PROCEEDINGS AT HEARING
OF
MARCH 2, 2021

COMMISSIONER AUSTIN F. CULLEN

 1   **March 2, 2021**

 2   **(Via Videoconference)**

 3   **(PROCEEDINGS COMMENCED AT 8:30 A.M.)**

 4   THE REGISTRAR: Good morning. The hearing is now

 5   resumed. Mr. Commissioner.

 6   THE COMMISSIONER: Thank you, Madam Registrar.

 7   Yes, Ms. Rose.

 8   MS. ROSE: Thank you, Mr. Commissioner.

 9   Mr. Commissioner, we have two panels of

10   witnesses appearing before you here today. The

11   first is a panel members from Deloitte/Quantexa,

12   and I'll be conducting the examination of this

13   panel, and then later on you will have Ms. Patel

14   conducting an examination of a Mr. Brad

15   Rudnicki, associated with BCLC.

16   THE COMMISSIONER: Thank you.

17   MS. ROSE: So we have four members of our panel

18   today, and I will propose to go through their

19   backgrounds in an alphabetical order.

20   So if we could start with you, Mr. Bell.

21   THE COMMISSIONER: I think before we get started,

22   Ms. Rose, we may wish to have the witnesses

23   affirmed or sworn.

24   MS. ROSE: We may. That may be of some assistance,

25   yes. Thank you, Mr. Commissioner.

 1   THE COMMISSIONER: Thank you. Yes.

 2   THE REGISTRAR: Witnesses please unmute yourself.

 3   And Mr. Stewart. Thank you.

 4   Would each of you please state your full

 5   name and spell your first and last name for the

 6   record. Let's start with Mr. Bell.

 7   A   (AB) Sorry, I couldn't hear the first bit.

 8   THE REGISTRAR: Oh. Would each of you please state

 9   your full name and spell your first name and

10   last name for the record.

11   A   (AB) Yeah. Alexon Bell, A-l-e-x-o-n B-e-l-l.

12   THE REGISTRAR: Thank you. And Mr. Dent.

13   A   (PD) Peter Dent, P-e-t-e-r D-e-n-t.

14   THE REGISTRAR: Thank you. Ms. Dewitt.

15   A   (BD) Beth Dewitt, B-e-t-h D-e-w-i-t-t.

16   THE REGISTRAR: Thank you. And Mr. Stewart.

17   A   (DS) David Stewart, D-a-v-i-d S-t-e-w-a-r-t.

18   THE REGISTRAR: Thank you.

19   **ALEXON BELL, a witness**

20   **called for the**

21   **commission, affirmed.**

22   **PETER DENT, a witness**

23   **called for the**

24   **commission, affirmed.**

25   **BETH DEWITT, a witness**

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 1   **called for the**

 2   **commission, affirmed.**

 3   **DAVID STEWART, a witness**

 4   **called for the**

 5   **commission, affirmed.**

 6   THE REGISTRAR: Thank you.

 7   MS. ROSE: Thank you, Madam Registrar. And apologies

 8   for my oversight this morning.

 9   Madam Registrar, if we could please have

10   Mr. Alexon Bell's CV on the screen.

11   **EXAMINATION BY MS. ROSE:**

12   Q   Mr. Bell, do you recognize this document as a CV

13   that you've provided to the commission?

14   A   (AB) I do.

15   Q   And you are a co-founder of Quantexa?

16   A   (AB) I am, yes.

17   Q   And that's the software we will see demonstrated

18   later on today, I understand.

19   A   (AB) It is indeed.

20   Q   You have 20 years of experience in building

21   software for the purpose of detecting financial

22   crime?

23   A   (AB) That's correct.

24   Q   You've assisted financial institutions and

25   non-financial institutions investigate financial

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1   crime as well as other crimes such as wildlife

2   trafficking, human trafficking, bribery and

3   corruption?

4   A   (AB) I have, yes.

5   Q   And you have received ACAMS training?

6   A   (AB) I have, yes.

7   Q   Are you currently based in the UK?

8   A   (AB) I am, yes, in London.

9   MS. ROSE: Mr. Commissioner, I would ask that we have

10   Mr. Bell's CV marked as the next exhibit.

11   THE COMMISSIONER: Yes, very well. That will be 664.

12   THE REGISTRAR: Exhibit 664.

13   **EXHIBIT 664: Biography of Alexon Bell**

14   MS. ROSE: Madam Registrar, if we could briefly turn

15   to Mr. Dent's CV, please.

16   Q   Mr. Dent, you recognize this CV as the document

17   you've provided to the commission?

18   A   (PD) I do.

19   Q   And, Mr. Dent, you've testified for the

20   commission once before on November 30th, 2020?

21   A   (PD) That is correct.

22   Q   You're a partner at Deloitte's forensic practice

23   with over 25 years' experience in the financial

24   crime area?

25   A   (PD) Yes, that's correct.

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 1   MS. ROSE: So, Mr. Commissioner, I would ask we have

 2   this CV marked as exhibit 665.

 3   THE COMMISSIONER: All right. Would we be

 4   duplicating? Has this already been marked in

 5   Mr. Dent's last appearance? Not that it

 6   matters. I don't think one duplication is going

 7   to throw a wrench into our recordkeeping.

 8   MS. ROSE: Apologies, Mr. Commissioner. I'm

 9   receiving word that it was marked previously, so

10   we don't need to mark it again.

11   THE COMMISSIONER: All right. Thank you.

12   MS. ROSE: Madam Registrar, could we please move to

13   Ms. Dewitt's CV, please.

14   Q   So, Ms. Dewitt, you are a partner of Cyber Risk

15   Advisory group in Deloitte in Toronto?

16   A   (BD) I am.

17   Q   And you have 15 years' experience designing

18   privacy and data protection strategies and

19   programs?

20   A   (BD) I do.

21   Q   And you're experienced in privacy rules and

22   regulations across Canada?

23   A   (BD) I am.

24   Q   And you're also experienced in pattern detection

25   and financial crime analytics?

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 1   A   (BD) I am.

 2   Q   And you've used these approaches for clients in

 3   the past?

 4   A   (BD) We have.

 5   Q   And do you recognize the CV as your CV?

 6   A   I do.

 7   MS. ROSE: Thank you, Madam Registrar. Perhaps we

 8   could have this marked as exhibit 665.

 9   THE REGISTRAR: Yes.

10   THE COMMISSIONER: Very well.

11   THE REGISTRAR: Exhibit 665.

12   **EXHIBIT 665: Biography of Beth Dewitt**

13   MS. ROSE: And my colleague is assisting me with the

14   reference point for Mr. Dent's biography, which

15   is indexed at exhibit 279. Madam Registrar,

16   could we please have Mr. Stewart's CV.

17   Q   Mr. Stewart, do you recognize this as your CV?

18   A   (DS) I do.

19   Q   And you are a partner of the financial crime

20   practice group of Deloitte in Toronto?

21   A   (DS) I am.

22   Q   And you have experience conducting

23   investigations, including white collar crime

24   investigation such as fraud?

25   A   (DS) I am.

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1   Q   And you have experience assisting clients with

2   pattern detection and financial crime analytics?

3   A   (DS) That is correct.

4   MS. ROSE: Okay. Madam Registrar --

5   Mr. Commissioner, I should say, I would ask that

6   we have this marked as the next exhibit, please.

7   THE COMMISSIONER: Very well. 666.

8   THE REGISTRAR: Exhibit 666.

9   **EXHIBIT 666: Biography of David Stewart**

10   MS. ROSE: And I'd like to move now to the

11   presentation that was provided to the commission

12   by these panel members, Madam Registrar. Thank

13   you.

14   Q   And I'm not sure who the best member of the

15   panel is to speak to this, but is this a

16   document that one of you has prepared?

17   A   (PD) It is a document that we prepared

18   collectively as a group.

19   MS. ROSE: Okay. And first, just so that I don't

20   forget, I'd first like to mark this as

21   exhibit 667.

22   THE COMMISSIONER: Yes, very well.

23   THE REGISTRAR: 667.

24   **EXHIBIT 667: Presentation - Application of**

25   **Networks to detect and mitigate organized**

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2   MS. ROSE: All right. Madam Registrar, could we

3   please move to the second page of this

4   presentation.

5   Q   So perhaps I'll turn the floor to you, Mr. Dent.

6   Could you explain what this presentation

7   details.

8   A   (PD) So the objective of the presentation is to

9   provide an example for discussion purposes of

10   how data aggregation or data sharing,

11   information sharing, would allow for a better

12   insight into the detection of financial crime

13   networks, and with a specific focus on real

14   estate transactions and with a further

15   additional focus of BC-related data initially.

16   That was the primary objective behind the

17   presentation, and with respect to this slide,

18   what we're trying to impart is that the

19   transnational organized criminal economy is

20   currently connected, they are networked, and

21   they are very collaborative. And so the threats

22   that they pose are both -- are, you know,

23   integrated and they are multidimensional and

24   they are dynamic. And so from our perspective,

25   our approach is -- and the examples that we'll

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1   be talking about today are the same or similar

2   in that we are looking at being collaborative,

3   the information being networked and being

4   connected. A critical difference, mind you, is

5   that is that our approach must respect the

6   expectations of privacy and security of that

7   data that Canadian legislation demands.

8   Q   And, Mr. Dent, am I right that you're referring

9   to some notes?

10   A   (PD) I am referring to the notes, yes. I'm

11   referring to some notes, yes.

12   Q   And could you just tell us what those notes are,

13   please.

14   A   (PD) They're just handwritten notes just that

15   assist me in making sure I get my point across

16   with respect to this slide.

17   MS. ROSE: And, Mr. Commissioner, I'm not sure if any

18   of the participants have any issue with Mr. Dent

19   referring to notes for that purpose. I

20   certainly don't.

21   THE COMMISSIONER: No, I'm hearing none and it seems

22   to me entirely appropriate, so I think we can

23   accept that Mr. Dent and any of the other panel

24   witnesses may refer to notes they have made as

25   an aide-mémoire.

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1   MS. ROSE: Thank you, Mr. Commissioner.

2   THE COMMISSIONER: And of course should it come to

3   it, the notes can be exhibited themselves, but

4   again, I -- in the absence of any application to

5   that effect, I don't see the need for it. Thank

6   you.

7   MS. ROSE: Thank you, Mr. Commissioner.

8   Q   So, Mr. Dent, you described the effort to create

9   this presentation today as a collaborative one

10   or a collective one, I should say. Could you

11   just briefly describe the expertise that

12   Deloitte has brought to bear and the expertise

13   that Quantexa has brought to bear in creating

14   this presentation?

15   A   (PD) Certainly. So from my perspective I

16   specialize in financial crime investigations,

17   and so therefore my experience is primarily

18   focused on better ways of detecting evidence or

19   detecting risks around financial crime in

20   organizations or the impact of financial crime

21   on organizations and individuals. With me today

22   are some colleagues from both Deloitte and

23   Quantexa, and Mr. Stewart has been focused on

24   financial crime analytics for some time in

25   assisting clients around the detection of

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1   financial crime risk by conducting advanced

2   analytics on data sets. And Ms. Dewitt is with

3   me today from the cyber and privacy group of

4   Deloitte to assist in providing an overview with

5   respect to this presentation and how it's

6   designed -- as an example, its design would

7   assist or aid in the detection of financial

8   crime networks but with a view of maintaining

9   both the data security and data privacy

10   expectations of both BC and the Canadian privacy

11   legislation.

12   And then Mr. Bell is here with us from

13   Quantexa with a specific focus on having worked

14   on this type of design with the software

15   Quantexa and how that software is used to aid in

16   the detection of networks and the visual

17   representation of network analysis.

18   Q   Thank you. So I'll propose we now move to the

19   next slide. And I take it this is a bit of a

20   placeholder, so perhaps the next one. And you

21   know, as I ask questions today, I will do my

22   best to direct them to the appropriate witness,

23   but if I have made a mistake there, please don't

24   hesitate to correct me.

25   So, Mr. Dent, continuing on with you,

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1   perhaps you could walk us through this slide,

2   please.

3   A   (PD) So this slide is an illustrative example of

4   how a system of information sharing could be

5   designed in order to enable the detection of or

6   conduct network analysis, and I think the best

7   way of sort of walking through this sort of

8   slide would be through an example -- a

9   fictitious example, but nonetheless an example

10   to help understand exactly what we're trying to

11   impart with respect to how this system or this

12   platform would aid the detection of a network in

13   real estate data.

14   And so, for example, one of the money

15   laundering typologies or financial crime

16   typologies that we would look for in real estate

17   is -- within the province of BC would be to take

18   information that is being provided to LTSA, for

19   example, under the Land Ownership Transparency

20   Registry about the beneficial ownership of

21   property here in the province and -- as a

22   starting point, and therefore enable us to

23   identify or whomever to identify, this platform

24   to identify exactly those properties that are

25   owned, for example, by numbered companies in the

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1   province. So any property, any condo, any

2   commercial -- sorry, any residential real estate

3   property that is owned by a private company or a

4   numbered company could be identified. And then

5   through the land ownership transparency registry

6   the identity of the beneficial owner of that

7   property would be identified. That information

8   could then be matched against a publicly

9   available through a subscription -- through a

10   subscription to a watch list, and that watch

11   list would impart information related to who is

12   on that list that may be a politically exposed

13   person in a foreign jurisdiction but is also the

14   beneficial owner of a piece of land or an

15   individual that has been convicted in a

16   jurisdiction of a financial crime, and that

17   conviction is in the public record and therefore

18   is also identified as a land owner in the

19   province of BC. And this is of course not

20   indicative, I'm not suggesting that individual

21   or this ownership is in any way illegitimate.

22   It is just a starting point for analysis going

23   forward, human analysis going forward with

24   respect to that transaction.

25   And then moving back from that specific --

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1   identifying that entity, that individual that

2   owns this property, it would allow you to go

3   beyond that by bringing in or networking to

4   other sources of data, whether that be BC

5   assessment data, BC registry data or other data

6   maintained in the province to corroborate the

7   information with respect to the ownership of the

8   private company, and then also it would enable

9   you to identify any other companies that that

10   individual or entity is also connected to. And

11   then going on from there to extrapolate or build

12   out your network on whether or not any of those

13   individuals or those other connected entities

14   also own land in the province of BC. So it's a

15   rudimentary example of showing how one

16   transaction or, you know, looking for one risk

17   factor allows you to dig down into one

18   transaction and allows to expand out into a more

19   fulsome view of a network and therefore

20   determine whether or not you would move forward

21   and continue analysis or whether or not the risk

22   factors have alleviated themselves through that

23   initial sort of view of this transaction. But

24   that is basically the -- how network analysis,

25   that information sharing allows for that network

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1   analysis and the bringing together of disparate

2   sets of data to allow that to take place. So

3   I'll leave it there and perhaps you can pose a

4   similar question to one of my panelists to see

5   if they have any other comments.

6   Q   Yes, and I was wondering if you could explain

7   why in your view such a program or such linkages

8   here are necessary or important. What is it

9   about the structure of this data right now that

10   isn't adequate?

11   A   (PD) So the data -- for example, the data we are

12   sort of talking about or demonstrating on the

13   slide today is being collected through the

14   government right now, whether that be LTSA data,

15   BC assessment data, BC registry data. It is

16   being collected for a specific purpose, but

17   those specific purposes in many instances have a

18   connection to each other. So LTSA and BC

19   assessment data are related pieces of data, but

20   they sit in separate data sets. And so the --

21   there would be differences between the data

22   being collected, for example, by LTSA and BC

23   assessment. There would also be similarities

24   between those pieces of data as well. And so

25   allowing you to aggregate data such as that

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1   together would provide additional insights, view

2   of individuals and entities with respect to

3   transactions around real estate in the province.

4   And then, again, the next step linking that to

5   BC registry data would again allow a link or a

6   connection to that data around company

7   ownership, for example, and allow you to be

8   informed with respect to additional information

9   that would not be available in the LTSA or BC

10   assessment data set. I hope that was clear.

11   Q   It was. In terms of the way that the data is

12   available to an average member of the public

13   right now, that member of the public would be

14   able to access LTSA in its current database form

15   and they might be able to access certain data

16   from BC assessment and certain data from

17   Statistics Canada and from BC Registries. What

18   is the advantage of conducting this intelligence

19   hub as you describe?

20   A   (PD) The advantage would be a single view of the

21   individual or the entity instead of separate

22   disparate views. So, I mean, I can go on to BC

23   Assessment website as a citizen and collect data

24   with respect to my own land ownership or, to the

25   extent that I understand what the identifiers

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1   for a parcel of land are, I can find out

2   information about that piece of land as well.

3   What I cannot do is identify -- if I was

4   searching myself, for example, I can't identify

5   all property that I would own in the province

6   just going through this process at BC

7   Assessment. I would need to know unique

8   identifiers with respect to a single piece or

9   parcel of land to identify that. I would also

10   not be able to determine a corporate ownership

11   of every parcel of land that that corporation

12   owns in the province. I would need to keep

13   going in and out of a specific database in order

14   to determine that connectivity or that link

15   between an individual and an entity and with

16   other individuals and entities and then various

17   parcels of land in the province.

18   Q   And I put this question out to any member of the

19   panel, but in the panel's experience, in what

20   way does the current format of the data in

21   different databases inhibit the detection or

22   investigation of illicit activity? Don't all

23   jump at once.

