the lotto corporation?

9 A Yes.

10 Q What was the reaction there?

11 A Well, I have to explain, I guess, the context.
12 Subsequent to this memorandum being sent, we
13 were also -- it was also tied to the discussion
14 about the notion of patron gaming fund accounts
15 and patron gaming fund accounts were seen as a
16 viable potential solution to suspicious cash
17 transactions, et cetera, by creating accounts
18 that would require to come from bona fide
19 financial institutions, therefore ensuring the
20 quality, if I can use that term of the funds.
21 So in other words they've already been vetted by
22 a legitimate institution. And so some of this
23 content got shared with the senior leadership at
24 BCLC as part of those discussions.

25 Q Was there any resistance on the part of BCLC to

1 the recommendations made in this memorandum?

2 A I think to the best of my recollection, BCLC had
3 different views on some of it, yes.

4 Q Which parts of it?

5 A I don't recall specifically which parts, but we
6 went through kind of a process back and forth to
7 work our way through these issues.

8 Q Did BCLC take issue with the idea that there
9 should be criteria around what should be viewed
10 to be a suspicious currency transaction?

11 A I don't recall. There already was a process
12 through FINTRAC to identify suspicious and large
13 currency financial transactions, so they were
14 already obligated to report that. So I would
15 have to say notionally no, but maybe the
16 specifics of this yes. I can't recall for sure.

17 Q Do you recall whether any issue was taken with
18 the idea that there should be defined in
19 regulation or a term and condition of
20 registration specific anti-money laundering
21 requirements?

22 A I don't recall that discussion, no.
23 [Indiscernible].

24 Q Do you recall any resistance to the idea that
25 GPEB should have the ability to bar patrons?

1 A I don't know if -- I can't recall if that
2 particular item made it to the material that was
3 shared with the lottery corporation or not, so I
4 don't recall.

5 Q Do you recall any resistance to the idea that
6 there should be source of funds inquiries made
7 for PGF account holders?

8 A I don't recall any.

9 Q Okay. Did you communicate about the contents of
10 this memo to the service providers?

11 A I did not myself, no.

12 Q Okay. IIGET ceased operations in or around
13 April 2009; correct?

14 A IIGET ceased operations?

15 Q Yes.

16 A I think it was March 31st, 2009, if I recall.
17 End of the fiscal year.

18 Q Okay. And you say that you were consulted by
19 Minister Coleman on that decision; is that
20 right?

21 A Yes.

22 Q What were the contents of those consultations?

23 A Well, they were, as I recall, verbal, but all
24 through the time that IIGET existed, we were
25 keeping track of how effective it was. So first

1 we had an independent consultant come in and do
2 an evaluation of its success, Katherine Tate,
3 and so it would have been me and -- sharing what
4 I learned.

5 Q The consultative board was not satisfied with
6 what IIGET had accomplished; is that right?

7 A That's my recollection, yes.

8 Q Did the consultative board think that IIGET was
9 sufficiently resourced to have accomplished more
10 than it did?

11 A I don't recall what the view of the board was on
12 that.

13 Q Okay. At paragraph 68 of your affidavit.

14 A Yes.

15 Q Well, maybe to put this in context, if you look
16 back at paragraph 66, the first sentence you
17 say:

18 "The topic of money laundering and loan
19 sharking was something of which GPEB had
20 always been aware."

21 At paragraph 68:

22 "The closer I got to the end of my tenure,
23 the more aware I became."

24 So my question is you say you had always been
25 aware of it. Does that date right back to the

1 A Yes.

3 A Well, I'm not a police expert, but I understood
4 it to be to the best of my recollection one
5 person loaning money to another individual to
6 take some action, as I understand it, at high
7 rates of interest. So that ...

11 A Yes.

13 A I can't recall if BCLC had to complete it or
14 not. I don't recall, to be honest.

18 A Correct.

23 A Actual or suspicious.

25 "BCLC and GPEB both had their views on

1 this issue and were trying to approach the
2 issue in a more coordinated way."

3 What do you mean they both had their views on
4 this issue?

5 A So I'm just going to provide just a quick bit of
6 context. So in 2007, I believe it was, the then
7 Minister of Public Safety and Solicitor
8 General -- I believe was John Les at the time --
9 brought Deloitte in and asked Deloitte to do
10 some work in the gaming sector, and one of the
11 things he asked Deloitte to look at was the
12 relationship between GPEB and BCLC and how that
13 was working, et cetera, would they make
14 recommendations. Deloitte did make some
15 recommendations about that relationship and how
16 to improve it, and so my -- that comment is in
17 context of that relationship and the work we
18 were trying to do to improve that relationship
19 at the same time.

20 So let me read the paragraph again for a
21 second, sorry. Yeah, so the point I'm trying to
22 make is as part of the implementation of the
23 Deloitte recommendations, we made efforts
24 between GPEB and BCLC to try to take on these
25 challenges, suspicious currency transactions and

1 what might have to be done there, for example,
2 in a coordinated way. When you have two
3 organizations, there's always differences of
4 viewpoints. That's all I was trying to allude
5 to there.

6 Q Do you recall what the difference of viewpoint
7 was between those organizations at this time?

8 A Not the specifics, no.

9 Q Madam Registrar, can I have exhibit 181 placed
10 before the witness, please. And I'm looking for
11 exhibit H to that affidavit. I don't think we
12 have -- this probably shouldn't be live
13 streamed, but ...

14 And, sir, do you recognize this as a report
15 of findings entitled "Review of Chip Passing,
16 Suspicious Cash Transaction and Loan Sharking in
17 Lower Mainland Casinos" dated March 15th, 2010,
18 and prepared by the investigation division of
19 GPEB?

20 A Yes, that's what it's called, entitled, yes.

21 Q Okay. And, Madam Registrar, if we go to
22 page 126, please. PDF 126. This is the end of
23 the document, and you'll see here the notation,
24 sir, that this was forwarded to the General
25 Manager on April 12th, 2010, and would that have

1 been you at that time?

2 A Correct. It would have been me.

3 Q Okay. And if we go back to the beginning of
4 this exhibit, please. The report sets out at
5 the beginning that this is -- this is the --
6 it's dealing with loan sharking and money
7 laundering issues, and it says these are two of
8 the main priorities of the investigation
9 division. And it sets out that:

10 "Over the past several months I have
11 observed a number of incidents involving
12 large cash transaction patrons at Lower
13 Mainland casinos and their continued
14 involvement in chip passing, money
15 exchanging and loan sharking activities.
16 There are many individuals in these types
17 of histories. However, I have conducted a
18 review of four specific LCT patrons that
19 are chronic violators to determine if
20 there is an ongoing problem that needs to
21 be addressed and what strategies, if any,
22 need to be considered to ensure the
23 integrity of gaming is being protected."

24 So that's just to provide you context of what
25 this report was. Does that refresh your memory

1 as to seeing this report at that time?