24   A   (DS) Thank you, Kelsey. I think part of the

25   opportunity from looking, as Peter alluded to, a

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1   holistic perspective is too often today to

2   identify potentially improper activity or

3   financial crime activity it's very reactive, so

4   I have to go in and I have to procure

5   information from each of the data sets. So part

6   of the construct that's being presented is that

7   if these data sets were some of what linked

8   under the appropriate, you know, provisions of

9   how you collect information and share it, one

10   could be more proactive in identifying risks as

11   it associates to the mandate or the various

12   personas that are identified in this chart,

13   which is, you know, that of the regulator, that

14   of a department, that of maybe some of the

15   intent of law enforcement. So, you know, if the

16   data is constructed as Peter alludes to with

17   this entity resolution, you can satisfy some of

18   the objectives of each of those deferred

19   mandates in a more succinct and efficient manner

20   than may be constructed today.

21   (AB) If I could add in a couple of things,

22   so if I talk from a technology perspective there

23   tends to be kind of two approaches to sharing

24   information. One is where all providers

25   essentially harmonize their data into a single

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 1   format and the other one is whereby multiple

 2   formats can essentially be merged together. And

 3   this is, I suppose, a fundamental difference

 4   between an entity resolution approach and

 5   potentially a simple name matching approach,

 6   which we'll go into a bit later. But more

 7   modern approaches like entity resolution can

 8   actually take data in different formats and

 9   identify the key underlying data elements within

10   that data to understand that in system 1, for

11   example, the name is in the third field. In

12   system 2, for example, it might be in the fifth

13   field. That allows you to more efficiently

14   share data more rapidly but also maintain the

15   privacy around certain key bits of information

16   because you are not reformatting your data

17   before you share it. You're sharing it as you

18   know it. And therefore you can design and make

19   available only the fields that you wish to in a

20   more modern process.

21   Q   Thank you. And unless any of the panel members

22   have further comments I'll move to the next

23   slide.

24   A   (DS) I just have one comment to observe, sorry.

25   Q   Please do.

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Beth Dewitt (for the commission)
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1   A   (DS) Part of the construct that we're talking

2   about today, if we look at the top left on the

3   data centre element, is about the sheer scale of

4   doing some of the analysis that we're going to

5   demonstrate or my colleague Alexon will

6   demonstrate, but part of the construct of this

7   view is that these data sets will obviously grow

8   in size and magnitude, and so therefore it's

9   harnessing technologies or data centres of

10   services today, so this becomes a scaleable

11   solution for the future and not necessarily

12   trying to solve something for, you know, what's

13   currently in place.

14   So this is about a scaleable framework and

15   the ability to mitigate the privacy elements but

16   the challenges of this entity resolution and

17   network capabilities.

18   A   (AB) Can I add one more thing to scaleability,

19   which is if you're looking just at the

20   province's data that is one scale. But actually

21   when you start to look at international

22   organized crime, right, and the wider network of

23   corporations, the data volumes do start to

24   increase very rapidly, so if you were to talk to

25   aggregated corporate information providers like

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 1   Bureau van Dijk or Dun & Bradstreet, they will

 2   talk about having a registry which has, you

 3   know, 280 million companies in it that are all

 4   international, and if you're wanting to

 5   understand international ownership of BC

 6   properties, you would have to essentially find a

 7   way to be able to work with those very large

 8   international data sets to corroborate the

 9   ownership of data or properties within the

10   province. So scale is not just something to be

11   looked at within one province or in effect one

12   nation, but actually there is an international

13   scale, right, to this data scale that does

14   increase it quite dramatically.

15   Q   Okay. If we could turn to the next slide,

16   please. And I'm not sure -- I see Beth you're

17   nodding, so perhaps I'll ask you to explain this

18   slide for us, please.

19   A   (BD) Thank you very much for the opportunity.

20   Good morning, everyone. What we wanted to

21   ensure as we look at a solution such as the one

22   that my colleagues have been describing is how

23   we can ensure that we build a framework in

24   support of the opportunity around this

25   intelligent hub that really puts the privacy,

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Beth Dewitt (for the commission)
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1   security and well-being of individuals at the

2   centre of it, and that can be individuals or the

3   public overall, and in doing so we want to

4   create a framework that provides the guidance

5   and the rules of the road or the rules of

6   engagement around how data and information can

7   be used in a manner that allows for the

8   objectives of the hub and the types of financial

9   crime work that you'd like to do but also

10   protects the integrity of the data, the

11   integrity of the information about the

12   individuals and is ethical in how it's being

13   used.

14   So the way we would typically approach this

15   type of solution is to think about it as an

16   intersection between good governance, strong

17   ethical framing, privacy considerations drawn

18   from best practices and law, as well as the data

19   protection and security controls that you can

20   have established and built in. And that we want

21   to take a position of starting from a principles

22   approach, so a by-design approach to how we

23   establish the solution, the services that come

24   out of the solution and the processes in support

25   of the solution. And that starts by really

Alexon Bell (for the commission)   23
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David Stewart (for the commission)
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1   understanding what are the parameters in which

2   you want to operate, what are the risks you're

3   willing to take on, what are the ethical

4   guardrails you want to establish. Understanding

5   that viewpoint then allows you to understand

6   where you want to go in terms of how you're

7   going to use the data and draw insights. It

8   will also give you the opportunity to have the

9   flags that you need within the team that's using

10   the solution to make sure you're not going

11   outside of those established guardrails.

12   You of course want to draw in the legal and

13   best practices that are established from a

14   privacy by design and security by design

15   perspective. You need to understand what are

16   your enabling laws and what are the requirements

17   within those laws so that you can build a

18   foundation that is in law that allows you and

19   gives you permissions with the data that you

20   need to have. From there you want to continue

21   and make sure that you establish the right types

22   of security and permissions within that solution

23   and really use security as a way to enable the

24   right type of controls to limit the types of

25   things that you can do within the system, the

Alexon Bell (for the commission)   24
Peter Dent (for the commission)
Beth Dewitt (for the commission)
David Stewart (for the commission)
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1   inferences that you can pull, who has access to

2   what and how it's going to be protected and the

3   information can get shared.

4   So this framework that you end up designing

5   it allows you to build, at least at the start, a

6   principled-based, grounded-in-law framework that

7   draws upon expertise of ethics, privacy

8   professionals, legal professionals and security

9   professionals, alongside the professionals who

10   have the expertise around financial crime and

11   the data in question. And then it allows you to

12   establish sort of the baseline set of rules that

13   you can then iterate along as you mature the

14   type of data that you have in the solution, the

15   use cases in front of you and you can continue

16   to build upon that framework as you establish

17   what type of intelligence you're able to derive

18   from the hub. I'll pause there and see if

19   there's any questions and look to my colleagues

20   if there's anything to add.

21   Q   I did want to ask a question about your last

22   comment with respect to the learning process or

23   the iterative process. Is that anticipated to

24   be an artificial intelligence process or is that

25   a manual input process?

Alexon Bell (for the commission)   25
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Beth Dewitt (for the commission)
David Stewart (for the commission)
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1   A   (BD) The iterative process of understanding the

2   type of boundaries and guardrails that you want

3   to have in place, that would be something that

4   is done in a manual way or done through human

5   intervention and discussion. So that's where

6   you're drawing upon the experts at the table to

7   say based on what we're learning and we're

8   seeing are there new types of guardrails we need

9   to establish or are there ways in which we can

10   change how it is we're going to use data to meet

11   new opportunities and, again, put it through the

12   iterative process of understanding are the

13   controls in place appropriate or do they need to

14   change. So it's a feedback loop that takes

15   place and requires that very much the human

16   element to be part of that.

17   Q   I'll just turn it to any other panel members

18   before we turn to the next slide. Hearing

19   nothing, Madam Registrar, if we could turn to

20   the next slide, please, and the slide after

21   that, please.

22   A   (AB) Hi. Yes. This is one of my slides. I

23   think the next series are actually my slides.

24   So I wanted to really talk you through some

25   differences in trying to ascertain and piece

Alexon Bell (for the commission)   26
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David Stewart (for the commission)
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1   together intelligence when investigating kind of

2   financial crime. And so I wanted to really

3   start by distinguishing between a traditional

4   searching or matching approach on the left-hand

5   side and entity resolution, which is a more

6   modern approach to this problem.

7   If you think about whenever you've searched

8   from something on the internet with your

9   favourite search engine you will type something

10   into that engine and you'll hit enter and it

11   will go against the entire internet but it will

12   return results and sometimes those results are

13   not very accurate, and you know, if you're

14   looking at company information you want to

15   understand who owns a company that you might be

16   buying goods from online, you might find that if

17   you search, you know, just generally you'll find

18   everyone, but you might then qualify that search

19   with a country. If you're looking for

20   directions to your friend's house that you've

21   not been to before, you type in a street's name.

22   And if it's a common street name, the high

23   street or something, you get many results. So

24   you basically refine that search parameters by

25   including things like countries or states,

Alexon Bell (for the commission)   27
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Beth Dewitt (for the commission)
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1   right, or postal or ZIP codes. And when you're

2   looking to piece together intelligence, you're

3   doing this at scale and automatically with a

4   computer system.

5   So on the left-hand side, you know, you

6   might be looking for Alexon Bell and wondering

7   whether or not he has any links to your data.

8   So in the middle part in the method piece you've

9   got record 1, which is me, and you're going to

10   search against the other records either in the

11   same system or across multiple systems, and as

12   you can see here that is a singular search for a

13   singular search term against each record. And,

14   you know, it's a name match or a name and date

15   of birth match or a name and address match or

16   variants of that. But what does that mean for

17   the human person, right, that's doing the

18   search? I think that's the example and the

19   evidence at the last point of that side in the

20   example. If you have one system on the left

21   that has name and date of birth, and you have

22   system on the right that has name and address,

23   you have a problem because essentially what you

24   have is a name-only search in order to bring the

25   same Jamie Huttons together. So that means you

Alexon Bell (for the commission)   28
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1   either run the risk of missing something, so if

2   you type in your Jamie Hutton with a date of

3   birth into system 2, you won't find it because

4   the data is not there to match it. And on the

5   converse, if you put Jamie Hutton with the

6   address from system 2 into system 1, again, it

7   won't match. So you're basically having to fall

8   back onto a name-only match, and that causes you

9   to have many false positives, that introduces

10   error into the process and also increases the

11   duration for that stage of just trying to

12   understand if the same record or the same

13   individual or the same business is the same one

14   in different databases. I'll pause there for

15   some questions.

16   Q   Yes. I'm curious how would Quantexa be able to

17   determine that it is the same Jamie Hutton in

18   the example at the bottom?

19   A   (AB) Yeah, so the Quantexa example is actually

20   on the right-hand side, so if I answer the

21   question by talking about the right-hand side

22   maybe that will give us a visibility.

23   So a more modern approach to doing that

24   search and retrieval is actually to think of all

25   of the possible search terms that you could have

Alexon Bell (for the commission)   29
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1   around an individual. For example, my full

2   name, including middle name, my year of birth or

3   my date of birth, or maybe it's just my initial

4   and my surname, but you have a mobile phone

5   number or you have an email address. So you can

6   basically start to use all of these different

7   data combinations and what entity resolution

8   essentially does is it organizes them and

9   systematically queries all records in all

10   systems with all of those queries. And it's a

11   two-step process. So the first step process it

12   casts the net wide. But then it looks at the

13   data that it comes back, that that search brings

14   back, and it starts to basically piece together

15   different pieces of information. So what you

16   might have in system 2 is you have Jamie Hutton

17   with a date of birth and in system 2 you've got

18   Jamie Hutton with a date of birth and his phone

19   number. That's very interesting because you can

20   then use that phone number to connect to

21   system 3; right? And that's basically Jamie

22   Hutton with his phone number and potentially his

23   address and, therefore, you can then take that

24   piece of information and connect to system 4

25   which has name and address only. An entity

Alexon Bell (for the commission)   30
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1   resolution is that more advanced process of

2   being able to systematically search for

3   different combinations, and then when it brings

4   it back looks for the relevance in the way that

5   it combines information to basically tell you

6   that actually this is the same Jamie Hutton

7   across different systems and platforms.

8   Q   Well, that's quite clear. Unless any of the

9   panel members have further comments I would

10   suggest we move to the next slide.

11   A   (DS) Just one comment to overlay what Alexon was

12   alluding to. The permutations that are being

13   described in the bottom right of the slide, this

14   is predicated on what Beth was alluding to where

15   data sets that have been pushed through or

16   processed through some privacy framework and so

17   therefore what Alexon is alluding to is the

18   attributes in data sets that already have been

19   collected and how you would search across those

20   data sets. So when we allude to the combination

21   of phone, email, et cetera, et cetera, that's

22   predicated on information that's already been

23   submitted and the data sets are sources that

24   would be identified in the framework of the

25   intelligence hub.

Alexon Bell (for the commission)   31
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1   Q   Thank you.

2   A   (DS) Thank you.

3   Q   Next slide, Madam Registrar.

4   A   (AB) So in Quantexa, we work with the concept of

5   entities and networks, so I really wanted to

6   start to give you a brief introduction into

7   certain things that you're going to see over the

8   next slides and also in the demonstration.

9   So the way that we assemble networks is

10   essentially we start with a set of documents.

11   You can think of them actually as physical

12   things like an application form or the KYC

13   details to open a bank account, but they could

14   also just be rows in a database like in the land

15   registry, who owns this property. They could

16   also be things like a corporate record, right,

17   in a company's house financial transactions or

18   at the bottom kind of watch lists.

19   So these are essentially an aggregate set

20   of information from which you can pull

21   interesting things which we call entities that

22   essentially relate to real world people, places,

23   things that you might want to ask questions of

24   or in this case make connections to. So you can

25   see here a natural person, an address, a

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David Stewart (for the commission)
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 1   telephone number, landline specifically,

 2   different icons for mobiles, businesses, emails,

 3   bank accounts, et cetera. So this is the kind

 4   of iconography that you'll see over the next few

 5   slides and into the demonstration, but

 6   essentially we are working with a set of

 7   documents on the left-hand side which will then

 8   have links or lines to the real world entities

 9   which you can see a subset on the right-hand

10   side.

11   Q   So you've given us a bit of a legend for the

12   presentation and some of the diagrams to come?

13   A   (AB) Correct, yes.

14   MS. ROSE: Okay. Madam Registrar, can we move to the

15   next slide, please.

16   THE WITNESS: (AB) So --

17   MS. ROSE:

18   Q   Oh, sorry. I anticipate that this is another

19   one for you, Mr. Bell, if you could walk us

20   through this slide, please.

21   A   (AB) Yes, of course. So this is really a kind

22   of mini journey from document to visualization

23   from left to right, so this slide is about how

24   we can identify key bits of information within a

25   document, which is much more static in nature,

Alexon Bell (for the commission)   33
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1   right, it's an application form, a KYC form.

2   The next slide is about how we can use the

3   very -- you know, the same process in effect to

4   work with financial transactions.

5   So all of us will have filled in an

6   application form at some point in our life;

7   right? In days gone by that would have been a

8   paper form. Now most of these have been

9   digitized or actually the application form is

10   online. So that means that, as you can see in

11   the middle piece, we have a land registry form

12   with some key data items. That's not all of it,

13   but just a representation of some of the things

14   that might be captured in that form. And,

15   again, you can think of different forms with

16   different sorts of businesses and the different

17   types of data you might capture. So you can

18   kind of use this as a generic placeholder for

19   other data items in other applications. But

20   essentially you can see that at the top here in

21   the land registry we have a business called Acme

22   Limited. It's all fictitious this. It has a

23   document reference number, a start date of when

24   they purchased the property, whether they're

25   still there, and then some information around

Alexon Bell (for the commission)   34
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1   who the person is, contact information,

2   addresses, signatories, et cetera. And all

3   Quantexa does is it turns that into the first

4   building block of a network. And this is very

5   simple. So in the middle, right, you can see

6   that document icon called Acme Limited, right,

7   that's the land registry document, and inside

8   that document we have telephone numbers, emails,

9   basically essentially all of that information

10   transposed from that physical document. Does

11   that make sense?

12   Q   It does. Were there any other comments from the

13   panel in this slide? Okay.

14   Madam Registrar, if we can move to the next

15   slide then, please.

16   And if you could walk us through this again,

17   Mr. Bell.

18   A   (AB) Yeah, of course. So what's interesting is

19   when you start to blend the kind of more static

20   reference information with financial data, so

21   financial transactions which are money

22   movements, so when investigating financial

23   crime, we always focus on trying to follow the

24   money, right, and you follow the money typically

25   through transactions and ownership of

Alexon Bell (for the commission)   35
Peter Dent (for the commission)
Beth Dewitt (for the commission)
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1   businesses. So it's important to be able to

2   replicate that process. And at this stage we

3   are taking the land registry form, which is

4   essentially owned by a business, and you might

5   want to corroborate that that business is

6   actually incorporated in Canada. So as you can

7   see on the left-hand side this is the data from

8   the land registry and this is a generic thing on

9   the right-hand side from the corporate registry.

10   And at the top you can see the various things

11   that we could match against to give us

12   confidence that actually the record in the land

13   registry is the company that's on the corporate

14   registry. So, for example, the name matches,

15   the address of the company matches and the

16   authorized signatory on your records is actually

17   a director or a shareholder of the business,

18   right, that has the corporate registry.

19   So now you can see how we are starting to

20   build some connections from internal data to

21   external data. Make sense?

22   Q   It does. And with this sort of matching

23   process, is there sort of a baseline number of

24   fields that must match for you to have assurance

25   that you're dealing with the same company, or

Alexon Bell (for the commission)   36
Peter Dent (for the commission)
Beth Dewitt (for the commission)
David Stewart (for the commission)
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1   how do you assess that?