2 A I don't recall seeing it at the time, but I have
3 seen it since.

4 Q Okay. If you go to page 125, please, Madam
5 Registrar. And here -- what's set out here are
6 four -- after the review about the four specific
7 patrons, what's set out are four recommendations
8 made to address the issues that have been
9 identified here. And the first recommendation
10 is that:

11 "Patrons observed to engage in any
12 activities consistent with loan sharking
13 activities should be immediately removed
14 from the venue and subject to a barring."

15 What view did you take of that recommendation at
16 the time?

17 A What view did I take at the time? Well, if I
18 recall correctly, these reports of findings were
19 shared with the British Columbia Lottery
20 Corporation for their information for feedback
21 and so forth for potential action. So this was
22 a conclusion drawn by one of the investigators.
23 I didn't take a view one way or the other. It's
24 the investigator's conclusion, so I don't ...

25 Q Okay. You didn't take any steps to implement

1 this recommendation, did you?

2 A Well, can I go to the end of that.

3 Q Yes. [Indiscernible] pardon me?

4 A Can you take me to the end of this document,
5 please.

6 Q Yes. Page 126, please. The next page, Madam
7 Registrar.

8 A In reading this I believe this was forwarded by
9 Mr. Vander Graaf, who was the executive director
10 at the time and Mr. Vander Graaf makes some
11 observations and then advises how his division
12 is already acting on what they found in this
13 report and what they've compiled by dealing both
14 with the British Columbia Lottery Corporation
15 and with the executive director of compliance
16 and enforcement -- or compliance and risk
17 management in GPEB -- Mr. Vander Graaf and his
18 team were already taking actions.

19 Q You understood from reading Mr. Vander Graaf's
20 conclusions that no action was required from you
21 or from anyone higher up within government?

22 A I -- as I recall, I understood he was already
23 taking the initial actions that he felt were
24 necessary, and I was always careful in my
25 management of the branch not to interfere in

1 those kinds of decisions. I didn't have the
2 expertise to make those kinds of decisions and
3 so Mr. Vander Graaf was much better placed to
4 take the actions.

5 Q Okay. In 2010 you were expected -- I don't need
6 that document shown anymore, Madam Registrar.

7 In 2010 you were expected at a meeting with
8 Mr. Vander Graaf, Minister Coleman and Deputy
9 Minister Wanamaker and apparently got caught in
10 traffic. Were you advised by any of those
11 individuals after you arrived that Mr. Vander
12 Graaf had raised the issue of money laundering
13 to the attention of Minister Coleman and the
14 Deputy Minister Wanamaker?

15 A I don't recall being advised at that time. I
16 certainly have been reminded of it as part of
17 this process. December 2010 would have been
18 very, very near my departure from GPEB, so I'm
19 not sure if I would have been advised or not.

20 Q Okay. You were offered the opportunity to and
21 did in fact provide feedback to Dr. German on
22 his draft report; correct?

23 A Yes.

24 Q Madam Registrar, could we -- or, actually, I
25 don't need it, Madam Registrar, to pull it up.

1 If you have your affidavit in front of you, I'm
2 looking at page 94 of your -- sorry, that's
3 PDF -- hang on a second here. Right near the
4 end, and the page in the top right-hand corner
5 is 72.

6 A Yes.

7 Q And in the second paragraph from the bottom, you
8 say this -- I'll just read it to you:

9 "In the pages I was provided to review,
10 there is no reference to a decision by
11 BC's Information and Privacy Commissioner
12 while I was still the ADM and General
13 Manager of GPEB to require GPEB to release
14 Section 86 Reports as part of FOI
15 requests. GPEB and the gaming industry
16 argued against that decision as they were
17 all concerned it would significantly
18 reduce the amount, quality and
19 completeness of Section 86 reports that
20 were provided concerning infractions and
21 incidents in casinos. Subsequently the
22 anticipated response occurred as employees
23 completing these reports feared
24 retaliation from individuals on which they
25 would be reporting no longer

1 confidentially."

2 I'm just stopping there for a moment. When you
3 say that the anticipated response occurred, are
4 you indicating that you observed that the
5 quality and completeness of Section 86 Reports
6 declined following this change?

7 A I didn't personally observe that. I was advised
8 that by the investigations division.

9 Q Do you recall who advised you of that?

10 A I believe it would be Mr. Vander Graaf.

11 Q Was that an issue that was brought to the
12 attention of the service providers?

13 A I wouldn't have brought that to the attention of
14 service providers. I rarely dealt with service
15 providers. So if it would have been anybody it
16 would have been the investigations group or the
17 lottery corporation.

18 Q Was this issue brought to the attention of those
19 that had made the change about what needed to be
20 disclosed for an FOI request?

21 A When you say those that made the change do you
22 mean the privacy commissioner?

23 Q The privacy commissioner.

24 A Yes. We expressed strongly to the privacy
25 commissioner that if you make the change that's

1 being asked of you, it will probably change what
2 people report and the extent of the reports.

3 And my understanding is it did.

4 Q But was that fact that it had actually changed
5 the quality of the reports, was that
6 communicated to the privacy commissioner?

7 A You mean after the fact?

8 Q Yes.

9 A I don't recall.

10 Q Was it communicated to the deputy minister or
11 the minister?

12 A I would have made them aware of it. But through
13 the whole process, not just after the fact, they
14 would have been aware.

15 Q What was their reaction to that?

16 A I don't recall, but I'm sure it was like mine,
17 disappointed.

18 Q Was there any corrective action taken to ensure
19 that the quality and completeness of those
20 reports was brought back up to its previous
21 levels?

22 A I don't know for sure. I don't recall. You
23 know, I don't know exactly what happened, but I
24 can say the reaction we expected did occur,
25 and -- I don't know what happened after in terms

1 of what the service provider, sorry.

2 Q When you say that the decline occurred as
3 employees completing the reports feared
4 retaliation from individuals on which they
5 wouldn't be reporting no longer confidentially,
6 what's the basis for that belief, that that was
7 the cause of the change?

8 A Because based on that belief as I recall this,
9 if an employee is reporting completely
10 anonymously about an incident they observed
11 versus if they were reporting that same incident
12 and even if their name was withheld, the
13 person -- person [indiscernible] finding their
14 reporting would have been aware of the
15 circumstances, who might have been the dealer,
16 the cash cage manager, whatever the situation
17 was. So we were putting that much more
18 potential risk.

19 Q Was this sort of your commonsensical risk
20 assessment or did somebody tell you this fear
21 had materialized?

22 A Definitely GPEB investigators had this fear this
23 risk would -- I believe BCLC also believed it.
24 And so it was commonsense and based on advice
25 from the team, my team, investigators.

1 Q Did any part of your team indicate to you that
2 any employee of a service provider who was
3 tasked with filling out these reports had
4 expressed these concerns?

5 A I don't recall.

6 Q Okay. In the bottom paragraph you say you
7 believed this problem contributed to the matter
8 which Dr. German was reviewing. In what way do
9 you say that was a contributing factor?