2   A   (AB) So matching is assessed -- again, number of

3   fields is a great way to do that, but there is

4   also the kind of rarity of bits of information

5   within the world. So certain things are very

6   unique to individuals, passport numbers,

7   national IDs, for example, company IDs. They

8   are unique. So therefore if we find those

9   things that match, we can have a great degree of

10   confidence that they are the same record. We

11   would also then want to run, right, if we were

12   to search for the company ID for Acme Limited

13   and it matched, but it matched against, you know

14   the Walnut Company, right, then we may ask

15   questions of why that is. So there are some

16   kind of safeguards in there to kind of identify

17   when matching is not correct so we can gain some

18   surety.

19   There are also things that allow us, I

20   suppose, to triangulate information very well.

21   So bizarrely things like name, full name and

22   full date of birth are not very good things to

23   search on. And especially if you have a common

24   name, like a John Smith, you'll find many more

25   of them. So in that example, just matching on

Alexon Bell (for the commission)   37
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Beth Dewitt (for the commission)
David Stewart (for the commission)
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1   those two things, whereas my name Alexon Bell is

2   very rare. So you could have a great degree of

3   confidence that that match is correct. We would

4   use the other factors to corroborate that, so

5   what is my address, what is my postcode and

6   therefore you can narrow down -- and again,

7   postcode is a good thing to look at because in

8   the UK postcode probably represents 50 houses

9   where ZIP code in the US could be thousands.

10   So, again, we need to have a measure of how many

11   potential matches there are in the population

12   before gaining surety that actually this is the

13   right one.

14   But I think also within this process this

15   is technology assisting a human investigation,

16   so where the technology is running in the

17   background identifying these matches, it then

18   presents that essentially to a human

19   investigator to conduct the full research and

20   verification.

21   Q   And are there some baseline requirements for the

22   data in order to be able to do this type of

23   resolving process or the matching process. You

24   know, for example, must the data be in a machine

25   readable format?

Alexon Bell (for the commission)   38
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Beth Dewitt (for the commission)
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1   A   Yes, it must. So all of this is making the

2   assumption that the data is in a database, in

3   tables that software can read. There are things

4   that can support the digitization of paper

5   documents, so technologies like optical

6   character recognition, another branch of

7   technology called entity extraction, so

8   identifying from text and words which ones

9   relate to addresses and people and which ones

10   are just verbs and adverbs, et cetera. So there

11   are other technologies that can help if data is

12   in -- still in paper format. But mostly we see

13   that this information has been digitized to a

14   greater or less degree that allows software that

15   uses entity resolution to work.

16   Q   Thank you. I'd suggest we move to the next

17   slide, Madam Registrar, please.

18   A   (PD) I was just going to raise one point,

19   Ms. Rose.

20   Q   Certainly. Please do, Mr. Dent.

21   A   (PD) With respect to the matching exercise

22   between various data sets, one of the other

23   benefits of this is to enable a verification

24   exercise. So, for example, data that is being

25   maintained in the land ownership transparency

Alexon Bell (for the commission)   39
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1   registry could be -- could be examined from a

2   verification perspective by matching it against

3   other data sets that contain the similar

4   attributes. So a unique identifier could be

5   just a phone number. Each of us has a unique

6   phone number assigned to us or a corporation,

7   and therefore being able to match against a

8   unique phone number and then having one database

9   have different information in it than the Land

10   Ownership Transparency Registry, for example,

11   could point in the direction of one set of data

12   is not accurate and lead to followup in terms of

13   making sure that the information in one or the

14   other is updated.

15   Q   Understood. Thank you.

16   Next slide, Madam Registrar, please.

17   And I'm not sure who to turn this one to.

18   Perhaps I'll start with Mr. Bell.

19   A   (AB) It is. We're still with me, thank you,

20   Ms. Rose.

21   So essentially what we're doing here is we

22   are starting to attach. From the very first

23   simple network built around Acme Limited and

24   your internal records, we're starting to find

25   those additional matches in the external

Alexon Bell (for the commission)   40
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1   records. So you can see there at the bottom the

2   corporate registry information of Acme Limited

3   with some of its directors and Joe Bloggs and

4   the address, et cetera, linking to your internal

5   data. So this is starting to form a simple

6   network within the software but also allowing

7   you to identify how we have made the links

8   between those different systems of record. So

9   "123 Main Street Joe Bloggs" are the same

10   between your internal record at the top and the

11   corporate registry record at the bottom. So

12   it's really important kind of for audit purposes

13   and traceability that the software that does

14   this is transparent in the way that it links so

15   that a human being can verify that actually

16   these links are correct and then make the

17   correct outcome of the investigation.

18   Q   And so in this example here there are three

19   indicators that are in both data sets, and that

20   is the address of the residence, the name of

21   Mr. Bloggs and the company name; is that right?

22   A   (AB) Correct, yes. And there could very well be

23   other information that we're not drawn here like

24   telephone numbers or emails, but they would

25   essentially allow you to see the lines of

Alexon Bell (for the commission)   41
Peter Dent (for the commission)
Beth Dewitt (for the commission)
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1   connections between those documents and the

2   entities that have linked them.

3   Q   Thank you.

4   A   (DS) Ms. Rose, a question -- or a response. By

5   creating a network by definition it does not

6   mean it's an adverse or a negative inference

7   here. So the concept here is connecting common

8   attributes, but just because there is a

9   connection it does not automatically transfer to

10   negative activity. So this is an evolution of

11   what do we do next, and that's part of the

12   intent here is not to by insinuating saying

13   there's a connection there must be something

14   here. So this is part of the intelligence

15   exercise.

16   Q   Thank you for clarifying.

17   Madam Registrar, if we can have the next

18   slide, please.

19   And again, I'll turn the floor to you

20   Mr. Bell, to explain what this slide is

21   depicting.

22   A   (AB). Yeah, so this slide is now starting to

23   work with financial transactions. So on the

24   left-hand side is a representation of a SWIFT

25   message, so this is typically a well-recognized

Alexon Bell (for the commission)   42
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1   international payment standard which allows you

2   to transfer information around who is

3   originating the funds and who's the beneficiary

4   of them.

5   It contains information around banks and

6   companies and addresses and amounts and other

7   pieces of information, and what we're

8   essentially doing here, and this aids the

9   financial investigation and also detection, is

10   by allowing a computer system to start to build

11   more information on what essentially is just a

12   name and address from a financial transaction.

13   So we would call this a counterparty, so a

14   non-customer side of a transaction. So Umbrella

15   Company here is not a customer. Like, it's in

16   Russia. It's sending money to Acme Limited, who

17   is the customer of yours that we've kind of been

18   building that network for. So it's a

19   counterparty. And very little is known about

20   Umbrella Company here in Russia, other than it

21   sent some money. What entity resolution allows

22   you to do when you can link that to the

23   corporate registry information is to start to

24   pull in information that would allow you to have

25   a broader picture of who Acme Limited is, who

Alexon Bell (for the commission)   43
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Beth Dewitt (for the commission)
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1   their ownership is, their financials, industry

2   codes, et cetera, and we apply a very similar

3   technique to link into the internal corporate

4   registry to the financial transaction. Here we

5   do a little bit more around the ordering of

6   data. So we call that parsing. And we would

7   essentially look to understand those different

8   data elements.

9   At the top is something called a bank

10   identification code, it contains the bank and

11   the country. So here you can see the "RU,"

12   correspondence to a country called Russia, and

13   that is one of the keys that we're using to

14   match into the corporate registry. Then we have

15   the name of the entity, Umbrella Company,

16   matching to the corporate registry and then we

17   have some address information that also

18   corresponds. So now we can take a reasonably

19   sparse amount of transactional information and

20   enrich that with all of the details of the

21   corporate information from the registry that

22   we've collected.

23   Q   And when you use the term "customer" could you

24   just explain what you're referring to there?

25   A   So customer would be any record that you own

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1   yourself. So it would be -- I have a property,

2   I've given you my details, I would be a customer

3   of the land registry. I have a bank account, I

4   put my applications and details and I'm a

5   customer of the bank. You know, I use whatever

6   is home delivery service for fast food. I would

7   be a customer of theirs. So customer here is a

8   very generic term used to describe, I suppose,

9   data that you own on an individual that you have

10   a relationship with.

11   Q   Thank you. Are there any other comments that we

12   should hear with respect to this slide? Okay.

13   Madam Registrar, if we can turn to the next

14   slide, please.

15   Mr. Bell, on to you again.

16   A   (AB) Yes. So now we're starting to assemble a

17   fully fledged financial network from the data

18   that we received. And what you can see is on

19   the left-hand side was the network that we

20   started with, and we're going to start in the

21   blue bit, the financial wire message, where we

22   can see 20,000 being sent to Acme Limited from

23   Umbrella Corporation. That's on the right-hand

24   side. And then as we've matched Umbrella

25   Company to its corporate registry we can see us

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1   pulling those details in, telephone numbers and

2   addresses, but also we are starting to bring in

3   shareholders and directors. So we can find

4   that, for example, Umbrella Corporation is a

5   subsidiary of Megacorp PLC and Sergei there is

6   also a significant shareholder of Umbrella

7   Corporation.

8   What's interesting is using those corporate

9   registry records, again, you can see that

10   Globocorp at the bottom is linked to Sergei

11   himself as well, which connects back to the

12   corporate registry regard for Acme Limited. So

13   here you can see that actually the organization

14   that is sending the funds owns the business that

15   is registered as the owner of the property.

16   Does that mean it's good or it's bad? That

17   really does depend on the other connections that

18   we can find in data. Because that could be a

19   very normal transaction. I set up a business to

20   buy properties; I have other companies that hold

21   those funds; I have transferred those funds to

22   my business in Canada to buy the property. So

23   that looks completely legitimate. However, we

24   have in red some watch list information. And

25   this is where we can start to maybe change the

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Beth Dewitt (for the commission)
David Stewart (for the commission)
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1   view on here that maybe this is something a bit

2   riskier than previously thought. So that watch

3   list could be something that you have a

4   subscription to, so there are providers out

5   there like Dow Jones or World-Check or Accuity

6   that provide commercial watch lists. These

7   could be the own kind of Bank of Canada watch

8   lists for sanctions, et cetera, and it could

9   also be shared information maybe from law

10   enforcement both domestically and

11   internationally, and we can use those as watch

12   lists, which would essentially allow you to be

13   able to flag certain things of interest in an

14   overall network. And in this case here, Sergei

15   happens to be a politically exposed person in

16   Russia. So that could mean -- and again, the

17   investigation, the human investigation will

18   determine whether or not this might breach

19   something like the OFAC's 50 percent rule and

20   actually just validate that Sergei is that

21   politically exposed person or he's just

22   unfortunate enough to share enough matching

23   credentials to the watch list.

24   In the middle you can see a watch list

25   record and then, yeah, again this is again

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Peter Dent (for the commission)
Beth Dewitt (for the commission)
David Stewart (for the commission)
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1   pulling out certain key bits of information. So

2   there are many financial transactions that

3   happen all the time. You can use watch list to

4   pull out ones that are interesting, like things

5   that mention house purchases in this example for

6   real estate, to make that link a little bit more

7   relevant within the overall network.

8   Q   Understood. Anything further from any of the

9   other panel members?

10   All right. Madam Registrar, if we could

11   have the next slide, please.

12   A   (AB) Yes. So this is where we're going to segue

13   into a live demonstration of the Quantexa

14   software. So I just wanted to give some

15   perspective. The demonstration that you'll see

16   is built with fictitious synthetic data without

17   the use of any personally identifiable

18   information. The names and locations you will

19   see are potentially valid names and real

20   locations. This is designed to provide a sense

21   of realism to the audience, but they are not

22   referencing real people that have links to that

23   location. So really the data is just synthetic,

24   but they are names that you'll recognize.

25   Any links that may occur are inadvertent or

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David Stewart (for the commission)
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1   coincidental. We make -- Quantexa makes no

2   assumptions or aspersions on any individual or

3   organization. The overview of entity networks

4   and the demonstration does not provide any legal

5   right to any intellectual property in any

6   Quantexa proprietary information or products.

7   Q   And so while the demonstration will be entirely

8   fictitious, the types of connections that you

9   display are similar to what you've seen in

10   conducting real world investigations?

11   A   (AB) Correct, yes. So the system that you'll

12   see is a Quantexa demonstration environment. We

13   use that for all of our demonstrations for all

14   of our kind of solutions. So those would be

15   investigations within, you know, banks or

16   insurance companies and the different product

17   areas that we have. So not just within

18   financial crime, but within fraud and within

19   kind of customer intelligence. So there's quite

20   a lot of information in here. It's all

21   completely synthetic, but essentially it's a

22   single environment that allows us to demonstrate

23   a coherent vision of Quantexa across different

24   use cases.

25   What we have done for the commission is we

Alexon Bell (for the commission)   49
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Beth Dewitt (for the commission)
David Stewart (for the commission)
Exam by Ms. Rose

1   have built a story board that describes some

2   real estate transactions and we will couple

3   those with a kind of real estate view and a

4   financial investigation as well. So kind of two

5   personas in the demonstration. But it is

6   leveraging the underlying Quantexa data. So

7   there may be some matches to other things and

8   I'll explain where those matches are if you

9   highlight them during the course of the

10   demonstration.

11   Q   And just for our hearing team's benefit, I don't

12   think that there is any concern with the live

13   streaming of this demonstration.

14   All right. And I think, Madam Registrar,

15   we can have you take down the presentation now,

16   and we'll move over to screen sharing from

17   Mr. Bell.

18   A   (AB) Are you able to see a Quantexa log-in?

19   Q   I am. And I hope others are.

20   A   (AB) Okay. So as I mentioned, right, this is a

21   demonstration system. It's full of quite a lot

22   of synthetic data, and I'm going to walk you

23   through a story board.

24   So as Peter mentioned at the beginning,

25   there could be some unusual property

Alexon Bell (for the commission)   50
Peter Dent (for the commission)
Beth Dewitt (for the commission)
David Stewart (for the commission)
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1   transactions and the land registry could be

2   analyzing those transactions on a regular basis

3   and highlight a few of them that would warrant a

4   human investigation to understand whether these

5   are isolated incidents or actually whether or

6   not there could be linkages between them that

7   might indicate that this is something that's

8   linked to organized crime.

9   So in this case I've kind of got three

10   names that we would like to talk to you about.

11   These names have been identified because of

12   their unusual property transactions and this is

13   really just a demonstration of the software's

14   capabilities to link information, build networks

15   and present that to users for a decision. And

16   we can talk about some of the kind of privacy

17   elements in here as well around how we can or

18   won't use data.

19   So within the platform we have some

20   information, and as you can see we have

21   financial transactions in here. I'm going to

22   exclude those. I have some corporate registry

23   information in here. So this is something

24   that's aggregating from someone like Dun &

25   Bradstreet or Bureau van Dijk. I have trades.

Alexon Bell (for the commission)   51
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Beth Dewitt (for the commission)
David Stewart (for the commission)
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1   So, again, these could be financial markets or

2   trade finance transactions. I have CRM details,

3   so you can think about cross sale and up sale

4   things. I'll exclude those. I have ICIJ. So

5   this is a very common data set. The

6   International Journalists have released this

7   list of information to do with leaks from

8   Mossack Fonseca, et cetera, and again, this is

9   all sanitized. But you will see some icons that

10   connect to ICIJ. That's just representative of

11   one form of watch list or data that that can be

12   ingested.

13   We have Dow Jones, right, so this is a

14   subscription-based watch list akin to

15   World-check, and, again, the data you will see

16   some icons that link to Dow Jones, which we have

17   permission to show them, but again the data

18   behind it and all synthetic. There can be

19   investigation notes in here where people can

20   start to make notes about what they are seeing,

21   in the investigations, you can also search

22   those. And then lastly you have customers. So

23   I'm going to imagine that I am an investigator

24   at the land registry, and I am basically going

25   to investigate these three individuals that have

Alexon Bell (for the commission)   52
Peter Dent (for the commission)
Beth Dewitt (for the commission)
David Stewart (for the commission)
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1   had the strange property transactions.

2   So the search is going to start by looking

3   for, again, different things. You can search

4   for individuals, businesses, incorporation

5   dates. There are other search criteria around

6   focusing in on address information. But I'm

7   going to start by searching for an individual

8   called Lindsay David. And I've found her as a

9   customer. I can click on her. We can see her

10   records and I'm going to take this search result

11   and I'm going to start to build some networks.

12   So I can click on this and I'm going to follow

13   the network and I'm going to describe this after

14   I've done the second search. So the second

15   search is about a gentleman called Tobias Black.

16   And we also find him. And I'm going to add that

17   to the investigation I was currently looking at.

18   So now I have two individuals. I have Tobias

19   Black here, right, and this is his icon as an

20   individual. He has some exclamation mark, which

21   we'll come to in a minute. The 11 says there

22   are 11 connections in the data that I can see.

23   So behind here is a security framework that

24   basically dictates what data sets I can see

25   within the platform. So as I'll show you going

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Beth Dewitt (for the commission)
David Stewart (for the commission)
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1   through here, you'll see certain abilities to

2   bring in new information. Now, if I don't have

3   permission to see a data set, I won't be allowed

4   to bring in that information, so I cannot make

5   the connections in the data.

6   Q Does that -- sorry, Mr. Bell, to interrupt you.

7   When you say you won't see it, is it that you

8   won't see the number 11, you might see a

9   number 8, for example, or is that you would see

10   11, you just won't be able to click on it?

11   A (AB) No, you would see 8. So your record count

12   of connections would be reduced. So we have

13   designed this working with very large banks that

14   has to manage the privacy requirements of

15   different countries. So one requirement would

16   be, you know, I might be an investigator in a

17   country. If that is the case, I could only see

18   that country's data. If I'm a regional

19   investigator I might be able to see

20   10 countries' data, et cetera, and very few

21   global investigators would be able to see

22   everything. But that permissioning of data is

23   super important for data-sharing utilities like

24   the intelligence hub. Essentially different

25   personas or different consuming units like land

Alexon Bell (for the commission)   54
Peter Dent (for the commission)
Beth Dewitt (for the commission)
David Stewart (for the commission)
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1   registry, police, other law enforcement agencies

2   will get different views of the data and make

3   different connections with software through this

4   entity resolution process.

5   We have also here Lindsay David, and we

6   have some bank accounts here. Now, I'm going to

7   delete those because they're going to come in

8   the second part of the demonstration. So I'll

9   delete those from the view and we're essentially

10   now left with these two individuals, and we want

11   to try and understand whether there's anything

12   interesting in the connections between these

13   individuals. And this is where scoring comes

14   into play. So scoring here, again, it will have

15   gone through a governance process between the

16   organizations as to what valid scores can be

17   created and deployed. It's a demonstration, so

18   the value of these scores will be determined

19   more accurately in a project, but this should

20   give you an example of the sorts of things that

21   we might find and then really the score is an

22   indication of how interesting those connections

23   or anomalies might be.

24   So if we go from the top, we can expand

25   here. So the scores are displayed in

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David Stewart (for the commission)
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1   understandable English. We can see that as I

2   click on it Lindsay David is highlighting is

3   linked to "an extremely high Dow Jones,

4   category: financial crime," as is Tobias. And

5   If I click on those you can see both of them are

6   linked to high-risk categories. Lindsay has

7   some AML alerts on her account. That's the

8   legacy of the banking demonstration. But we can

9   come back to that. Both of these individuals

10   have links to ICIJ, but you notice here that no

11   ICIJ document is on the network. So we'll come

12   back to that. And there has been some ID

13   manipulation. Tobias Black has multiple dates

14   of birth across some of these 11 records that we

15   have found for him. So we will definitely want

16   to want to have a look at that. So I'll

17   collapse this and we'll start to kind of

18   investigate. So the first thing is -- we'll

19   come back to the risk, but we might want to

20   understand these ICIJ connections within the

21   data.

22   So what I will do is in the software, as we

23   ask to bring in data it's like a human being

24   doing a search like I did to find Tobias and

25   Lindsay and bring this in. But essentially this

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Peter Dent (for the commission)
Beth Dewitt (for the commission)
David Stewart (for the commission)
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1   expansion template is a predefined automated

2   search against the data sets that I am allowed

3   to see.

4   So the first things that we see at the top

5   are all to do with financial transaction

6   expansion. So we'll leave that to the other

7   part of the demonstration. But below that there

8   are some other expansions. So essentially think

9   of this is as a search and retrieval of

10   information that's relevant, right, to Tobias

11   and Lindsay. So here we have one degree

12   corporate. So can I link Tobias to the

13   corporate registry information. One degree

14   customer, can I link that to my own data within

15   the organization. One degree offshore is a link

16   to ICIJ. So, again, here's where the security

17   corms in. If I'm not allowed to see a certain

18   data item that expansion template does not exist

19   for me. I can't do the search against that

20   database, so I won't bring in the record. So

21   here we're investigating the link to ICIJ which

22   is offshore, so I can say okay, bring in any

23   connections to offshore for these individuals.

24   And lo and behold I can find now this ICIJ

25   document that connects Tobias and Lindsay. I

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David Stewart (for the commission)
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1   can click on -- sorry. Go ahead.

2   Q   I'm sorry. Before we get into that one, I see

3   that Mr. Dent has unmuted himself, so I just

4   wanted to inquire, Mr. Dent, if you have

5   anything to add.

6   A   (PD) If Mr. Bell went back to that original

7   slide that looked at the data sources. He's

8   mentioned in terms of data access or user access

9   to different data sets. I just wanted to

10   elaborate a little bit.

11   When you're using an application such as

12   this, there would be the ability to filter which

13   users have access to which data. So, for

14   example, law enforcement may have the greatest

15   amount of access to this data depending on what

16   the parameters are set up or how the system is

17   designed from an intelligence hub perspective.

18   But there can be a variety of other users that

19   want to have access to some or a subset of this

20   data. They could be regulators from the gaming

21   sector perspective. They could be regulators

22   from the real estate perspective. They could be

23   individuals from, for example, the civil

24   forfeiture's office. But there's all sorts of

25   different use cases that would enable different

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Beth Dewitt (for the commission)
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1   stakeholders to have access to not necessarily

2   all of the data. It would depend on how that

3   data is set up. But also -- but also how that

4   data is actually shared or what data is actually

5   shared from the outset. There's also the

6   framework of privacy, but I don't know if

7   Ms. Dewitt has a comment on that.

8   A   (BD) I mean, I think you summarized it well,

9   which is when this type of hub is established

10   and the different users identified whether

11   within the same entity or across entity, that's

12   where you would work through your framework to

13   establish what type of permissions each entity

14   will have and if there are any data sharing

15   permissions between entities, what that would

16   look like and what the required contractual or

17   agreement-based obligations would be built into

18   that. So there's lots of -- everything that's

19   coming through in this demo has already gone

20   through that framework that we spoke about at

21   the beginning. And now the assumption is we

22   have the right permissions in place, the right

23   controls established, the right rules and

24   principles governing what we're now seeing. And

25   then that's -- that kind of assumption can be

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Beth Dewitt (for the commission)
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1   applied to the demo here as well.

2   Q   And I think this might be a question for

3   Mr. Bell, but when we're incorporating data

4   sources like ICIJ and Dow Jones, some of which

5   are paid services but some of which are just

6   accessible to all, Quantexa is not applying any

7   sort of filter or assessment of the voracity of

8   the information contained in those databases

9   or -- it's simply taking the data that is there

10   and incorporating it into the software; is that

11   right?

12   A   (AB) Correct, yes. So we have -- we are a data

13   agnostic platform, so we can take, accept data

14   from anywhere in any format and essentially what

15   we are good at is identifying the entities and

16   finding the connections between them. It is

17   down to those data providers that provide you to

18   give those assurances.

19   (PD) The only -- one of the advantages,

20   though, is that you have multiple points of

21   comparison. So, for example, if an individual

22   does not share accurate information, you know,

23   with the Land Ownership Transparency Registry

24   around beneficial ownership, this sort of a

25   design would enable a user to corroborate that

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Beth Dewitt (for the commission)
David Stewart (for the commission)
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1   information across multiple domains, and

2   therefore it at least gives or provides

3   additional comfort or evidence as to whether the

4   information contained in one database is

5   accurate in comparison with multiple other

6   sources of data with respect to that individual

7   or entity.

8   Q   Right. And so an investigator conducting this

9   type of analysis might receive some comfort

10   from -- or might have some credence

11   [indiscernible] databases because there are

12   these commonalities, but ultimately that

13   assessment would be up to the individual

14   investigator?

15   A   (PD) Yes, that's correct. There's always an

16   element of human intervention here, human

17   analysis that is necessary to make determination

18   as to how, you know, the voracity of the

19   connections that are basically in front of the

20   user.

21   Q   Understood. Thank you. Mr. Bell, I interrupted

22   you as you were describing the incorporation of

23   this ICIJ node into this network here?

24   A   (AB) Yeah, thank you, Ms. Rose. This is

25   basically showing you -- and remember, we talked

Alexon Bell (for the commission)   61
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1   about documents being the source of

2   information -- I can click on this source and

3   you can see all of the other bits of information

4   that are contained within it. And I can choose

5   to add pieces individually or simply just double

6   click and then it will bring all of the

7   additional pieces of information together. And

8   as you can see, it will start to interact with

9   other things like map views. Again, synthetic

10   data, so this is a fountain in Moscow. But,

11   again, if you are looking at properties, these

12   would be physical locations, and again, this is

13   masked, right, this particular road. So you can

14   validate where this property is, is it actually

15   real. And so you can start to see here that

16   these two potentially, right, erroneous

17   transactions from Lindsay and David purchasing

18   their properties, there might be a link between

19   them. And that link is coming through ICIJ,

20   which is an external piece of information.

21   If we look at scoring, you can see here

22   that we have again through Moscow some high-risk

23   country risk coming through, so we can also

24   start to look at other risk metrics, and again,

25   passing governance, et cetera, in order to deal

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Peter Dent (for the commission)
Beth Dewitt (for the commission)
David Stewart (for the commission)
Exam by Ms. Rose

1   with what you want to see and what things might

2   be interesting.

3   Let's pick this top risk. So both of these

4   people have some Dow Jones risk together with

5   them. So, again, we can click on plus, and now

6   we can bring in this Dow Jones risk. Let's put

7   that over here. So not only now is Tobias and

8   Lindsay on an ICIJ record, this commercial watch

9   list also has some records for them. So if we

10   are to click on the record we can start to bring

11   in details. Again, it's all synthetic. But for

12   the story, Tobias here has been convicted on

13   October 2016 for eight money laundering offences

14   and sentenced to six years and seven months in

15   prison. So that would make him coming out in

16   2022. Maybe he's out early for good behaviour.

17   Lindsay, also mentioned as a partner in crime,

18   sentence to three years and six months

19   imprisonment -- what is she? -- for six money

20   laundering offences. So that makes this a lot

21   more interesting. So these two interesting

22   unusual property transactions are not only

23   linked by ICIJ, but they are connected to two

24   potential money launderers. So as you can see,

25   these two individuals -- the third name will

Alexon Bell (for the commission)   63
Peter Dent (for the commission)
Beth Dewitt (for the commission)
David Stewart (for the commission)
Exam by Ms. Rose

1   come into the picture in a little bit -- raises

2   heightened suspicion that we might want to

3   investigate further.

4   Q   And, sorry, Mr. Bell, to interrupt again. The

5   note that you were just referring to, and I'm

6   sorry if I'm asking you to repeat something that

7   you've already said, but can you just explain

8   where those notes come from and who would be

9   able to see those notes within this type of

10   platform.

11   A   (AB) So those notes are provided by the list

12   provider, so in this case it would be Dow Jones.

13   And we pass those through a process. So

14   essentially we are just showing those notes as

15   Dow Jones has written them into the user

16   interface. And, again, permissioning for this

17   is if I have suitable permissions to find these

18   links, I will have access and see them. If I

19   don't, this information would not be available

20   to make the connections from within the

21   platform.

22   Q   But in this system with the Dow Jones you would

23   not actually see a conviction record from the

24   source country?

25   A   (AB) No. So I believe Dow Jones is looking at

Alexon Bell (for the commission)   64
Peter Dent (for the commission)
Beth Dewitt (for the commission)
David Stewart (for the commission)
Exam by Ms. Rose

1   news articles to indicate the conviction process

2   as opposed to court and criminal records.

3   Q   Thank you. If you could just proceed to the

4   next one. Pick up where -- I've interrupted

5   you, I'm afraid.

6   A   (AB) So let's look at scoring. So we want to

7   really try and understand this ID manipulation

8   of Tobias Black. So why has that score

9   triggered? And, again, I will just double click

10   here and I'll bring in all of the records that

11   link to Tobias.

12   So we can see in your record for Tobias

13   here -- this is your customer record -- he has a

14   date of birth of the 7th of May 1959. That's in

15   your records. But we have these three external

16   records from corporate registries and if we have

17   a look at this, this is L&S Murphy, Tobias Black

18   here as date of birth of the 8th of May. So

19   it's one day different. In The Five Rivers it's

20   the 8th of May, and in AT Building Services,

21   it's the 8th of May. So it's one day out;

22   right? It could quite possibly be what's called

23   fat finger where you've just mistyped that in

24   the entry record to put that into your system.

25   But it's interesting because using entity

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1   resolution, and you remember how the process is,

2   it will go out to all of these databases with a

3   search criteria, it will come back and make the

4   comparison. It says actually there are some

5   differences here.

6   Why is ID manipulation important? Because

7   we know criminals deliberately change their

8   details to circumvent simple matching processes.

9   So the fact that we've been able to pick this up

10   is an indicator, but as you can see it's quite

11   lowly scored in the ranking, but it is a

12   precursor to something that could be a bit

13   riskier based upon other factors that are coming

14   in the network.

15   Q   All right. And there are individuals who come

16   from jurisdictions perhaps where birth records

17   aren't as easy to obtain and so there are other

18   explanations for discrepancies in birthdates;

19   right?

20   A   (AB) Yes, correct. For example, we know that in

21   the Muslim world older generation people will

22   say they were born on the 1st of January to

23   indicate the first half of the year or 1st of

24   June to indicate the second half of the year.

25   So all of those permutations can be taken into

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1   account. But it's also bearing in mind that

2   entity resolution is all of those permutations.

3   So where we do see those 1st of January results

4   coming in with multiple matches, we can exclude

5   the full date of birth and rely on just the year

6   of birth in the search and the resolution

7   process.

8   Q   And so that requires a bit of the application of

9   a human touch, if I can put it that way, in

10   order to not take as a straight line from the

11   data that something might be amiss here but

12   rather that it's a potential risk that might

13   require some further analysis?

14   A   (AB) Could you just say that one again.

15   Q   Sorry. I'm not finding the right words here.

16   But it would require some human intervention and

17   human judgment to be applied so that you're not

18   simply taking the fact that there are multiple

19   dates for a birthdate as a sign of illicit

20   activity is a potential risk factor, but it's

21   not one that you could simply draw a conclusion

22   from on its own?

23   A   (AB) Yeah, so in this case we're using date of

24   birth to link to other records. So it is one

25   factor that allows us to, for example, link to

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1   the Dow Jones watch list. So if there were

2   discrepancies in the date of birth, a human

3   being would have to judge the relative weight of

4   that connection and its relevance and choose to

5   include or exclude it in their investigation.

6   Q   Thank you.

7   A   (AB) No problem.

8   Q   I'll ask you to continue on.

9   A   (AB) So I talked about three individuals. So

10   let's search for the third individual called

11   Michael Green. Now, in this there is

12   technology, and as you can see I haven't found

13   Michael in that search result. And this is

14   quite common if you've used search engines. So

15   we can incorporate things like fuzzy matching in

16   that search request. It is built into entity

17   resolution as well, and you can see here that I

18   have now found the person I'm interested with

19   Michael Greene with an E on the end, no E in my

20   search term. And I can add Michael to that

21   investigation that I have been conducting.

22   Where is he? He's over here.

23   So in here, right, we start to build a

24   picture that these connections at the top

25   between Lindsay and Tobias could be quite risky

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1   and we should probably delve deep into this.

2   Michael is actually unknown at the moment. Does

3   Michael connect to this kind of badder side of

4   the network or actually is Michael good and

5   doesn't have any connections at all.

6   So we brought in his document, which is

7   your record. If we expand that, the system will

8   automatically make connections in the data. And

9   in this case Michael is connecting via corporate

10   registry record to Tobias. So that becomes

11   quite interesting. And as you can see, we've

12   got some transaction cycles, so I'm going to

13   delete his account. As you can see as I deleted

14   that node from this view, the score disappeared.

15   And that's, again, some of the kind of privacy

16   things. If I can't see the data and I'm not

17   allowed to bring it into the network the score

18   is not triggering. So the scores are based

19   around what are users allowed to see and

20   essentially what we're displaying on this

21   network view.

22   So how has the scoring changed. So we've

23   got AML alerts now against Michael and Lindsay.

24   No more Dow Jones risk. Oh, but Michael is on

25   ICIJ, right, and that's a common theme that's

Alexon Bell (for the commission)   69
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1   coming out from these three individuals.

2   They've all got offshore accounts linked to

3   them. Michael has got some ID manipulation and

4   that's the risk that we found already.

5   So why don't we have a look here at the

6   offshore risk of Michael. So, again, we can

7   basically click on this and start to bring in

8   those details. Let's just open one of these to

9   kind of get some more information. And as you

10   can see now, we've got some grey individuals.

11   So these individuals do not connect to your

12   data. They are genuinely external links from

13   ICIJ with no connections back to land registry

14   or whatever property documents that you have.

15   What's interesting is I brought in Michael's

16   address, and I brought a very interesting score

17   in, an inexpensive postcode score. And if we

18   expand this, we can start to try and understand

19   why we might use this. And it would be relevant

20   for land registry sale.

21   So in this case it says this fictitious

22   address in Vicarage Close is linked to four

23   offshore bank accounts and is in a low-value

24   postcode area and where the property is 78,000

25   pounds on average for this house. So, again,

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1   could perform the same sorts of comparisons with

2   the system where we can pull in the land

3   registry. We can essentially geocode those to

4   postcodes and try and look for anomalies to

5   them. This is a slightly different anomaly that

6   we're detecting. It's essentially saying that I

7   have a very modest property that's linked to

8   offshore banking, which doesn't really make

9   sense. And if we go in, right, we can have a

10   look at Vicarage Close, and again synthetic

11   data. It links to some garages, but if we go

12   down the road, somewhere down this road, one of

13   these houses belongs to Michael. And that is

14   quite unusual, right, because you would expect

15   someone who has offshore bank accounts to live

16   in a slightly larger property than this. So we

17   can actually look at this and say that's quite

18   unusual. And also I've got a similar pattern

19   with the offshore pieces between all three

20   search results from that query that have unusual

21   property transactions.