10 A Well, Dr. German was looking into the matter of
11 money laundering, so I guess the connection I
12 was making was if a person, say, working in a
13 casino feared retaliation wouldn't report
14 potential money laundering, that would be a
15 problem that carried on and didn't get
16 addressed. And so if it didn't get changed
17 subsequent to my time at GPEB by the privacy
18 commissioner, that was something maybe
19 Dr. German should be aware of. That change did
20 make a difference.

21 Q Do you understand the problem with money
22 laundering to be centred on a lack of complete
23 reporting?

24 A The problem with money laundering being -- I
25 mean, as a sole problem or primary problem,

1 reporting?

2 Q You believe this problem contributed to the
3 matter which Dr. German was reviewing and I'm
4 trying to understand how it contributed.

5 A Well, Dr. German did his work, if I recall
6 correctly, in 2018, and money laundering had
7 become a much more -- much stronger awareness
8 about it by that time, and if the requirement to
9 share Section 86 Reports essentially publicly
10 continued, that might be a factor in money
11 laundering not being identified. That's the
12 context in which I was making the comment to
13 Dr. German.

14 MS. LATIMER: Thank you. Mr. Commissioner, those are
15 all my questions for this witness.

16 THE COMMISSIONER: Thank you, Ms. Latimer.

17 I'll now call on Mr. Smart on behalf of the
18 BC Lottery Corporation who has been allocated
19 25 minutes.

20 MR. SMART: Mr. Commissioner, I'd like to start by
21 putting up a document. It's 1551. It's simply
22 DOC00001551 and it's the roles and
23 responsibilities of participants.

24 **EXAMINATION BY MR. SMART:**

25 Q I'll just -- there's been a -- this was a little

1 bit of a change from an earlier one, Mr. Sturko.
2 I'll just scroll down to the bottom of that
3 first page and you'll see the date,
4 February 22nd, 2010?

5 A Yes.

6 Q And if I can just go back up. I just want to --
7 this sets out the role of government, the role
8 of GPEB and the role of the BC Lottery
9 Corporation. You'll see:

10 "The role of government, through the
11 minister responsible, provides broad
12 policy direction to ensure British
13 Columbia's social and economic priorities
14 for gaming are achieved."

15 That's consistent with your understanding that
16 it was the government through the minister
17 responsible to provide broad policy direction
18 focused on the social and economic priorities
19 for gaming?

20 A Yes.

21 Q Okay. I mean, you've been involved in gaming
22 since essentially since gaming was expanded in
23 British Columbia at the beginning of the
24 century, approximately. You have been, haven't
25 you?

1 A I became involved in the gaming sector, I
2 believe it was December 1999 and was there until
3 December 2010, yes.

4 Q Yes. The decision by the government of the day
5 to expand gaming, what was your understanding of
6 what drove that? That's when slot machines went
7 into casinos, the expansion of casinos. What
8 was the driving purpose behind the expansion of
9 gaming?

10 A So going back quite a ways in time, when I
11 arrived at the gaming policy secretariat in
12 December 1999, I would describe the industry as
13 a bit confusing. There were many agencies
14 involved in disparate places around the
15 government. Charities had certain functions
16 which they carried responsibility and full
17 authority but didn't really know how to do, such
18 as running casino gaming. It was probably more
19 expensive than it needed to be, and so the
20 introduction of a new model announced in
21 September of 2001 was to introduce a much more
22 rigorous, streamlined business-like approach to
23 gaming in the province. That was the announced
24 purpose by the minister.

25 Q But it was revenue driven, wasn't it?

1 A Pardon me?

2 Q It was revenue driven?

3 A I have to say revenue was a consideration, but
4 it was not a revenue-driven activity solely, no.

5 Q But it was an effort to -- for the government to
6 be able to have the benefit of revenue that was
7 generated from legalized gaming in this province
8 to use for social good. Good social purposes.
9 Revenue for local government, revenue for
10 provincial government, revenue for charities and
11 hospitals and the like. That was the primary
12 driving force as to why we put slot machines
13 into casinos and expanded them, wasn't it?

14 A I would still say there were a number of reasons
15 for doing it. That may have been one of them,
16 yes.

17 Q And trying to balance the social good from
18 gaming also came a responsibility to try to
19 minimize the social harm that comes from gaming
20 expansion. Do you agree with that?

21 A Yeah, as gaming evolved there was a
22 responsibility to manage the potential risks,
23 yes.

24 Q So if I can go back to the role of government is
25 to provide the broad policy direction. And I'll

1 take you -- actually I'm going to then go to the
2 third role, the British Columbia Lottery
3 Corporation on the second page. And it states
4 that:

5 "BCLC is a commercial Crown corporation
6 and an agent of the Crown which is
7 responsible for conducting and managing
8 all commercial gaming in the province with
9 the exception of horse racing. In
10 general, BCLC is a gaming entertainment
11 company that manages all contracts and
12 formal relationships with gaming facility
13 service providers ..."

14 Et cetera. Did that accord with your
15 understanding that in one respect it was a
16 gaming entertainment company?

17 A Yes.

18 Q Okay. And it says below that:

19 "BCLC is responsible for enhancing the
20 financial performance, integrity,
21 efficiency and sustainability of the
22 gaming industry in the province within the
23 policy framework established by the
24 Province of British Columbia."

25 Again, that accords with your understanding of

1 BCLC's role?

2 A Yes.

3 Q So it's the government that sets the broad
4 policy, and BCLC is responsible for enhancing
5 financial performance, integrity, efficiency,
6 sustainability of the industry within the policy
7 framework established by the province; right?

8 A Yes.

9 Q Okay. And so then I'll take you back to the
10 second page, which is regulating the British
11 Columbia gaming industry. And it states that --
12 and I'll use the acronym:

13 "GPEB has regulatory oversight over all
14 gaming in the province. This includes
15 ensuring the integrity of gaming, gaming
16 industry companies, people and equipment."

17 And then it sets out some of the
18 responsibilities of GPEB, including developing
19 and maintaining the policy and regulatory
20 framework. And I'll skip over this to the
21 second page, please. One of the
22 responsibilities is:

23 "Managing a rigorous investigation program
24 which includes investigating all
25 complaints and allegations of wrongdoing

1 related to gaming and assisting law
2 enforcement agencies in all criminal
3 investigations in or near gaming and horse
4 racing facilities."

5 So in GPEB had overall responsibility,
6 Mr. Sturko, for regulating the gaming industry,
7 didn't it? It was the regulator?

8 A Yes.

9 Q Okay. And that included, as it just states, a
10 rigorous investigation program, and essentially
11 working with police, assisting police as well;
12 correct?

13 A In criminal matters, yes.

14 MR. SMART: Yes. Just take that down. Thank you,
15 Madam Registrar.

16 THE COMMISSIONER: I'm sorry, Mr. Smart, do you want
17 that marked.

18 MR. SMART: I'm sorry. Thank you. And I'm not sure
19 if it's been marked or it's part of an exhibit,
20 but it's one I'm going to refer to again so I
21 would like to have it marked, please,
22 Mr. Commissioner.