22   The next thing I would probably look at,

23   right, so Michael is looking interesting, is I

24   would look at this business connection between

25   Tobias and Michael. If we look at this, we can

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1   see full financial disclosures at the bottom

2   here, since they've been incorporated in 2016.

3   Quite a lot of money, right, 5 million here,

4   3 million, right, going through the bank. We

5   have a number of directors and some shareholders

6   of that information. We can see here that it's

7   active in trading. So actually it's probably

8   worth a good investigation of this. And I can

9   double click and basically bring in all of those

10   details associated with that company. And what

11   we have also brought in is a new individual,

12   George Lewis, and you notice George is in blue,

13   which means he matches some of your records, so

14   we might then want to go back and have a look at

15   the kind of risk matrix that we had before. So

16   if you remember we are a bit suspicious on ICIJ

17   connections, and actually we can see that George

18   has some. Oh, we actually have an inexpensive

19   postcode score triggering again. So if I look

20   into this, this address in Grimsby is linked to

21   two ICIJ documents and has a very low house

22   price. So again, I can click on the details and

23   have a look at it. Again, somewhere down this

24   road is this house. And, again, this is an

25   extremely cheap property and it would be very

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1   unusual for it to have connections to offshore

2   banking. But if we have a look at this, not

3   only does it have connections to offshore

4   banking, there are nine other businesses

5   connected to this property up in Grimsby. So,

6   again, I can bring in this offshore record, and

7   as you can see they connect to George. And this

8   is very suspicious activity. So what we see

9   when we look at things where the same pattern

10   reoccurs, it piques our interest and someone

11   should really validate. So what we have is we

12   have lots of people on ICIJ and lots of

13   inexpensive postcodes, or a couple of them, that

14   are linking all of this data together. So we

15   would say -- and again, no guilt at the moment,

16   but there is a suspicion that there are some

17   significant connections between these unusual

18   property transactions that would warrant a

19   further investigation.

20   I wanted to pause there before switching

21   personas and talking about how we can

22   essentially link reference type information or

23   static data with financial data.

24   Q   Yeah, I wanted to ask a couple questions. The

25   first is, you know, when you're referring to

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1   sort of suspicion, really what the analysis is

2   there is that you're noticing a number of

3   features of these individuals, these companies,

4   these addresses, that are atypical?

5   A   (AB) Correct. So what we have --

6   Q   Sorry.

7   A   (AB) Sorry.

8   Q   Please expand on that.

9   A   (AB) So What we have uncovered are connections

10   in data. What those connections mean actually

11   would be different for the types of

12   investigations, and some of these things may not

13   be something of significance. But in this

14   particular story, we are inferring that some of

15   these offshore connections look suspicious from

16   a property transaction because they're owned by

17   entities outside of the country.

18   Q   Right. And then on the right-hand side here we

19   have the scoring, as you've described. Now, I

20   wanted to just understand a little more about

21   that scoring and how something becomes red or

22   orange or yellow or green and how you determine

23   the sort of weight of each of those factors that

24   are listed there.

25   A   (AB) Yeah. This is very much a kind of

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Beth Dewitt (for the commission)
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1   consulting exercise whereby we would want to

2   understand how an investigator works a case like

3   this and what things or what connections would

4   be interesting and their relative importance or

5   significance in that investigation. So, again,

6   this is a demonstration; right? It is all

7   completely fictitious, but these are some of the

8   things that we have found to be interesting in

9   financial crime investigations. Their

10   importance here is, again, something that we'd

11   have to work with the commission on. Is it 100

12   or 150, right, it makes no difference, but from

13   a demonstration purposes, as you can see, we've

14   got green, amber and kind of orange here to kind

15   of indicate the relative significance of one of

16   these triggering data matches within the

17   platform.

18   Q   And so when you say that you would have to work

19   with the investigator, these scoring factors,

20   are they customizable?

21   A   (AB) Completely. And as kind of Beth said,

22   there is a governance framework here, so if we

23   were to build this hub, what scores would we be

24   allowed to run in here that would be acceptable?

25   What data are we allowed to include for which

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Beth Dewitt (for the commission)
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1   personas which would mean what scores would run

2   against them? So that's all part of the

3   governance process that would be built around

4   the hub.

5   Q   And so I'm thinking in the context of real

6   estate, for example, the commission has heard

7   evidence that FINTRAC has come out with a set

8   of -- I think it's 26 indicators of suspicion in

9   real estate.

10   A   (AB) M'mm-hmm.

11   Q   Is that something that you could input to the

12   scoring system to see whether there's a match to

13   one of those indicators, for example?

14   A   (AB) Absolutely. And we'd have to also identify

15   whether all of those 26 indicators had the

16   corresponding data needed to run them. So if

17   the data isn't available, we can't run them, but

18   yes, that would be the sort of exercise that we

19   would complete.

20   Q   Okay. And I see Mr. Dent is unmuted again, so

21   I'll inquire if he has anything to add.

22   A   (PD) Thanks, Ms. Rose. I would just add that

23   when we're looking from the context of the user

24   in front of these connections and making these

25   determinations, this is somebody that based on

Alexon Bell (for the commission)   76
Peter Dent (for the commission)
Beth Dewitt (for the commission)
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1   the information that is being made available to

2   them, so if it is law enforcement, then it is

3   someone that has the years of experience and the

4   training in order to make a determination or

5   inferences with respect to the suspicions around

6   the connections or the, if you will, the read

7   flags being raised or being discussed as

8   examples by Mr. Bell. I'm not sure if there was

9   another panelist, Ms. Dewitt, that might have

10   something to add as well.

11   Q   Yes, Ms. Dewitt, perhaps you can speak to this

12   from a privacy or compliance with the statutory

13   obligations standpoint.

14   A   (BD) Can you repeat the base question for me.

15   Q   I was just wondering if you had anything to add

16   with respect to the scoring system here and

17   whether there are particular considerations that

18   are -- that we ought to include when we're

19   considering how to formulate scoring.

20   A   (BD) Well, I mean, like, within the legislation

21   itself, there could be rules that you might look

22   to pull in to help guide what scoring could look

23   like. I don't know there's specific attributes

24   per se that would help inform a score. It might

25   more just be around what parameters would be

Alexon Bell (for the commission)   77
Peter Dent (for the commission)
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Exam by Ms. Rose

1   around what scoring could look like. I'm trying

2   to think through what the legislation

3   specifically would call out on scoring.

4   Q   I suppose if there are any other particular

5   privacy concerns with respect to developing a

6   scoring matrix, but otherwise I think you've

7   answered my question.

8   A   (BD) Well, I mean, I think what it would be is

9   again, if you go back to the principles-based

10   approach and I think it's where you would also

11   probably layer in your ethical framework, and

12   often what we're seeing is actual ethicists

13   being brought into conversations to help design

14   frameworks, is thinking about, like, how many

15   numbers do you need, how many hits do you need

16   for something to be significant. How small a

17   number, how large a number, what type of

18   inferences might toe into a line of profiling or

19   not profiling. So I think there's some, again,

20   guiding principles there, but are there hard and

21   fast rules within the law? No. I think it

22   would be more based on the framework and

23   principals that you want to follow is at least

24   the starting place from that perspective.

25   Q   Thank you. So, Mr. Bell, you were saying that

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Exam by Ms. Rose

1   we would expand further. I'm sorry for

2   interrupting you there.

3   A   (AB) No problem at all. So what I was going to

4   do was I was going to kind of switch persona to

5   show what this might look like if I had access

6   to financial transactions, so money movements.

7   So what I'm going to do is I'm going to select

8   everything here and I'm going to move this into

9   a different screen. So we can come back and

10   refer to this if we need to and we'll open up

11   the investigation here. There's a clone. It's

12   laid out as we have laid it out before. I'm

13   just going to move this around as I'm going to

14   add in some additional bits of information.

15   So if you remember, I deleted the bank

16   accounts from Michael and Lindsay. So now I'm

17   going to start to look at the transactions

18   between them. So at the moment we have some

19   referential transaction -- referential links

20   between data. What we don't have is any kind of

21   financial indication that these people have been

22   transacting with each other or potentially

23   receiving money from, you know, the same entity

24   externally, which would indicate a bit more of

25   an organized nature to these interesting

Alexon Bell (for the commission)   79
Peter Dent (for the commission)
Beth Dewitt (for the commission)
David Stewart (for the commission)
Exam by Ms. Rose

1   transactions.

2   So I'm not going to do the full transaction

3   analysis, but I will basically focus on things

4   that are interesting. So we are looking here at

5   Michael Greene's account. We might have a

6   subset of information available to us where we

7   have found an interesting counterparty that has

8   sent money to Michael, and it's called Offshore

9   Incorporated. So I will add this to the view.

10   And as you can see here, we have some nice

11   coloured lines that will give us an indication

12   of the flow of funds.

13   So essentially money is going from Offshore

14   Incorporated and there are three transactions of

15          $12,000 -- if it was a real property purchase it

16   would be significantly higher -- to Michael's

17   account mentioning Michael at the bank. So here

18   you can see the difference between referential

19   linkages and financial flow linkages, which are

20   coloured. If I look at this offshore, because

21   I'm running this resolution process across all

22   of the data, I can actually identify when there

23   are other connections to this account or this

24   business externally from the transaction

25   information. And one of them happens to be

Alexon Bell (for the commission)   80
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Beth Dewitt (for the commission)
David Stewart (for the commission)
Exam by Ms. Rose

1   Lindsay David, and, again, I'm selecting Lindsay

2   from here and saying add that to the network and

3   now I have an interesting connection between the

4   bad, badder part of the network at the top and

5   Michael at the bottom. Essentially both of

6   these individuals is receiving money from this

7   external corporation in a high-risk

8   jurisdiction.

9   And the third thing that we've got in here

10   if you're looking at transactions is George

11   Lewis. So adding George to here would show that

12   actually we had some interesting matching

13   between ICIJ and inexpensive postcodes and now

14   we can see that actually George is receiving

15   money from this external entity Offshore

16   Incorporated Limited. And as we can see here

17   it's also flagging that it is an ICIJ, so it's

18   raising the suspicion level, and I can bring in

19   that piece into the view.

20   So as part of the investigation, you can

21   see that we have started with some referential

22   linkages between corporate registry information

23   and other sources that shows that there are

24   potential connections. When we start to include

25   things like financial transactions we actually

Alexon Bell (for the commission)   81
Peter Dent (for the commission)
Beth Dewitt (for the commission)
David Stewart (for the commission)
Exam by Ms. Rose

1   start to identify a more collusive nature

2   because they are all not only are they linked by

3   reference information, they're all receiving

4   money from this entity Offshore Incorporated

5   which is outside of the jurisdiction.

6   So this would definitely warrant further

7   investigation. And some of the things you might

8   do here is go well, how recent is this activity?

9   So there are some features down here like the

10   timeline that would allow you to determine when

11   companies or data starts to appear on this

12   network view. So we can scale it all the way

13   back to 1993, right, where we have an Offshore

14   Incorporations being founded, so founded a long

15   time ago. We can see here that Lindsay opens

16   her first account. We can then see here some

17   ICIJ references to Tobias, Tobias opening some

18   businesses at the top over here. A kind of long

19   gap and then AT Building Services fires up

20   connections to Michael and George. We have then

21   the other offshore accounts being opened up. We

22   then can see some more 2011, we can get that Dow

23   Jones record, and then we can move into the

24   financial transactions that happened in 2017 to

25   complete the picture. So here you can see how

Alexon Bell (for the commission)   82
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David Stewart (for the commission)
Exam by Ms. Rose

1   this network is built up over time and with all

2   of these things, right, there could be

3   coincidences in the data, so the fact that, you

4   know, this address is linking to all of these,

5   well, if Michael wasn't there with George at the

6   same time, like that link is broken, and being

7   able to see that through a timeline perspective

8   is very useful to understanding whether these

9   are valid or invalid connections.

10   And that's where I wanted to conclude.

11   Q   With some of the names that we're seeing on the

12   diagram here, I was waiting to see when the

13   banana stand would pop up. Thank you for that

14   demonstration. It's very helpful to see how

15   this works in action. I think we can finish off

16   with that and so perhaps I'll transfer -- I'll

17   suggest that we transfer the screen-sharing

18   capabilities back to Madam Registrar. Thank

19   you.

20   So I just had one last question for the

21   panel. And that was there are other platforms,

22   other softwares that are doing similar things.

23   It's not a process that's only limited to

24   Quantexa; is that right?

25   A   (AB) That's right. So there are many

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Peter Dent (for the commission)
Beth Dewitt (for the commission)
David Stewart (for the commission)
Exam by Ms. Rose

1   technologies out there that look at this in a

2   slightly different way. They will -- and I'm

3   sure you may have seen some graph-like views

4   with that. I think where Quantexa is different

5   is the integration of networks with this entity

6   resolution capability, and the importance of

7   entity resolution is becoming more apparent

8   especially when you have privacy requirements

9   sharing across jurisdictions or in effect

10   different institutions by having entity

11   resolution essentially remove data sets from a

12   network view. What we're seeing with other

13   technologies around like graph databases -- you

14   may have heard of those -- is you build the

15   graph on the data that you can see. So if

16   you've got three sources but any user can only

17   see two of them, that means I have to have three

18   different network views, three different graphs,

19   because I cannot show one source to another

20   user. Entity resolution solves that problem by

21   saying well, actually for you, Alexon, you can't

22   make those connections or see them.

23   MS. ROSE: Right. Thank you very much.

24   Mr. Commissioner, those are my questions for

25   these witnesses. I might suggest now would be

Alexon Bell (for the commission)   84
Peter Dent (for the commission)
Beth Dewitt (for the commission)
David Stewart (for the commission)
Exam by Ms. Rose

1   an appropriate time for us to take the 15-minute

2   morning break.

3   THE COMMISSIONER: Yes, I think that's a good

4   suggestion, Ms. Rose. We'll take 15 minutes.

5   Thank you.

6   THE REGISTRAR: This hearing is adjourned for a

7   15-minute recess until 10:34 a.m.

8   **(WITNESSES STOOD DOWN)**

9   **(PROCEEDINGS ADJOURNED AT 10:19 A.M.)**

10   **(PROCEEDINGS RECONVENED AT 10:33 A.M.)**

11   **ALEXON BELL, a witness**

12   **for the commission,**

13   **affirmed.**

14   **PETER DENT, a witness**

15   **for the commission,**

16   **affirmed.**

17   **BETH DEWITT, a witness**

18   **for the commission,**

19   **affirmed.**

20   **DAVID STEWART, a witness**

21   **for the commission,**

22   **affirmed.**

23   THE REGISTRAR: Thank you for waiting. The hearing

24   is resumed. Mr. Commissioner.

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

Alexon Bell (for the commission)   85
Peter Dent (for the commission)
Beth Dewitt (for the commission)
David Stewart (for the commission)
Exam by Ms. Herbst

1   now I'll call on Ms. Herbst on behalf of the Law

2   Society of British Columbia, who has been

3   allocated 10 minutes.

4   MS. HERBST: Thank you, Mr. Commissioner and thank

5   you, panel.

6   **EXAMINATION BY MS. HERBST:**

7   Q   My name is Ludmila Herbst, as Mr. Commissioner

8   said, from the Law Society of British

9   Columbia -- or representing the Law Society of

10   British Columbia, and I just have a few

11   questions about your very interesting

12   presentation.

13   Now, in your presentation slides, which are

14   exhibit 667 -- although I don't think we need to

15   turn to them -- the title or the subheading at

16   least is "Application of Networks to Detect and

17   Mitigate Organized Crime." Is organized crime

18   something you equate with the kind of financial

19   crime you're interested in detecting?

20   A   (PD) Sorry, it is, yes.

21   Q   Okay. Okay. And we certainly benefitted this

22   morning from the collaboration between Deloitte

23   and Quantexa in terms of putting together the

24   presentation. Do Deloitte and Quantexa have a

25   longer working relationship as well?

Alexon Bell (for the commission)   86
Peter Dent (for the commission)
Beth Dewitt (for the commission)
David Stewart (for the commission)
Exam by Ms. Herbst

1   A   (PD) We have worked together on specific client

2   matters in the past, yes. Although our

3   relationship is not an exclusive one.

4   Q   I see. So if, for example -- and not that there

5   would be anything wrong if it were. I'm just

6   wondering. So if Deloitte were to continue in a

7   consulting role with the province it wouldn't be

8   obligated to recommend a Quantexa product

9   necessarily for software?

10   A   (PD) No. We're under no obligation to do that.

11   Q   Okay. Ms. Rose asked this morning about some

12   other software or the topic came up towards the

13   end of the testimony about other software, and I

14   understand that another witness may be referring

15   to something called -- and I'm looking down

16   because this does not come trippingly off my

17   tongue -- the IBM i2 Analyst Notebook and

18   perhaps the IMTCA Identity Resolution Add-on.

19   And I was just wondering -- and perhaps this is

20   for Mr. Bell -- is that one of the competing

21   softwares or is that a component of what goes

22   into the Quantexa platform itself?

23   A   (AB) It's definitely something that we would

24   compete against. I think Quantexa is also open

25   source as well, so we would collaborate

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1   sometimes on the wishes of a particular customer

2   with different applications that we might

3   traditionally think as competitors.

4   Q   Okay. Well, thank you very much, and, again,

5   including for the interesting presentation.