23 MS. LATIMER: It is already marked as exhibit C to
24 Mr. Vander Graaf's affidavit.

25 THE COMMISSIONER: Okay.

1 THE REGISTRAR: Sorry, Mr. Commissioner, did you want
2 to mark it as a separate exhibit?

3 THE COMMISSIONER: I think we may as well.

4 THE REPORTER: 508.

5 THE COMMISSIONER: Thank you.

6 **EXHIBIT 508: GPEB - Roles and Responsibilities**
7 **of Participants in British Columbia's Gaming**
8 **Industry - February 22, 2010**

9 MR. SMART:

10 Q Mr. Sturko, I appreciate [indiscernible]
11 questions that go back 10 to 20 years, and
12 memories are -- they don't get better as we age.
13 But let me just ask you about the role as an
14 Assistant Deputy Minister. I mean, as the ADM
15 of this regulatory body GPEB, do you also have
16 the title of being the General Manager?

17 A Yes. The General Manager was the title
18 established in the act. ADM was the public
19 service title based on classification. One was
20 administrative one was the act.

21 Q And as the Assistant Deputy Minister, as an
22 Assistant Deputy Minister, are you also
23 reporting to the deputy minister and the
24 minister responsible for gaming?

25 A Yes.

1 Q Okay. And as the General Manager you're in
2 charge of managing GPEB?

3 A Yes. Providing leadership to GPEB, yes.

4 Q Sorry, I mispronounced your name. Mr. McGowan
5 has pointed that out, Mr. Sturko. I'm sorry.

6 A Ok.

7 Q With the last name of Smart, I'm sensitive about
8 last names, so I apologize.

9 And Mr. Vander Graaf and Joe Schalk, for
10 example, they reported to you?

11 A Mr. Vander Graaf did, Mr. Schalk reported to
12 Mr. Vander Graaf.

13 Q I see. I noted in your affidavit and in your
14 will-say that -- when I looked at them that you
15 describe as there being tension between your
16 investigative section, the one that Mr. Vander
17 Graaf was the executive director. Tension
18 between that division of GPEB and other
19 divisions of GPEB.

20 A Yes.

21 Q Okay. And there was tension between GPEB's
22 investigative section and BCLC?

23 A Yes.

24 Q And there was tension between the investigative
25 section of GPEB and the RCMP in relation to

1 IIGET?

2 A I -- yes.

3 Q Pardon me?

4 A Yes.

5 Q Yes. Did it occur to you that maybe some of the
6 members of your investigative section may be --
7 their approach to relationships with other
8 divisions was maybe a bit more aggressive than
9 necessary?

10 A I thought about it, yes. But I would have to
11 say GPEB was a relatively new organization in
12 the landscape and was a given fairly good
13 mandate. And there was a lot of to and froing,
14 there's some natural tensions that occur between
15 the organizations, so ...

16 Q You've attached some documents to your
17 affidavit, and I want to take you to the
18 exhibit B to your affidavit.

19 A Exhibit B?

20 Q B. I'm sorry, yes. And this was the provincial
21 casino enforcement intelligence unit, a business
22 case for the formation of this provincial casino
23 enforcement intelligence unit authored by
24 Mr. Pinnock, who testified earlier in this
25 hearing.

1 A Which exhibit did you say, sorry?

2 Q I think -- I have it as exhibit B to your
3 affidavit.

4 A I'm at D. I'm sorry. Yes, okay.

5 Q And you were on the -- you were a member of
6 the -- again I'll use the acronym IIGET,
7 consultant board along with law enforcement and
8 other representatives?

9 A Yes.

10 Q Mr. Pinnock, then, I think, staff sergeant, was
11 a member of that board for a period of time?

12 A I don't believe Mr. Pinnock was a member of the
13 board. Mr. Pinnock was the officer in charge of
14 the running of IIGET as a team. So he reported
15 in to the board.

16 Q Would he come to meetings?

17 A Sometime, yes.

18 Q Okay. He, at the bottom -- and I'm looking
19 at -- under what has an 003 at the top, the
20 executive summary.

21 A Yes.

22 Q He states at the bottom paragraph, Mr. Sturko:

23 "IIGET is currently mandated to
24 investigate illegal gaming only. The
25 criminal element operates and moves freely

1 between illegal and legal gaming
2 facilities. It's critical that an
3 enforcement/intelligence can unit and
4 created in response to criminal activity
5 which occurs in and around legal gaming
6 venues throughout British Columbia."

7 And I'll just take you over to page with the 004
8 at the top under the heading the "History of the
9 Issue." Do you see the first paragraph?

10 A Yes.

11 Q And he states:

12 "Legal gaming venues within British
13 Columbia exist primarily in the form of
14 licensed casinos and horse racing tracks.
15 There's a significant organized crime
16 presence already firmly entrenched within
17 several of these venues. This is
18 manifested in many forms, specifically
19 loan sharking, money laundering,
20 counterfeiting, drug trafficking,
21 institutional corruption and the frequent
22 acts of violence and intimidation."

23 I'll just stop you there. Those concerns
24 expressed in this document about -- and
25 specifically money laundering and loan sharking

1 involved. Often those investigations, et
2 cetera, are undertaken covertly as opposed to
3 overtly, and so I wasn't aware of what was being
4 done in terms of investigations or any matter.

5 Q And eventually IIGET was disbanded, wasn't it?

6 A Correct.

7 Q Were you concerned at that point who's going to
8 work with my investigators at GPEB to deal with
9 crime in casinos and in particular money
10 laundering, loan sharking, other -- those other
11 kinds of crimes? Were you concerned about who
12 is going to work with my investigators?

13 A I knew that the traditional or -- not the right
14 word, but that law enforcement agencies, police
15 of jurisdiction had responsibilities and
16 authority and resources to be the ones to try to
17 address those kinds of matters. IIGET was
18 explicitly focused on illegal gambling activity.
19 And while I understand listening to Mr. Vander
20 Graaf and Mr. Schalk's testimony, some IIGET
21 officers at other times went into legal gaming
22 venues, it was not the mandate of IIGET. And so
23 it was my understanding and belief that law
24 enforcement agencies would be the agencies with
25 which GPEB investigators would work in legal

1 gaming venues, for whatever matters were being
2 investigated.

3 Q And as time went on and we move into 2009 and
4 2010, you were being advised by Mr. Vander Graaf
5 that there was a real concern about the large
6 suspicious cash transactions that were coming
7 into casinos. You were made aware of that?

8 A Yes.

9 Q And then it's in some of the documents you've
10 attached to your affidavit. I appreciate it was
11 near the end of your tenure when it became more
12 profound, but you were being told, we're very
13 concerned this is proceeds of crime, weren't
14 you?

15 A Yes.

16 Q And there was suggestions that BCLC should
17 simply refuse to take the cash, these large
18 suspicious cash transactions?

19 A I believe so, yes.

20 Q Yeah. But it's government that sets policy,
21 doesn't it?

22 A Broad policy, yes.

23 Q Yes. And then Mr. Vander Graaf was looking to
24 you to do something about this cash, wasn't he?

25 A I guess so, yes.

1 Q I mean, you had the authority to go to
2 government and ask for a directive, for example,
3 to service providers to cap the amount of large
4 cash transactions that were coming into casinos.
5 I'm not saying that should or shouldn't happen,
6 but you had the authority to do that?

7 A To my recollection, that was a grey area. The
8 *Gaming Control Act* articulated and still does, I
9 guess, the authorities which the General Manager
10 has. And in terms of directives and so forth,
11 there's certain kinds of directives explicitly
12 listed, and they were very much about things
13 happening outside of the realm of gambling,
14 security and surveillance, responsible gambling
15 and so forth. In addition, that act explicitly
16 prohibits the General Manager from being in any
17 way involved in the conduct of the management
18 and operation of gaming. So it's a bit of a
19 grey area just how far the General Manager could
20 push that authority.

21 Q But certainly as the Assistant Deputy Minister
22 you could have gone to the minister of the day
23 and said minister, we need to do something about
24 these large cash transactions; I'm seeking to
25 have you issue a direction on behalf of the

1 government to the BC Lottery Corporation to
2 direct service providers to not take this cash.
3 You could have done that?

4 A I suppose I could have asked. Again, I'm not
5 sure the minister can do that just through a
6 directive. That's stepping into the operation
7 of facilities. So I'm not sure. It's a grey
8 area for me. It was a grey area for me at that
9 time.

10 Q Did you have those discussions with government?
11 Did you bring to their attention, my
12 investigators are concerned about the amount of
13 cash coming into casinos?

14 A They would have been aware, Mr. Deputy would
15 have been aware, because the processes to
16 prepare ministers for a variety of processes
17 like estimates, question period and legislation
18 and so forth, and they were always focused on
19 the issues of the day, so this would have been
20 amongst the issues they would have been briefed
21 upon, yes.

22 Q I appreciate you don't have a police background,
23 but you knew that your investigators were
24 Special Constables?

25 A Yes.

1 Q They had the authority of police officers?

2 A Some of the authorities of police officers.

3 Q Yes. They're not carrying guns and they're

4 not -- there's limitations. But they're

5 empowered to enforce the *Criminal Code* in so far

6 as *Criminal Code* offences may be committed in a

7 casino, for example?

8 A Is that a question?

9 Q Yes. You agree with that?

10 A I would say empowered to some degree, but most

11 of their ability would have been in assisting

12 law enforcement agencies, not doing it directly.

13 Q We heard some evidence yesterday -- and this is

14 how we deal with money laundering is an evolving

15 process, and it has changed over many years, I'm

16 sure as you appreciate. But GPEB, the plan we

17 heard now from the, I think, executive

18 director -- I think he's the executive

19 director -- was that GPEB investigators are

20 actually going to go into casinos and they're

21 going to work shifts where it's busy, even if

22 it's at evening time, they're going to be

23 making -- if there's large suspicious cash

24 transactions, they may question the patron who

25 brings the cash in. They may even if they have

1 sufficient ground, seize money. They will be
2 working -- call on the assistance of police, but
3 they're actually going in themselves to the
4 casino essentially and investigating what's
5 going on rather than reading reports. Is that
6 something that was -- you considered back in
7 2009 and 2010 as you were hearing about these
8 large suspicious cash transactions? Was that
9 something that you considered?

10 A I don't recall considering it, and I don't
11 recall -- I don't recall the investigations
12 being raised at the time.

13 Q Okay. I mean, I'm a bit defensive because I'm
14 acting for BC Lottery Corporation and there's a
15 lot of criticism directed at what it didn't do
16 during this period of time. What essentially
17 did GPEB do to try to deal with this expansion
18 of suspicious cash that was coming in to
19 casinos?

20 A So beginning -- well, a couple of things.
21 Beginning sometime in 2009 we began discussion
22 with the lottery corporation from the Vice
23 President down about the concerns around
24 suspicious cash transactions that were being
25 observed, reported, et cetera, and shared that

1 information with the President and others. And
2 began -- sharing that in the context of a
3 discussion around what could be the alternative
4 to this. And the initial discussions were
5 around something that got called patron gaming
6 fund accounts, a viable alternative to cash
7 coming into the casino, and as a way to let a
8 person bring proceeds in from an already
9 certified financial institution, if I could use
10 that term. The money would have already been
11 confirmed, if I can use that term as well. So a
12 more comfortable, I guess. So that was one way.
13 That was an iterative process between us and
14 BCLC that occurred over a number of months where
15 their concerns raised that we talked earlier by
16 Mr. Vander Graaf, Mr. Saville and Ms. Van
17 Sleuwin around approaches that could be taken
18 were shared with the lottery Corp. We asked for
19 the lottery Corp.'s views. We put those
20 together and looked at what FINTRAC was already
21 doing. We looked at all this in the context of
22 all the other things that were already going on,
23 Section 86 reporting, FINTRAC reporting, the
24 lottery corporation's standard operating
25 procedures and so forth, trying to figure out

1 how do we do this. That ultimately led to a
2 piloting of that PGF account notion I believe
3 starting in December 2009. So we were trying to
4 find alternatives to cash.

5 Q All right. And did you -- shortly after you
6 left there Robert Kroeker was asked by the
7 government to do a review and ultimately
8 prepared a report. Did you get a chance to read
9 that? I appreciate you're in a different
10 ministry, but did you read that report?

11 A I don't recall that I did.

12 Q Okay. If I go back to when you were the ADM.
13 Am I correct, then, that you didn't really see
14 you as having the authority to go to government
15 and seek them to issue directives or direction
16 to either GPEB or the BC Lottery Corporation as
17 to how to address these large suspicious cash
18 transactions that were occurring?

19 A Well, I would say that there was a bit of a grey
20 area in terms of the authority of the General
21 Manager to do that kind of thing on his own for
22 sure. And even -- and secondly, we started an
23 approach -- because as I testified earlier, as a
24 consequence of Deloitte having been in, we were
25 directed to work in a much more cooperative way,

1 much more complementary of the lottery
2 corporation, to solve problems and find
3 solutions, including things like risk management
4 and so forth. So we took the approach of
5 working proactive at BCLC as, I guess, a less
6 precipitous kind of action to find solutions
7 that worked for everybody.

8 Q Did you believe you had a good working
9 relationship with your counterparts at BCLC
10 during that time?

11 A I thought I had a good relationship with
12 Mr. Graydon, for example, yes.

13 Q And did you -- is it mainly primarily
14 Mr. Graydon that you were communicating with or
15 was Terry Towns also somebody you were
16 communicating with?