6   Those are my questions.

7   MS. HERBST: Thank you, Mr. Commissioner.

8   THE COMMISSIONER: Thank you, Ms. Herbst.

9   I'll now call on Mr. Usher on behalf of the

10   Society of Notaries Public of British Columbia,

11   who has been allocated five minutes.

12   MR. USHER: Thank you, Mr. Commissioner.

13   **EXAMINATION BY MR. USHER:**

14   Q   I'm wondering if the panel can comment on some

15   costs and barriers to implementation. I'm

16   assuming there are costs, it's probably

17   significant ones, for the acquisition, the use,

18   the implementation of this software and how

19   those measure up against the potential benefits.

20   So over to you.

21   A   (DS) I'll respond to that. Thank you very much

22   for the question. I think there are certainly

23   costs in, as you allude to, when you start

24   aggregating different data sets that may be

25   owned or possessed by or controlled by different

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1   entities. I think some of the research in the

2   market when you start looking at what we'll call

3   big data and where, you know, how you could

4   aggregate such information, there's information

5   that would suggest that whilst there's initial

6   outlay in setup, I guess the financial benefits

7   and the value of such structures return greater

8   return for the investment that you make

9   initially. So if that's reducing, as Mr. Bell

10   pointed out in his example, perhaps when you go

11   to one screen and that data aggregation cuts out

12   a lot of time in compiling information for

13   investigators, so whilst there's initial outlays

14   there's also offsets to those costs.

15   Q   And have you got examples of where this has been

16   used in cases leading to prosecutions in

17   commercial crime and money laundering in

18   particular?

19   A   (DS) I'm not able to -- I don't have line of

20   sight to answer that question, unfortunately.

21   Q   Perhaps Mr. Bell does?

22   A   (AB) Hello. Am I back?

23   Q   Yes. Mr. Bell, do you have any comments on the

24   use of your software or can you give us any

25   examples of the implementation of this software

Alexon Bell (for the commission)   89
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Beth Dewitt (for the commission)
David Stewart (for the commission)
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1   that has been used in cases such as money

2   laundering?

3   A   (AB) Sorry, am I back now? Ron, apologies. It

4   froze at the most inappropriate time halfway

5   through your question. Could you repeat it,

6   please.

7   Q   No problem. We'll all just live with the Zoom

8   and the technology. Thank you.

9   I was simply asking if you have any stories

10   for us or of the use of your software in a

11   successful prosecution of money laundering and

12   other financial crime.

13   A   (AB) I don't know about prosecution. I do

14   know -- so in the banks there's a process of

15   disclosure under AML regulations, Suspicious

16   Activity Reports and the like. So I do know of

17   cases where we have found connections in data

18   that would meet that organization's level of

19   suspicion to allow them to disclose that

20   suspicion to the regulator. So again, in the

21   AML world it's not a fact, it's a suspicion that

22   something might be suspicious, and that's what

23   the banks are using our software to help them

24   determine. It meets their own internal

25   governance and requirements to allow them to

Alexon Bell (for the commission)   90
Peter Dent (for the commission)
Beth Dewitt (for the commission)
David Stewart (for the commission)
Exam by Mr. Usher

1   disclose something to a regulator. And I've

2   witnessed investigations across different

3   organizations into various forms of organized

4   crime, be that human trafficking, wildlife,

5   counterterrorist financing. There's all those

6   sorts of use cases that we have seen our

7   software used to detect.

8   Q   Can you give us examples of governments or

9   government agencies such as law enforcement that

10   are using the software?

11   A   (AB) I'm not allowed to give any names. We do

12   have a government institution that is working

13   with us on a project.

14   Q   Any in Canada?

15   A   We have a customer in Canada, but it's not a

16   government one.

17   Q   Thank you. So what's the barrier to this?

18   You've described the complexity of these data

19   structures. Can you just help us out. What are

20   the biggest barriers that you think would be

21   faced in implementing such a solution in British

22   Columbia?

23   A   (PD) One barrier would be legislation to allow

24   various agencies to share data with each other.

25   That would be an example of a barrier to the use

Alexon Bell (for the commission)   91
Peter Dent (for the commission)
Beth Dewitt (for the commission)
David Stewart (for the commission)
Exam by Mr. Usher

1   of this. One of the -- it wasn't mentioned

2   earlier on an earlier question, but one of the

3   aspects of this is scaleability. So you can

4   start with very -- a small number of data sets

5   and then expand the use cases to include other

6   data sets as you go forward as a means of

7   lowering the complexity and the cost of putting

8   together something similar to this.

9   Q   Thank you. And just one last thing. Are you

10   aware that the BC land registry already requires

11   corporate data on documents where, for example,

12   property is being acquired by a company and that

13   they check that against the corporate registry?

14   Are you familiar with that?

15   A   (PD) Yes.

16   MR. USHER: Thank you. That's all my questions.

17   THE COMMISSIONER: Thank you, Mr. Usher. Now

18   Ms. Magonet on behalf of the British Columbia

19   Civil Liberties Association, who has been

20   allocated 20 minutes.

21   MS. MAGONET: Thank you, Mr. Commissioner.

22   **EXAMINATION BY MS. MAGONET:**

23   Q   Can the panelists hear me? I'm seeing nods.

24   Excellent.

25   Thank you. My name is Jessica. I'm

Alexon Bell (for the commission)   92
Peter Dent (for the commission)
Beth Dewitt (for the commission)
David Stewart (for the commission)
Exam by Ms. Magonet

1   appearing on behalf of the BC Civil Liberties

2   Association. My first questions relate to the

3   real estate intelligence hub and who would have

4   access to that hub? On page 4 of the

5   PowerPoint, I don't think we need to go there,

6   but it refers to the fact that users could

7   include the regulator, department and law

8   enforcement, and I was wondering which

9   regulators and departments were contemplated for

10   this product.

11   A   (PD) Those were basically presented for

12   demonstration purposes only without a view that

13   they would necessarily be included or involved

14   in the outlay of the design. Ultimately it

15   would be the decision of the owner of the

16   database or the aggregator or the data as to who

17   would be included and how that was going to be

18   designed under what framework by the government.

19   That would be how I respond to it, but

20   Ms. Dewitt, you may have something to add.

21   (BD) No, I would agree. I think it actually

22   comes down to the parties who form the agreement

23   to participate in this type of intelligence hub

24   and then rules are designed based on that.

25   Q   Thank you. Page 4 also of the slide show also

Alexon Bell (for the commission)   93
Peter Dent (for the commission)
Beth Dewitt (for the commission)
David Stewart (for the commission)
Exam by Ms. Magonet

1   refers to law enforcement as a user, so is the

2   idea that law enforcement would have full access

3   to the information in the hub?

4   A   (PD) That, again, would be determined by the

5   designers and stakeholders in the hub as to what

6   thresholds of access each would be provided.

7   Law enforcement may have more access or not.

8   Again, that would be a decision for the owners

9   or designers.

10   (BD) I'm going to add to that that the

11   referenced architect behind what the framework

12   would be to govern things like users and access

13   and who has what and can do what would also be

14   related back to whatever is enabled under

15   different types of laws and regulations in terms

16   of the type of data certain actors would have

17   access to.

18   Q   Thank you. So ostensibly law enforcement would

19   have some access to data in this hub without

20   first being required to obtain a warrant. Is

21   that an accurate description?

22   A   (PD) I cannot answer that. I would not know.

23   Q   Okay. Thank you. Has Deloitte or Quantexa

24   obtained a legal opinion on the compliance of

25   the structure of the hub or a similar database

Alexon Bell (for the commission)   94
Peter Dent (for the commission)
Beth Dewitt (for the commission)
David Stewart (for the commission)
Exam by Ms. Magonet

1   with section 8 of the charter?

2   A   (PD) So I won't -- I mean, I'll let Alexon speak

3   for Quantexa, but I'm not aware of us, you know,

4   doing that sort of background research. Again,

5   this was a -- this was a presentation for

6   demonstrative purposes only.

7   (AB) We have not done anything of the sort

8   at Quantexa.

9   Q   Thank you. But you would agree that doing that

10   sort of thinking before implementing this type

11   of hub would be quite important given that law

12   enforcement and government agencies would be

13   provided access to very private information?

14   A   (BD) Again, I think if you refer back to the

15   concept of the framework and the governance that

16   we would want to establish there, part of that

17   process is to do that due diligence analysis.

18   So an analysis can be both in terms of a privacy

19   legal review, a privacy impact assessment that

20   would look at permissions, data flows and line

21   that up against legal requirements. Another

22   piece of it would be required security controls

23   based on established frameworks within the

24   province or in Canada, again, dependent on the

25   actors in play. And then the third element to

Alexon Bell (for the commission)   95
Peter Dent (for the commission)
Beth Dewitt (for the commission)
David Stewart (for the commission)
Exam by Ms. Magonet

1   that would be what additional analysis would be

2   required, be it from a purely legal perspective

3   or from a broader ethical perspective. And I

4   think if you look holistically at those

5   different components that come together, that's

6   where, for example, a recommendation can be made

7   that we would want to have that type of analysis

8   done. And again, that would be the driven by

9   the entity who is ultimately leading this

10   intelligence hub.

11   Q   Thank you. My next questions are about data

12   aggregation, so the type of data that could be

13   in this hub. My understanding is that it could

14   include internal data, so from various

15   government agencies as well as external data.

16   Is that accurate?

17   A   (AB) That's accurate.

18   (DS) Yes, that's accurate.

19   Q   So for the external data, I understand that that

20   would include public data such as news articles.

21   A   (AB) Correct.

22   Q   Could it include other public data, including

23   open source intelligence?

24   A   (AB) Yes, it could.

25   Q   Sorry. I didn't mean to interrupt you.

Alexon Bell (for the commission)   96
Peter Dent (for the commission)
Beth Dewitt (for the commission)
David Stewart (for the commission)
Exam by Ms. Magonet

 1   A   (AB) Yes, it could, if that was the wish of the

 2   hub to include that information in it, then yes,

 3   it could get visibility of that information.

 4   Q   And open-sourced intelligence that could include

 5   social media, it could include public government

 6   data, professional and academic publications,

 7   those are some examples of open source

 8   intelligence?

 9   A   (AB) So it does depend on a couple of things,

10   which is how does that data match to more

11   structured and well-recognized information. So

12   there would have to be a governance process in

13   what sources could be included and at what

14   stages in the overall process.

15   Q   Okay. Thank you. There's also a reference in

16   the slide show to data related to financial wire

17   transfers. So would it be possible for the hub

18   to include data from financial institutions or

19   about financial transactions?

20   A   (AB) Again, that would be a decision of the hub

21   as to whether that data could be included. That

22   data could be partitioned off into a separate

23   area that only specific users or government

24   departments could get access to.

25   Q   Thank you. And because we looked at those types

Alexon Bell (for the commission)   97
Peter Dent (for the commission)
Beth Dewitt (for the commission)
David Stewart (for the commission)
Exam by Ms. Magonet

1   of transactions in the demonstration today, I'm

2   contemplating that that may be something that

3   people would want to be part of the hub. I'm

4   just wondering if there's been any thinking in

5   terms of how that data would be obtained.

6   A   (PD) That would be -- that would be data that

7   would be obtained through memorandums of

8   understanding or, you know, any sort of

9   agreements between departments that they could

10   share that data. Again, this is for the

11   designers of whatever this platform would look

12   like and it's really not for us to say what

13   would be included or excluded.

14   Q   Thank you. My next question is for Mr. Bell. I

15   was wondering if Quantexa ever purchases data

16   from data brokers or add tech companies and if

17   so, what kinds of data?

18   A   (AB) No, we don't purchase any data from any of

19   those sources. So when we are deployed, it is

20   down to the organization that has our software

21   to choose the data that that goes into it. We

22   make no recommendations or anything like that.

23   Q   Oh, thank you. That's helpful. So Quantexa

24   provides the software and then it would be up to

25   the owner of the hub to decide what type of data

Alexon Bell (for the commission)   98
Peter Dent (for the commission)
Beth Dewitt (for the commission)
David Stewart (for the commission)
Exam by Ms. Magonet

1   to include within it?

2   A   (AB) Correct, yes.

3   Q   Thank you. Okay. So we've talked about many

4   different types of data that that could be

5   included in the hub, understanding that the

6   designer of the hub would be making these

7   judgment calls, but is it fair to say that by

8   aggregating these types of data, we would

9   ostensibly be able to learn quite a bit about an

10   individual including their name, age, gender,

11   location, telephone number, potentially

12   information like their marital status or race?

13   Would you agree with that?

14   A   (AB) I think that all comes down to the

15   governance. So the software can essentially be

16   what's called federated, so it can run in

17   different data centres and only connect across

18   them and share the information that it's allowed

19   to share. So the governance that sits around

20   what we can exchange is really important as to

21   how much information can be known about an

22   individual or a property. So gender, for

23   example, has not figured in any of the

24   demonstrations. We don't need to know gender to

25   make those linkages. I don't need to know what

Alexon Bell (for the commission)   99
Peter Dent (for the commission)
Beth Dewitt (for the commission)
David Stewart (for the commission)
Exam by Ms. Magonet

1   car you drive or anything like that. I need to

2   know factual information around the

3   investigation which is corporate information, so

4   are you a director of a business, do you own a

5   property, are you on a watch list.

6   (BD) I think as well when you take a privacy

7   by design approach and layer in good ethical

8   governance what you're doing there is you're

9   setting up specific principles around what you

10   will allow from the data. And so while there's

11   the potential for inferences, if you establish

12   rules at the outset that say, these are the

13   types of data that I need or I don't need to

14   answer these types of questions that I'm trying

15   to investigate and test out through the

16   intelligence hub, then you're actually able to

17   put some guardrails and some controls around and

18   limit, therefore, the broader connections that

19   you can make.

20   So I think what's important is to go back

21   to the starting place to say what are the risks

22   in, you know, a free access to all different

23   types of data and how do we limit those risks

24   through taking an appropriate and proportional

25   approach to the type of data that we're going to

Alexon Bell (for the commission)   100
Peter Dent (for the commission)
Beth Dewitt (for the commission)
David Stewart (for the commission)
Exam by Ms. Magonet

1   make available within the intelligence hub.

2   Q   Thank you. I would now like to take the panel

3   to a document. Madam Registrar, if you could

4   please pull up a report that I circulated called

5   "To Surveil and Predict." Are the panelists

6   familiar with this report?

7   A   (PD) Yes. We did -- I think all of us received

8   that document last week.

9   MS. MAGONET: Thank you. Mr. Commissioner, could I

10   please have this marked as the next exhibit?

11   THE COMMISSIONER: Yes. Very well. That will be the

12   next exhibit.

13   THE REGISTRAR: Exhibit 668, Mr. Commissioner.

14   THE COMMISSIONER: Thank you.

15   **EXHIBIT 668: To Surveil and Predict -**

16   **publication of University of Toronto -**

17   **International Human Rights Program - 2020**

18   MS. MAGONET: Madam Registrar, could you please go to

19   page 75 of this report. Thank you. If you

20   could scroll down a bit.

21   Q   I just wanted to take the panel to a quote from

22   this report. Sorry -- yes, I have the right

23   spot. So this report is looking at algorithmic

24   policing in Canada, and while it's focused on

25   policing, it does talk about the use of

Alexon Bell (for the commission)   101
Peter Dent (for the commission)
Beth Dewitt (for the commission)
David Stewart (for the commission)
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 1   algorithmic predictions and other contexts. And

 2   here the authors of the report write:

 3   "Individuals retain a unique expectation

 4   of privacy from law enforcement agencies.

 5   This expectation means that individuals

 6   retain a right to the protection of their

 7   privacy from law enforcement even if

 8   information has already been disclosed or

 9   made public for other purposes to non-law

10   enforcement actors."

11   If you could scroll down a bit, Madam Registrar.

12   "While individuals -- "

13   If you could continue scrolling down. My

14   apologies.

15   "-- do inevitably lose some degree of

16   control over the personal information when

17   it is shared with others, they may

18   reasonably expect that the information

19   will not be divulged further to (or

20   collected by) law enforcement."

21   Would you agree that the hub undermines this

22   protection by potentially allowing law

23   enforcement to access sensitive information

24   without obtaining a warrant first?

25   A   (BD) I'm not sure that I can answer that fully

Alexon Bell (for the commission)   102
Peter Dent (for the commission)
Beth Dewitt (for the commission)
David Stewart (for the commission)
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1   because, again, we're doing this based on a

2   demonstration. So the rules would need to be

3   set around what law enforcement will have access

4   to or won't have access to, and again, that will

5   be dependent on what they're legally allowed to

6   have access to based on the laws in place and

7   the type of data that's put into the hub.

8   Q   Thank you. So that was a question about charter

9   limits on privacy infringements, but my next

10   question relates to privacy legislation. So the

11   10 privacy principles of fair information

12   practices that underlie Canadian privacy

13   legislation [indiscernible] disclosure and

14   retention of information must generally be

15   limited to the purposes for which it was

16   collected. How can the real estate intelligence

17   hub respect this principle when it aggregates

18   and shares data collected by many different

19   bodies for many different purposes?