17 A Well, as a consequence again of the Deloitte
18 work, one of the things we did initiate was
19 joint executive committee meetings, so there
20 were senior teams from both groups meeting on a
21 variety of issues. Sort of I would -- best I
22 can recall maybe quarterly. So a leadership
23 team at BCLC would have been part of those
24 discussions. So I did get to know them. I did
25 seem to have a fine working relationship with

1 them, yes.

2 Q Do you agree with me that Mr. Graydon and the
3 other leadership groups at BCLC were concerned
4 with this large suspicious cash transactions and
5 how to deal with them?

6 A I don't think I can draw a conclusion one way or
7 the other. I know what I saw. I know what I --

8 Q Okay. They were working with you in cash
9 alternatives?

10 A Yes.

11 Q All right. And the difficulty was that casinos
12 were a cash business?

13 A That was an important part of the context, yes.

14 MR. SMART: All right. Thank you, Mr. Sturko. Those
15 are my questions.

16 THE WITNESS: Thank you, sir.

17 THE COMMISSIONER: Thank you, Mr. Smart.

18 I'll now call on Mr. Skwarok for Great
19 Canadian Gaming Corporation --

20 MR. SKWAROK: I have no questions, sir. Thank you.

21 THE COMMISSIONER: Thank you, Mr. Skwarok.

22 Ms. Mainville, for Mr. Kroeker, who's been
23 allocated five minutes.

24 MS. MAINVILLE: Similarly I have no questions,
25 Mr. Commissioner.

1 THE COMMISSIONER: Thank you, Ms. Mainville.

2 And finally Ms. Rajotte for the province,
3 who has been allocated 20 minutes.

4 MS. RAJOTTE: Thank you, Mr. Commissioner.

5 **EXAMINATION BY MS. RAJOTTE:**

6 Q Good afternoon, Mr. Sturko. Can you hear me
7 okay?

8 A I can. Good afternoon.

9 Q Mr. Sturko, could you please turn to exhibit H
10 of your affidavit. This is a document that my
11 friend Ms. Latimer turned you to earlier today.
12 We see an email dated March 16, 2019. It's sent
13 by Terri Van Sleuwin. So she was your Executive
14 Director of Audit and Compliance at the time; is
15 that right?

16 A Correct.

17 Q And copied on that email are Mr. Vander Graaf,
18 who was the executive director of your
19 investigations division at the time; is that
20 right?

21 A I don't see him copied on my copy, but yes, he
22 was.

23 Q Also copied on the email on my copy is Rick
24 Saville. What was his position it was?

25 A Mr. Saville was the Executive Director of

1 Registration and Certification.

2 Q And the email sent to you and Bill McCrea. What
3 was Bill McCrea's position at the time?

4 A Mr. McCrea joined GPEB probably sometime in 2008
5 after the creation of a new division, which
6 resulted from the work of Deloitte in 2007. He
7 became the Executive Director of Internal
8 Compliance and Risk Management.

9 Q And what was the just briefly the core work of
10 that division?

11 A Two or three things. One was a feature of the
12 Deloitte recommendations whereas were for GPEB
13 and BCLC, so both separately and collectively to
14 put in place risk management processes, risk
15 regimes, et cetera. Mr. McCrea had done that
16 work in Ontario previously and came well
17 positioned to lead that process. Mr. McCrea
18 also did take on some responsibilities for some
19 kind of cross divisional -- there was more than
20 one group involved -- facilitating and
21 coordinating, and he ultimately as I recall took
22 on the responsibility for managing that process
23 tied to the matters contained in this memo,
24 patron gaming funds, et cetera.

25 Q Okay. Thank you. And if we could turn to --

1 Madam Registrar, if I could ask for document
2 GPEB3689 to be pulled up on the screen, please.

3 Do you have that document in paper form
4 before you, Mr. Sturko?

5 A Maybe I do. Yes, I do.

6 Q So this is an email that is dated the same month
7 as exhibit H that we were just looking at, later
8 that month, March 30th, 2009, from Bill --
9 Mr. McCrea to yourself copying the other
10 executive directors. Do you see that?

11 A Yes, I do, yeah.

12 Q And the email reads:

13 "Hi Derek. Further to our conversation
14 here is a completed version of the
15 discussion document that Terri and I put
16 together."

17 Do you understand Terri to be a reference to
18 Ms. Van Sleuwin, your executive director of your
19 audit division at the time?

20 A Yes. And she's copied on the emails.

21 Q And then you say:

22 "This is in shape to present to BCLC."
23 Do you see that?

24 A Yes.

25 Q If you turn the page, there's an attachment

1 document, which is a discussion document
2 entitled "Money Laundering Risk Management"?

3 A Yes.

4 Q And if you read the first two bullets, it states:

5 "GPEB developed principles and specific
6 requirements in order to mitigate and/or
7 substantially reduce the potential risk of
8 money laundering in commercial gaming
9 facilities. This is reviewed in
10 conjunction with the request by BCLC to
11 allow patron gaming fund accounts in
12 commercial gaming facilities."

13 Do you see that?

14 A Yes, I do.

15 Q And, Mr. Sturko, do you recall the circumstances
16 around this document?

17 A Generally I do. The document we looked at
18 previously was the memorandum that Ms. Van
19 Sleuwin had sent, and I believe -- I recall us
20 making the decision to begin the discussions
21 with the lottery corporation about some of the
22 contents of that memorandum, and I believe this
23 document was our efforts to turn it into a
24 discussion piece to either share with or present
25 to the lottery corporation. It's got many of

1 the same topics suggesting.

2 Q So, for example, if we look at the next page
3 there's a heading "Suspicious Activity." Do you
4 see that?

5 A Yes, I do.

6 Q And similar to the internal memorandum which was
7 sent by you executive directors, we see the
8 suggestion for a definition of suspicious
9 activity as it relates to cash transactions in
10 BC casinos?

11 A Yes.

12 Q And similar to the internal memorandum from your
13 executive directors, the first bullet point
14 suggests that one of those indicators of a
15 suspicious cash transaction be that the
16 transaction is greater than \$3,000 and is
17 comprised of \$20 bills?

18 A Yes, I see that.

19 Q Similarly, if you look a few four bullets points
20 down you'll see another suggested definition
21 that the patron will not provide identification,
22 source of funds or occupation and/or provides
23 unacceptable information?

24 A Yes.

25 Q And then similarly at the bottom of this page we

1 see the proposal by GPEB that if the
2 transaction, the cash transaction meets those
3 criteria, that there be a requirement that the
4 service provider refuse the cash transaction;
5 correct?

6 A Yes, I see that.

7 MS. RAJOTTE: Mr. Commissioner, if I could please
8 mark this document as the next exhibit.

9 THE COMMISSIONER: All right. 407, Madam Registrar?
10 507?

11 THE REGISTRAR: 509, Mr. Commissioner.

12 THE COMMISSIONER: Oh, I'm well out. All right.
13 509, thank you.

14 **EXHIBIT 509: Email from Bill McCrea, re Money**
15 **Laundrying Risk Management, March 30, 2009**

16 MS. RAJOTTE: Madam Registrar, if we could pull up as
17 the next document, please, GPEB3690.

18 Q Mr. Sturko, do you have that document before
19 you?

20 A 3690, yes, I do.

21 Q Okay. And if you look at the bottom of the page
22 you'll see there's an email from yourself to
23 Michael Graydon dated March 31st, 2009, which is
24 the day after the prior document we were looking
25 at, which was Mr. McCrea's email to you with the

1 draft discussion document for presentation to be
2 BCLC?

3 A Yes.

4 Q Do you know what Mr. Graydon's position was at
5 this time?

6 A You mean his job at BCLC or his position on
7 these matters?

8 Q His job at BCLC?

9 A He was the President and CEO.

10 Q And could you just -- if you could take a moment
11 to review the content of your email to
12 Mr. Graydon and then tell us what you understand
13 or what you recall about this communication that
14 was sent.

15 A Just give me a moment. So as I discussed a
16 little earlier, this was, I think, the beginning
17 of our discussion with the lottery corporation
18 senior officials about the notions that had been
19 raised by the three executive directors and
20 our -- my acknowledgement on behalf of the
21 branch that we didn't really have an issue as a
22 branch with the notion of the patron gaming fund
23 account approach. There was some other
24 foundational issues we wanted to discuss and
25 sort through with the lottery corporation, which

1 are articulated there. I think that's one, two,
2 three, but I cut off a bit -- and if we can
3 address these issues we can move to a patron
4 gaming fund account as part of a solution to the
5 potential of money laundering.

6 Q Okay. And if you -- just sort of down at the
7 bottom of this page what we see is -- part of
8 the page is cut off, but I think it says:

9 "I suggest I get Suzanne to set up a
10 meeting (it will be Bill McCrea and I) and
11 we send you a --"

12 And then in quotes:

13 "-- 'discussion paper' to inform that
14 meeting."

15 Do you see that?

16 A Yes, I do.

17 Q Do you recall whether you sent to Mr. Graydon at
18 this time or following this email a copy of the
19 discussion document, money laundering risk
20 management, that we saw Mr. McCrea send to you
21 in draft the day before?

22 A I don't recall explicitly, but it might have
23 been Mr. McCrea who forwarded that document, and
24 it might have been -- well, it would have been
25 that document with an [indiscernible] kind of

1 thing, yes.

2 Q To the best of your recollection right now, that
3 a document or document with substantially the
4 same content was sent to Mr. Graydon for the --

5 A [Indiscernible], yeah.

6 MS. RAJOTTE: Okay. Mr. Commissioner, if we could
7 please mark this document as the next exhibit.

8 THE COMMISSIONER: 510.

9 THE REGISTRAR: Exhibit 510.

10 EXHIBIT 510: Emails re Casino Lg Accounts,
11 March 31, 2009

12 MS. RAJOTTE: Madam Registrar, if we could pull up as
13 the next document GPEB3692.

14 Q Mr. Sturko, do you have this document before
15 you?

16 A I do.

17 Q So this is an email exchange between you and
18 Mr. Towns a few months later. And do you
19 know what -- well, it says right here Mr. Towns
20 was -- you understood him to be Vice President
21 of Corporate Security and Compliance for BCLC at
22 this time?

23 A Yes. Correct.

24 Q And in the email at the bottom of the page dated
25 July 8th, 2009, Mr. Towns writes to you:

1 "Derek: Please find attached a response
2 document to your money laundering risk
3 management document."

4 So to the best of your recollection, did
5 Mr. Towns provide you with a response to GPEB's
6 money laundering risk management document
7 discussion paper that we reviewed earlier?

8 A Yes, I believe he did, to the best of my
9 recollection.

10 Q And then we see at the top of the page
11 Mr. McCrea sending an email to the -- your other
12 executive directors who we spoke of before, your
13 executive directors of registration,
14 investigation and audit, copying you and
15 reporting on a conference call earlier that day
16 that you had with members of BCLC, including
17 Mr. Graydon, Mr. Towns?

18 A Yes.

19 Q Jacquetta Goy, do you recall who that was at
20 BCLC?

21 A I don't recall which position she had held at
22 that time, no, sorry.

23 Q That's okay. Darryl Schiewe, do you recall the
24 position he held?

25 A Mr. Schiewe, I believe was either the Vice

1 President or some senior position in casino
2 gaming.

3 Q And what about Doug Morrison?

4 A I can't recall what his position was, sorry.

5 Q And Mr. McCrea writes the conference call:

6 "... this afternoon to review their
7 process towards understanding risks and
8 controls around large and suspicious cash
9 transactions. This is related to the
10 ongoing discussions concerning casino PGF
11 accounts."

12 A Yes.

13 Q Mr. McCrea then attaches or refers to attaching
14 two documents to this email. The second of
15 which he says:

16 "... develops a comparison of GPEB's
17 discussion on large and suspicious money
18 transactions with the FINTRAC requirements
19 and BCLC's commentary."

20 Do you see that?

21 A Yes, I do.

22 Q And if we could please -- Madam Registrar,
23 there's no attachments to this email in the
24 document as it's been produced, but, Madam
25 Registrar, if we could please pull up a document

1 which I believe may be one of the attachments to
2 this email. It's GPEB3693.

3 Oh, and, Mr. Commissioner, I need to seek
4 leave to put this document to the witness. This
5 second document, which I believe to be an
6 attachment to this other email I provided late
7 notice of under the commission's rules. I
8 provided timely notice of the email but didn't
9 find the attachment in time, so I need leave.

10 THE COMMISSIONER: All right. Is there any
11 objection? Hearing none, I will grant you leave
12 to introduce the document.

13 MS. RAJOTTE: Thank you, Mr. Commissioner.

14 Q So, Mr. Sturko, if you look at this chart, to me
15 it appears to match the description of what
16 Mr. McCrea describes as a second attachment to
17 his July 8th, 2009 email, and it has the same
18 date. Do you recognize this chart?

19 A Again, I didn't recognize it -- I didn't recall
20 it, but I recognized it once I'd seen the
21 materials. And you're correct, it does parallel
22 closely parallels with the content of email that
23 Mr. McCrea sent.

24 Q Okay. Thank you. And what do you understand
25 this chart to represent?

1 A I understood this to be -- I guess maybe the
2 first formal place where we tried to draw the
3 comparison between the potential policy position
4 around suspicious activity, et cetera, that the
5 three executive directors had proposed, what I
6 understood to be the current -- then current
7 reporting requirements that FINTRAC held on
8 those same topics, and what I understood to be
9 BCLC's responses to GPEB's positions in the
10 context of FINTRAC's requirements. So it was
11 kind of putting the three views together.