20   A   (BD) That's a good question. I think in part

21   it's going to go back to -- and, again, this

22   would be part of the analysis that one would

23   want to do when it starts to compile what the

24   intelligence hub will actually do, is to

25   understand a -- the original purpose statements

Alexon Bell (for the commission)   103
Peter Dent (for the commission)
Beth Dewitt (for the commission)
David Stewart (for the commission)
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 1   that were used when data was originally

 2   collected, what the enabling laws are to permit

 3   those original data collections, what the uses

 4   were that was defined under those data

 5   collections, and be able to take a step back and

 6   do an analysis on what would be reasonable and

 7   expected based on what is permitted. So when

 8   you conduct something like a privacy impact

 9   assessment, what you are evaluating against

10   those 10 privacy principles which form

11   schedule 1 of *PIPEDA*, but then also form the

12   basis of most of our provincial laws as well

13   from a privacy perspective, is that what your

14   going to do is evaluate the permissibility of

15   the collection use and disclosure against a set

16   of purposes. Something like the intelligence

17   hub should never go live without that type of

18   analysis being done and the assurance being

19   provided that the right legal permissions are in

20   place. And if they're not in place, what

21   additional steps need to be taken. So that

22   could be around how it is you then limit access

23   to data, limit the types of data or not allow

24   specific data sets at all.

25   Q   Thank you. My next question relates to another

Alexon Bell (for the commission)   104
Peter Dent (for the commission)
Beth Dewitt (for the commission)
David Stewart (for the commission)
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1   of these 10 principles and it's the principle

2   that requires that consent must generally be

3   obtained to use, collect, retain and disclose

4   data. But you would agree that when an

5   individual consents to disclosing their data to

6   a land title registry they're hardly consenting

7   to their data being aggregated with multiple

8   other sources of data to create a more intimate

9   picture of them and then for that picture to be

10   shared with multiple regulators and law

11   enforcement?

12   A   (BD) I think what we are actually looking at

13   here is a level of transparency that needs to

14   exist. So when you go and you consent to

15   something, you're consenting to something based

16   on a set of information that you're provided

17   around what's going to happen with your data and

18   for what purposes. And so there needs to be a

19   clear level of a transparency, accountability

20   and proportionality built into that. And from

21   that individual should have a reasonable should

22   have a reasonable expectation around what's

23   going to happen with their information. As we

24   start to use data more and more in this

25   connected way, increasingly notice statements

Alexon Bell (for the commission)   105
Peter Dent (for the commission)
Beth Dewitt (for the commission)
David Stewart (for the commission)
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1   need to evolve to talk about this increasing way

2   in which data is going to be connected and used

3   to understand certain attributes or certain

4   scenarios.

5   So I think that there's two things that need

6   to happen. One is within the framework itself

7   of the intelligence hub, there needs to be

8   questions around what those original notice

9   statements said and the individuals, what the

10   individuals would have read. There also was a

11   wider conversation that I think is taking place

12   around what is reasonable for individuals to

13   expect, and given the new types of things that

14   we can do with a data through analytics how do

15   we continue to be transparent and inform and

16   educate.

17   Q   Thank you. My next questions are I think maybe

18   best directed to Mr. Bell. And they're about

19   the risk scoring element of the real estate hub.

20   And I was wondering, Mr. Bell, if you're aware

21   of research raising concerns about the ways in

22   which automated decision making and AI can

23   perpetuate discrimination and bias?

24   A   (AB) I am aware of that research, yes. I've

25   read about it.

Alexon Bell (for the commission)   106
Peter Dent (for the commission)
Beth Dewitt (for the commission)
David Stewart (for the commission)
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1   Q   And I was wondering what steps, if any, does

2   Quantexa take to ensure that discrimination and

3   bias aren't perpetuated by the AI used in its

4   software?

5   A   (BD) Yeah, so I think there's a demarkation

6   between what Quantexa is doing and an AI machine

7   learning platform. So Quantexa is essentially

8   making connections in data, and those

9   connections can then be surfaced to an AI

10   machine learning engine. So we are essentially

11   not the AI that's making that determination.

12   We're finding the connections, and we're

13   determining the strength of those connections.

14   It's then down to the governance process of

15   whatever modelling technique or software that is

16   used by the organization to put that model

17   through an ethical AI framework that is

18   compatible with the various requirements that

19   they need to adhere to.

20   MS. MAGONET: Thank you. Mr. Commissioner, I see

21   that my time is up. I have just a few more

22   questions and I was wondering if I could seek

23   your indulgence to have maybe five more minutes.

24   THE COMMISSIONER: Yes, that's fine, Ms. Magonet.

25   MS. MAGONET: Thank you, Mr. Commissioner.

Alexon Bell (for the commission)   107
Peter Dent (for the commission)
Beth Dewitt (for the commission)
David Stewart (for the commission)
Exam by Ms. Magonet

1   Q   Mr. Bell, are you particularly aware of research

2   in the realms of predictive policing about AIs

3   that overpredict that racialized people will

4   commit crimes?

5   A   (AB) No, I'm not aware.

6   Q   Okay. Thank you. I have just two more --

7   sorry, just two or three more questions for you.

8   They may be best directed to Mr. Bell, but I'm

9   not certain. I was wondering how much it would

10   cost BC to implement the real estate

11   intelligence hub.

12   A   (PD) If I could, I'll let Mr. Bell respond as

13   well after myself, but a lot of -- to say what

14   the cost would be is very difficult because it

15   would depend on the amounts of data that are

16   being aggregated and therefore the more data

17   that is being aggregated from different sources,

18   the greater the complexity and the greater the

19   cost. So as we discussed this is a scaleable

20   capability. The point would be that what we're

21   trying to do is start small and then as more

22   data becomes available you could start small and

23   then as more data becomes available then

24   integrate that data as and when the process to

25   allow it to happen occurs.

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Exam by Ms. Magonet

 1   (AB) Yeah, and if I step back and I just

 2   look at kind of projects in general, there is a

 3   component of cost which is software, and that

 4   might not just be Quantexa software. There's a

 5   component cost which is data, which is split on

 6   both external data spend on subscriptions but

 7   also the kind of internal marshalling of data

 8   and then there's a kind of process piece, so

 9   training of investigators, setting up governance

10   frameworks, training on the software, et cetera.

11   So there's large, you know, components of cost

12   that would vary based upon the scale that Peter

13   has talked about. So if you start smaller the

14   overall aggregate cost is smaller. As you start

15   to increase componentry, data sources, et

16   cetera, then costs will go up accordingly.

17   Q   I totally understand that there are many

18   variables at play, but is anyone on the panel

19   able to give a ballpark or a high or low figure?

20   A   (PD) It's very difficult to give out a figure

21   like that. We're not talking tens of millions

22   of dollars, at least on a small scale -- a

23   smaller scale where you're only integrating

24   certain data or a small number of data sources

25   together. So -- but you know, it could be in

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1   the high hundreds of thousands of dollars to get

2   things started. But again, it's a difficult

3   question to answer because in many ways I'm just

4   guessing because I don't know what the

5   parameters are that an intelligence hub would

6   need to -- that, you know, the designers would

7   want to have in place.

8   Q   Thank you. Mr. Bell, are you able to give us an

9   estimate of how much Quantexa would make from a

10   contract with BC to establish the real estate

11   intelligence hub?

12   A   (AB) I can't -- I don't deal with the commercial

13   aspects of Quantexa. I deal much more with the

14   kind of solutions side. But we have a flexible

15   framework of licensing cost for the software, so

16   if you wanted to, we could work out what that is

17   across a number of parameters.

18   Q   And it's my understanding that as of July of

19   last year, Quantexa had raised over $90 million.

20   A   (AB) I think we raised $65 million in Series C

21   funding last year.

22   MS. MAGONET: Okay. Thank you. Mr. Commissioner,

23   those are my questions.

24   THE COMMISSIONER: Thank you, Ms. Magonet.

25   I'll now call on Mr. Westell for the

Alexon Bell (for the commission)   110
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Beth Dewitt (for the commission)
David Stewart (for the commission)
Exam by Mr. Rauch-Davis

1   Canadian Bar Association and the Criminal

2   Defence Advocacy Society. Mr. Westell has been

3   allocated five minutes.

4   MR. WESTELL: Mr. Commissioner, I'll concede my time

5   in the circumstances. Thank you very much.

6   THE COMMISSIONER: Thank you, Mr. Westell.

7   And finally Mr. Rauch-Davis for

8   Transparency International Coalition, who has

9   been allocated 10 minutes.

10   MR. RAUCH-DAVIS: Thank you.

11   **EXAMINATION BY MR. RAUCH-DAVIS:**

12   Q   Mr. Dent, can you hear me okay? I believe

13   you're on mute.

14   A   (PD) Yes, I can hear you.

15   Q   Okay, great. I understood part of the overview

16   evidence you gave this morning was that you

17   expect the Land Owner Transparency Registry to

18   be able to provide useful data for software like

19   Quantexa. Do I have that right?

20   A   (PD) That is correct, yes.

21   Q   Yeah, and then throughout the slides in the

22   presentation this morning there were repeated

23   references to corporate information, corporate

24   registry data that ought to be accessed for

25   Quantexa and you gave evidence on the beneficial

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Beth Dewitt (for the commission)
David Stewart (for the commission)
Exam by Mr. Rauch-Davis

1   ownership panel, and so my question to you is I

2   wonder if you might be able to explain how a

3   publicly accessible corporate beneficial

4   ownership registry might assist or facilitate

5   the utility of the software that has been

6   presented this morning.

7   A   (PD) Well, it would allow for greater

8   transparency with respect to the data. So it

9   would make making the links or the connections

10   between the data that is housed, for example, in

11   the land ownership transparency registry with

12   the data that is housed in BC Registries, for

13   example, and therefore give a more transparent

14   view as to the ultimate beneficial owner of the

15   land ownership but also the corporate ownership.

16   Q   Is it fair to say that it would create

17   efficiencies within the software itself, within

18   the connections within the linking?

19   A   (PD) I think it's fair to say. Mr. Bell,

20   correct me if I'm wrong, but I think it's fair

21   to say that the more data that goes into the

22   software or into the platform, the greater the

23   degree of linkages or connections that can be

24   made as well as the testing of the voracity of

25   that data.

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Peter Dent (for the commission)
Beth Dewitt (for the commission)
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1   Q   Yes. And maybe I'll turn to Mr. Bell. Do you

2   have any input on this topic?

3   A   (AB) I would agree with Mr. Dent. So if the

4   data in the beneficial ownership database is

5   verified, that means that the nature of the

6   connections are more significant and more

7   accurate. And that can lead to a multitude of

8   things, right, making connections that we

9   couldn't see before but also just more quickly

10   validating that connections are true.

11   Q   And so in your experience, Mr. Bell, in

12   jurisdictions that Quantexa is operating where

13   there is a corporate beneficial ownership

14   registry like the UK, could you expand on the

15   utility of that registry in the software in that

16   jurisdiction?

17   A   (AB) So if the corporate registry is available

18   and an organization can consume it, they can

19   start to identify connections as we saw in the

20   slides between their data and that registry

21   information. If that data is also available to

22   international organizations, then they could get

23   some information on transactions between their

24   country and the UK companies that were on that

25   registry. So there are a multitude of uses on

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Beth Dewitt (for the commission)
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1   being able to link that information.

2   There is I suppose another use case, which

3   is then the verification of information that is

4   presented to you. So if I'm in Canada and I say

5   I am a director of Quantexa, I provide

6   Quantexa's credentials to you. Having access to

7   the UK company's house from Canada would allow

8   you to validate that I am actually who I say I

9   am and Quantexa is a legitimate business. So I

10   think there are a few things we could do with

11   that data.

12   MR. RAUCH-DAVIS: All right. Thank you. Those are

13   my questions for this panel.

14   THE COMMISSIONER: Thank you, Mr. Rauch-Davis.

15   Anything arising, Ms. Magonet?

16   MS. MAGONET: Nothing arising, Mr. Commissioner.

17   THE COMMISSIONER: Thank you. Mr. Usher?

18   MR. USHER: Nothing arising, Mr. Commissioner.

19   THE COMMISSIONER: Ms. Herbst?

20   MS. HERBST: I apologize. I had not unmuted myself.

21   Nothing arising. Thank you, Mr. Commissioner.

22   THE COMMISSIONER: Thank you, Ms. Herbst. Ms. Rose?

23   MS. ROSE: Nothing from me, Mr. Commissioner. Thank

24   you.

25   THE COMMISSIONER: Well, I'd like to thank the panel

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Peter Dent (for the commission)
Beth Dewitt (for the commission)
David Stewart (for the commission)
Exam by Mr. Rauch-Davis

1   members, Mr. Bell, Mr. Dent, Ms. Dewitt and

2   Mr. Stewart for educating us about the

3   impressive reach of technology to explore what I

4   think are inherently secretive offences and of

5   course the need to balance that impressive

6   technology against the imperative of protecting

7   the constitutional and privacy rights of British

8   Columbians. It's a very interesting discussion

9   and I think one which will help inform the

10   commission in its final report. So thank you

11   all for the time you've taken to participate

12   with us. You are now all excused from further

13   evidence.

14   **(WITNESSES EXCUSED)**

15   THE COMMISSIONER: And I think we will need to stand

16   down briefly, Ms. Rose, to bring the next

17   witness on board. Is that the case?

18   MS. ROSE: I'm not sure, but I do see my colleague

19   Ms. Patel here. Perhaps she has more insights

20   than I do.

21   IT SUPPORT: Yes, Mr. Commissioner, we do need to

22   stand down to change logistics.

23   THE COMMISSIONER: Why don't we take five minutes,

24   then.

25   THE WITNESS: (BD) Thank you, Mr. Commissioner.

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Peter Dent (for the commission)
Beth Dewitt (for the commission)
David Stewart (for the commission)
Exam by Mr. Rauch-Davis

1   (PD) Thank you, Mr. Commissioner.

2   THE REGISTRAR: The hearing is stood down for five

3   minutes until 11:18 a.m.

4   **(PROCEEDINGS ADJOURNED AT 11:13 A.M.)**

5   **(PROCEEDINGS RECONVENED AT 11:17 A.M.)**

6   THE REGISTRAR: Thank you for waiting. The hearing

7   is resumed, Mr. Commissioner.

8   THE COMMISSIONER: Thank you, Madam Registrar.

9   Yes, Ms. Patel.

10   MS. PATEL: Thank you, Mr. Commissioner. Before

11   having our next witness affirmed, I just thought

12   I'd bring up a matter of timing. I don't

13   anticipate being a full two hours with this

14   witness, but there are a number of requests for

15   cross-examination, and I've just canvassed

16   counsel in the break as to whether there's any

17   issue with sitting until 1 o'clock or 1:15, and

18   I thought I should probably also canvass you to

19   see if any issue arises.

20   THE COMMISSIONER: Yes. No, that's fine, Ms. Patel.

21   I did see the chat conversation, so I am aware

22   of the prospect that we might go a little late.

23   Thank you.

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

25   Commissioner, our next witness is Mr. Brad

1   Rudnicki. He's an employee of BCLC and he has

2   chosen to affirm.

3   **BRAD RUDNICKI, a witness**

4   **called for the**

5   **commission, affirmed.**

6   THE REGISTRAR: Please state your full name and spell

7   your first name and last name for the record.

8   THE WITNESS: Bradley Allen Rudnicki. B-r-a-d-l-e-y,

9   Rudnicki, R-u-d-n-i-c-k-i.

10   THE REGISTRAR: Thank you.

11   **EXAMINATION BY MS. PATEL:**

12   Q   Thank you, Mr. Rudnicki.

13   Can we please, Madam Registrar, have

14   Mr. Rudnicki's CV.

15   Mr. Rudnicki, do you recognize this as the

16   CV that you provided to the commission?

17   A   Yes.

18   Q   May not have caught that.

19   A   Yes, I do.

20   Q   Okay. Thank you. Are you able to hear me all

21   right?

22   A   Yes.

23   Q   Okay. Just to please make sure when I've asked

24   you a question, even though we have video, make

25   sure that you answer verbally for the benefit of

1   the reporter.

2   So, Mr. Rudnicki, can you please describe

3   what your current position is with BCLC.

4   A   My title is AML Intelligence Specialist and I

5   support the AML unit in a variety of ways

6   conducting analysis, supporting programs and

7   things of that nature.

8   Q   Okay. And what's your training when it comes to

9   intelligence and AML analysis?

10   A   I have a bachelor in criminal intelligence

11   analysis from BCIT and I also hold ACAMS

12   certification as an anti-money laundering

13   specialist.

14   Q   Thank you. How long have you been with BCLC?

15   A   That's eight years now, I guess. Going on eight

16   years.

17   Q   And has your role at BCLC evolved since you

18   joined the organization?

19   A   Yes. I originally was there as a contractor and

20   that led to a job where I became the AML

21   Intelligence Analyst, and as the unit grew over

22   time, I got more responsibilities and eventually

23   was promoted up to AML Intelligence Specialist.

24   Q   And do you currently have any staff working with

25   you in your unit?

 1   A   Yes. There are two other analysts and a junior

 2   analyst.

 3   Q   And are any of them direct reports to you?

 4   A   No. I have no direct reports.

 5   MS. PATEL: Can we scroll down, please, Madam

 6   Registrar.

 7   Q   And I'm just noting here on your résumé you've

 8   got "Vancouver Police Department, Work

 9   Placement, major crimes." Can you just describe

10   what that work was.

11   A   It was a job placement out of school. It was

12   originally for a month and I kept getting

13   extended because I was doing a good job, I

14   guess, and learned a whole bunch of stuff,

15   assisted the other analysts and got some

16   experience in that realm.

17   MS. PATEL: Mr. Commissioner, I was going to ask if

18   we could please mark this as the next exhibit,

19   and I'm afraid that I've lost track of the

20   numbers.