12 Q And do you know if this -- was this a document
13 that was created within GPEB?

14 A I believe Mr. McCrea created this document.

15 Q Okay. And so if I understand that, then, in the
16 first column with the heading "GPE," what we see
17 in terms of the content is in substance and
18 large part the proposals or recommendations that
19 were brought to you in March of 2009 by your
20 executive directors?

21 A Correct.

22 Q And in the second column titled "FINTRAC" we
23 have Mr. McCrea summarizing FINTRAC's rules and
24 regulations around the specific issues raised in
25 GPEB's proposals; is that right?

1 A That's my understanding, yes.

2 Q And then in the third column with the heading
3 "BCLC" is what you understand to be Mr. McCrea's
4 summary of BCLC's response to each of GPEB's
5 proposals?

6 A My only difference would be that I'm not sure if
7 Mr. McCrea would have summarized the reviews or
8 just copied them into the table. More likely
9 the latter.

10 Q Okay. Thank you. And so, for example, if we
11 see in the first row which is labelled
12 "principle" on the left-hand side, that original
13 suggestion that suspicious activity -- this is I
14 guess the guiding principle is that suspicious
15 activity in relation to cash transactions in
16 gaming facilities in BC or attempted
17 transactions should be refused by the service
18 provider; correct?

19 A That's the position that the three proposed,
20 yes.

21 Q And that's the suggestion or recommendation that
22 was communicated by you and Mr. McCrea to
23 Mr. Towns and Mr. Graydon at BCLC?

24 A Correct.

25 Q And then in the next row we see on the left

1 "definition" and again we see the suggestion for
2 there to be a definition to the term "suspicious
3 activity" in relation to cash transactions in BC
4 casinos?

5 A Yes.

6 Q And then if we look at the BCLC column and the
7 response is that the FINTRAC requirement is to
8 report, not refuse suspicious transactions. Do
9 you see that?

10 A Yes, I do.

11 Q And then in the bottom of that row we see the
12 sentence:

13 "The impact of refusing all transactions
14 is uncertain and could lead to missing
15 opportunities to detect money laundering,
16 as well as probable loss of business and
17 over-reporting to FINTRAC."

18 A Yes, I see that.

19 Q So you understand that to be the response at
20 least from -- at the time from Mr. Towns and
21 Mr. Graydon on this issue?

22 A Yes.

23 Q And then if you could please turn to page 5 of
24 the chart.

25 A Yes.

1 Q On the left-hand side is indicators which are
2 the different sort of indicators or criteria
3 when GPEB suggested the transaction ought to be
4 deemed suspicious, and this one reads:

5 "Patron will not provide identification,
6 source of funds, occupation and/or provide
7 unacceptable information."

8 A Yes.

9 Q Do you see that?

10 A Yes, I do.

11 Q And then if we look over to the BCLC response,
12 the middle paragraph reads:

13 "Source of funds from patrons is not a
14 FINTRAC requirement and as such is not
15 presently requested. It will be a
16 requirement under the GPF proposal."

17 Do you know what GPF stands for?

18 A I think that's a transposing of PGF, patron
19 gaming funds.

20 Q Okay. And then finally if you could just turn
21 the page to the next page, page 6.

22 A Yes.

23 Q The second row, "proposal." The proposal from
24 GPEB is that:

25 "Once a transaction or attempted

1 transaction has been deemed to be
2 suspicious, and prior to it being
3 completed, the transaction must be refused
4 by the service provider at a commercial
5 gaming facility and immediately reported
6 to GPEB investigations division via
7 Section 86 Report."

8 I read that correctly?

9 A Yes.

10 Q And the BCLC response that we see is that:

11 "BCLC and our casino partners operate to
12 FINTRAC requirements and do not refuse
13 transactions except in very limited
14 circumstances, mainly related to lack of
15 appropriate ID or the issuing of winners'
16 cheques. Reports of all suspicious
17 transactions are made to FINTRAC, GPEB,
18 RCMP, IPOC and other relevant agencies."

19 A Yes, I see that.

20 Q That's what you understand to be the response
21 from BCLC at the time?

22 A Correct.

23 Q PGF accounts were implemented not that long
24 after this, at the end of the year; is that
25 right? December of 2009, at least as a pilot

1 project?

2 A That's my recollection, December 2009, yes. In
3 I think five casinos.

4 Q And during your time at GPEB was there ever a
5 requirement introduced that service providers
6 must refuse cash transactions that are deemed to
7 be suspicious?

8 A Not -- I don't recall any such requirement being
9 proposed, no.

10 MS. RAJOTTE: Mr. Commissioner, I'd like to mark
11 these two documents as an exhibit. I suggest
12 they may -- it may be best to mark them
13 collectively, but I'm in your hands with respect
14 to that.

15 THE COMMISSIONER: All right. I think that makes
16 sense. They've been identified as belonging
17 together. So we'll mark them both collectively
18 as exhibit 511.

19 THE REGISTRAR: Exhibit 511.

20 **EXHIBIT 511: Consisting of two documents:**

21 **1. Emails from Bill McCrea re BCLC Money**

22 **Management Material, July 8, 2009; 2. Money**

23 **Laundrying Risk Management - Comparison of GPE**

24 **proposals, FINTRAC requirements and BCLC current**

25 **practice - July 8, 2009**

1 MS. RAJOTTE: Thank you very much, Mr. Sturko. I
2 don't have any further questions for you.

3 THE WITNESS: Thank you.

4 THE COMMISSIONER: Thank you, Ms. Rajotte. Anything
5 arising from that, Mr. Smart?

6 MR. SMART: No, there isn't, thank you,
7 Mr. Commissioner.

8 THE COMMISSIONER: Thank you. Ms. Latimer?

9 MS. LATIMER: No, thank you.

10 THE COMMISSIONER: Thank you. All right. Thank you,
11 Mr. Sturko. We appreciate the time you've taken
12 to acquaint us with your experiences at GPEB,
13 and you are now excused from further testimony.
14 Thank you.

15 THE WITNESS: Thank you, Mr. Commissioner.

16 **(WITNESS EXCUSED)**

17 THE COMMISSIONER: I think we will now adjourn until
18 tomorrow morning at 9:30, unless there's
19 anything that remains to be dealt with today,
20 Mr. McGowan or Ms. Latimer.

21 MR. MCGOWAN: No, Mr. Commissioner. It is 9:30
22 tomorrow morning with Mr. Lightbody scheduled
23 first. I did see Mr. Skwarok unmuting and
24 turning on his camera. I just wanted to make
25 sure he didn't have something to say before we

1 sign off.

2 MR. SKWAROK: I beg your pardon. It was an accident.

3 THE COMMISSIONER: Thank you, Mr. Skwarok. All

4 right. We will adjourn until tomorrow morning,

5 then.

6 THE REPORTER: The hearing is adjourned until

7 January 29th, 2021 at 9:30 a.m. Thank you.

8 **(PROCEEDINGS ADJOURNED AT 2:32 P.M. TO JANUARY 29, 2021)**

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