21   THE COMMISSIONER: So have I, but I'm sure Madam

22   Registrar is on top of that.

23   THE REGISTRAR: Yes. Exhibit 669 Mr. Commissioner.

24   THE COMMISSIONER: Thank you.

25   **EXHIBIT 669: Curriculum Vitae of Brad Rudnicki**

1   MS. PATEL: Madam Registrar, we can take this down

2   now. Thank you.

3   Q   I wanted to go back to the work that you are

4   currently doing at BCLC, Mr. Rudnicki. Can you

5   describe what is the -- first of all, what's the

6   need for AML intelligence?

7   A   As it relates to this, there's a lot of things

8   that we look into. So we look into

9   transactions, trends that are happening with

10   certain types of transactions. In particular I

11   guess what we're looking at is the due diligence

12   on patrons, and that is one of the main things

13   that relates to this.

14   Q   Okay. And just for context, when you say

15   "relates to this," are you -- what are you

16   referring to?

17   A   The research that was conducted on players that

18   came to the casino and some of the connections

19   that were found in that process.

20   Q   Okay. You're previewing some of the evidence

21   we're going to be hearing about, which is, as

22   you say, some research that you've conducted on

23   casino patrons. And just getting back to the

24   AML purpose of that research, why does BCLC need

25   to do background research on patrons? What's

 1   the AML purpose of that?

 2   A   As per FINTRAC guidelines, they stipulate to

 3   conduct know your customer due diligence type

 4   inquiries on the players that are coming into

 5   your business. There's a variety of ways to

 6   look at that. Account-based gaming and/or

 7   high-risk business relationships, and we are

 8   required as per FINTRAC to conduct these know

 9   your customer exercises in order to assess risk.

10   Q   Okay. And is it with every customer of a casino

11   that you do these intelligence exercises, or are

12   there selection criteria that bring a person to

13   your attention rather than one customer as

14   opposed to another?

15   A   There are a variety of ways that would lead to

16   conducting a report, some research. One of the

17   primary ones is if someone opens up a players

18   gaming fund account, a PGF account, we'll

19   conduct the information or the research on them

20   to get some information on them in that

21   instance, and then other -- others come from

22   requests from management essentially based off

23   of potentially investigations. It could be for

24   a variety of things.

25   Q   And when you're conducting your research, what

 1   type of -- how do you go about it and what are

 2   the tools that you have access to?

 3   A   We start with looking at things like court

 4   documents in British Columbia, so we'll look at

 5   civil court records and we'll also look at

 6   criminal charges that are available online and

 7   the assessment of the patron and then we'll move

 8   into cross-Canada court records and try to find

 9   things of concern, adverse type documents in

10   that realm, and then we'll also look into

11   companies, so British Columbia registered

12   companies. We'll also look internationally for

13   companies based off of information that the

14   players have given to us. We'll also look into

15   assets in the real estate market that the player

16   may have based off of information they've given

17   to us, and so we'll research these types of

18   areas. And we also utilize some banking

19   standards type data files to -- as part of our

20   process to look for sanctioned players, like

21   terrorist watch list type lists, politically

22   exposed and adverse media. We use data files

23   for that as well as part of our check.

24   Q   Are these -- are the data files or sources

25   you've just described, are these all publicly

1   available?

2   A   Yes. Yes, many of them are publicly available.

3   We pay for them. Some of them are paid

4   services, and ...

5   Q   So for instance, I understand that you have

6   access -- the same as any other member of the

7   public, to the LTSA registry. Is that correct?

8   A   Correct.

9   Q   And so when you're conducting a query on the

10   LTSA database, would you be paying per search

11   transaction like any other member of the public?

12   A   Yes. We have an account set up and we pay per

13   transaction, per document to collect these types

14   of items if they are found.

15   Q   And would the same -- is the same true of your

16   access to the corporate registry?

17   A   Yes. The company registry land titles, BC

18   assessment, yep, they're all similar.

19   Q   And you mentioned when you were listing data

20   sources, you mentioned a politically exposed

21   persons lists or terrorist watch lists. Are

22   those private databases?

23   A   It's a data file that we purchase from a vendor,

24   which is common in the -- commonly used in the

25   banking sector, the financial sector, and we pay

 1   to have access to that information.

 2   Q   Is it is that a subscription source?

 3   A   Yes. It's a subscription source, and they are a

 4   conglomerate of many lists across the internet,

 5   so a lot of open-source information. There are

 6   400 plus lists that they're accessing to build

 7   their data file and create profiles for

 8   individuals for -- with available information,

 9   which then we use in manual and automated

10   fashion to run and check people's names against

11   and then we review the potential hits that occur

12   in order to confirm if there is a match or not.

13   Q   I think you mentioned confirming corporate

14   information. And of course there's a corporate

15   registry in British Columbia for companies

16   registered here, and there's a federal registry

17   for federally registered companies. Do you have

18   access to information for companies that are

19   incorporated outside of Canada?

20   A   Yes. We tie into Dun & Bradstreet, essentially.

21   That's the international data source that we're

22   referencing when we're looking for international

23   companies related to players that may be in our

24   casino, and the information that they provide to

25   us, we utilize that as a source.

 1   Q   Again, is that a subscription-based service that

 2   BCLC pays for?

 3   A   Yes.

 4   Q   So in terms of British Columbia-based data

 5   sources, I think you mentioned the resource of

 6   the land registry. Would that be a main source?

 7   A   Yes.

 8   Q   And also Court Services Online?

 9   A   Yes.

10   Q   Okay. And the corporate registry?

11   A   Yes.

12   Q   And I think you mentioned as well BC Assessment.

13   A   Correct.

14   Q   Okay. Are there any British Columbia-based

15   registries or data repositories that you have

16   access to that I missed in that list there?

17   A   I don't think so, no.

18   Q   And of course BCLC keeps its own records and its

19   own information that you have access to in

20   conducting research on players; correct?

21   A   Correct.

22   Q   And when conducting background research on a

23   player, do you ever have access to law

24   enforcement information?

25   A   Yes. We will exercise the information-sharing

 1   agreement if there's something found that leads

 2   us to ask those questions.

 3   Q   So it's not an automatic resource that you go

 4   to?

 5   A   Correct.

 6   Q   And for how long have you been conducting this

 7   kind of open-source research on BCLC customers

 8   yourself?

 9   A   I would say for the past eight years. That was

10   one of the primary things when I first started

11   was to build the program and to figure out a way

12   to create these reports in order to assess risk.

13   Q   Okay. And as you progressed in doing this work,

14   can you tell us about some of the observations

15   you were making -- I'm not asking about specific

16   players here; I'm just asking about observations

17   you were making at a trend level or a general

18   level about what you were seeing as a result of

19   that open-source research.

20   A   As it relates to real estate?

21   Q   Yeah. I was going to say let me give you a

22   little bit more of a narrow road. Yeah, in

23   relation to real estate.

24   A   In general we would see -- we'd find interesting

25   things in regards to beneficial ownership. We

 1   would see student, housewife, multimillion

 2   dollar properties, et cetera, as these were the

 3   players that were coming to our casino. So in

 4   general there was some beneficial owner type

 5   findings. And other findings did relate to

 6   private mortgages that were being lent by

 7   individuals, some of which were interesting in

 8   the sense that they were linked to organized

 9   crime.

10   Q   Okay.

11   A   And then some other ownership structures were

12   found relating to companies, individuals, land

13   titles and sometimes it was fairly complex. And

14   in general I would say those are the three

15   general areas.

16   Q   So beneficial ownership issues, private

17   mortgages and ownership structures linked to

18   companies were the three main issues that you

19   were noticing?

20   A   From time to time, yes.

21   Q   Okay. And I'm going to go back -- I'm going to

22   go through each one. I just want to slow down a

23   little bit. With respect to beneficial

24   ownership -- and you made a mention of

25   occupations -- what was the issue or the trend

 1   that you were observing with respect to

 2   beneficial ownership information?

 3   A   That would -- generally that was -- we would see

 4   occupations like housewife, student, and when we

 5   would do our research into those players, we

 6   would find them attached to multimillion dollar

 7   houses and that would then further lead to the

 8   research where we could perhaps link another

 9   player in our database to one of those

10   addresses, which would then lead us to perhaps

11   connecting that to being the spouse of the

12   housewife or the parent of one of the students.

13   And that individual themselves wouldn't be

14   generally listed or they would be listed on land

15   titles. It really varies. There's a lot of

16   examples. But we would find connections like

17   that or we would find connections with companies

18   that were registered that would list these

19   addresses who were owned by these people, and

20   those companies were ran by other individuals.

21   So we would assume in some cases that that was

22   the spouse or parent, things of that nature.

23   Q   So in a situation where you would -- I just want

24   to be clear on the source of information. When

25   you're looking at the information about the

 1   ownership of a property, where are you getting

 2   in kind of the process you've just described,

 3   where would you be getting the information about

 4   the occupation of the owner?

 5   A   The occupation of the owner was from our

 6   database because they need to provide that as

 7   per FINTRAC, occupation and company information.

 8   And so we would use that. And then cross

 9   reference it with the occupation and land

10   titles, for example, because they do collect

11   that.

12   Q   That was my question, was whether the occupation

13   information came from your own internal files or

14   if that was derived from the land titles. So I

15   understand that you -- BCLC collects that

16   information from players but you could also

17   cross reference that to what's recorded in land

18   titles; is that correct?

19   A   Correct.

20   Q   And then your open-source research would allow

21   you to connect other individuals to properties

22   that they weren't -- they themselves weren't

23   listed as the owner, but perhaps somebody else

24   would be listed as the owner and you would --

25   what assumption or what conclusion would you

1   derive from that?

2   A   Sometimes in our database we would have spouses

3   connected, and through the research we would see

4   that the female is on the land title or the

5   children on land titles, whereas the male was

6   not, but through the research you could see that

7   that is highly likely where the wealth is coming

8   from because of connections to companies that

9   most of the time were foreign.

10   Q   And connections between companies and which

11   individual?

12   A   The beneficial owner, essentially, which is what

13   it appeared to be. And again, it's not BCLC's

14   role to confirm who's the beneficial owner of

15   such things. It was just we're doing research

16   on players to get an idea of who we're dealing

17   with and trying to assess risk and looking for

18   adverse type findings and generally look for

19   their source of wealth to see if their level of

20   play at the casino aligns with assets we could

21   potentially link them to.

22   Q   Because that was -- that would be an AML concern

23   of BCLC's is what's the source of wealth of a

24   player coming into the casino?

25   A   Yes.

1   Q   I'm going to come back to private mortgages, but

2   first I want to go to what you were noticing

3   about ownerships, other ownership structures

4   linked to companies and what you were observing

5   with respect to that. And I missed the -- I

6   think I missed the context. The owners -- you

7   were noticing ownership structures linked to

8   companies. Was it ownership structure of real

9   property or ownership structures of the

10   companies themselves?

11   A   The property was owned by a company.

12   Q   And was property ownership by a corporation

13   something that you were noticing as a frequent

14   occurrence?

15   A   It's -- it happened. It's not frequent the

16   people we were looking at; however, there was

17   one individual that was linked to multiple

18   businesses and multiple properties. That's

19   another -- so it all depends. There's a lot of

20   variety, but in general I would say I didn't

21   really observe a trend of it, but I was aware of

22   it from time to time that would appear in some

23   of our research.

24   Q   And I wanted to go back to the second

25   observation that you noted which was the

1   apparent use of private mortgages. So first of

2   all, how in conducting open-source research do

3   you go about identifying that there's a private

4   mortgage registered against a property?

5   A   Under the charges, liens and titles section of

6   the land title, there's listings of mortgages,

7   liens, et cetera, and one of those was

8   mortgages. And they list the name of the lender

9   and commonly it's big banks and but then in some

10   cases it's an individual's name. Sometimes it's

11   a company, like a numbered company. But in

12   relation to the private mortgages, we were

13   mostly honed in on when it was a name of an

14   individual.

15   Q   Okay. And just for context, my understanding is

16   when you search the LTSA database as a member of

17   the public, you can pull -- you can pull

18   someone's -- you can pull a title to a property;

19   correct?

20   A   Correct.

21   Q   And then on that title information, that

22   document will list both current and cancelled

23   mortgages; is that right?

24   A   Yes.

25   Q   And also perhaps certificates of pending

 1   litigation or builders liens, also those types

 2   of registrations?

 3   A   Correct.

 4   Q   Okay. And on that title document, does that

 5   contain information, detailed information about

 6   the mortgage itself?

 7   A   No.

 8   Q   So how do you go about getting information about

 9   the mortgage itself?

10   A   There's a reference number that can be entered

11   into the website and you can purchase that

12   document and then view further details about it.

13   Q   It's a further document that you can get from

14   the LTSA website?

15   A   Yes.

16   Q   Okay. And was this the kind of research that

17   you were -- in your research is this the kind of

18   thing you were doing, following up with those

19   mortgage documents?

20   A   For privately lent mortgages, yes. We had some

21   information, I guess, along the way that led us

22   to highlighting those as a -- it was more of an

23   indicator, I would say, of this could be

24   something unusual because previously we found

25   civil court records where the payment of the

 1   mortgage didn't happen, and so people were taken

 2   to court to repay these private mortgages.

 3   Q   Okay. And I'm going to return to the court

 4   records in a moment, but just to finish the

 5   description for the benefit of the Commissioner

 6   to understand the information that's available,

 7   when you purchase the mortgage form, the

 8   mortgage information document from the LTSA,

 9   typically what kind of information does that

10   document give you?

11   A   It will provide to you the lender, the borrower,

12   the amount sometimes, the interest rate at which

13   the amount shall be paid back. It will also

14   list notaries that were involved in registering

15   of that mortgage or lawyers and in some cases if

16   the power of attorney was involved, that's also

17   on there.

18   Q   And so does the mortgage document give you

19   information about the amount that was loaned?

20   A   Yes. It will give you the amount that was

21   loaned, the date, things of that nature.

22   Q   Okay. Does it tell you the interest rate that's

23   applicable?

24   A   Yes, sometime it does.

25   Q   Okay. And does it tell you when a loan is

1   repayable, when the principal is repayable?

2   A   Yes. Sometimes it gives that information if

3   it's -- the payment schedule. Sometime it's not

4   on those documents, though.

5   Q   Okay. And then just a minute ago you were

6   connecting mortgages to litigation that you were

7   finding, and I take it foreclosure petitions

8   relating to private mortgages. Is that the kind

9   of record you were looking at?

10   A   Yes.

11   Q   Okay. And can you tell us just about what you

12   were finding with respect to those court

13   records? What were they telling you?

14   A   Some of the court records were based -- they

15   were registered to collect the funds. Some of

16   those were linked to promissory notes, which

17   were registered as mortgages against properties

18   in some cases, and the -- some of the

19   individuals that we were looking at, we knew

20   that they were connected to -- linked to

21   organized crime, and so when we saw those types

22   of private mortgages being collected essentially

23   through foreclosure type documents, that was --

24   that was also of interest. In a couple

25   instances we found that it's possible that the

 1   privately lent mortgage, if it were cash, was

 2   being collected through the foreclosure sale,

 3   which does raise some concerns if it was cash.

 4   However, it's really not BCLC's role to

 5   determine these things. It was more of an

 6   observation that was made in the potential

 7   theory of this could be interesting if this is

 8   happening.

 9   Q   Okay. And what reason would you have to think,

10   what reason did you have to think that some of

11   these mortgages were connected to loans made in

12   cash?

13   A   In 2015 I think that's when that was first

14   discovered in the civil court records with --

15   Paul Jin was connected to some promissory notes

16   that were being collected in the civil court,

17   and finding those were interesting connecting to

18   him, and some of our research later if we were

19   looking into a PGF account opening for an

20   individual, they might be listed as the -- on

21   that court document as the borrower of said

22   funds, and so we would find that civil court

23   record tied to Paul Jin and that was a

24   promissory note, essentially, trying to get

25   payment back, and so we would flag that as

1   unusual and add that to our risk profile for

2   that player and other things.

3   Q   So in 2015 at BCLC, what internal intelligence

4   did you have about Paul Jin as associated with

5   the casinos?

6   A   It was my understanding when I started there I

7   think he was banned in 2012 originally for his

8   links to cash facilitation, and through times

9   that individual was linked to other cash

10   facilitation events, and so through those

11   conversations, that's sort of some of the

12   information that we had -- that I had to add to

13   the knowledge of finding these court records and

14   then connecting the dot to say this could be

15   unusual activity.

16   Q   Okay. So on the one side you had internal BCLC

17   information where Mr. Jin was observed engaged

18   in cash facilitation at casinos; is that right?

19   A   Yes.

20   Q   And then on the other side in your open-sourced

21   research you were seeing Mr. Jin registering

22   mortgages or bringing civil actions against

23   individuals to enforce loans?

24   A   It appeared that way, yes.

25   Q   Okay. And in respect of the individuals who

 1   were the defendants or the respondents in these

 2   actions, were you able to connect them with

 3   casino activity?

 4   A   There's a lot of people. I don't -- in some

 5   cases yes; in some cases no. It all depends,

 6   really.

 7   Q   No, I appreciate that, so maybe my question

 8   should have been more precise. In at least one

 9   instance were you able to connect one of these

10   named respondents or named defendants with BCLC

11   players?

12   A   Yes. We were -- they would apply to open a PGF

13   account and so as part of our due diligence

14   process, we would go through all of our queries

15   and one of those queries would return, from BC

16   civil courts would return a court record and we

17   would look at that court record and if it was

18   related to a promissory note then we were

19   linking that player and their application for a

20   PGF account or and any activity they may have

21   had in the casino. So in those cases yes, we

22   would be linking that activity to the player.

23   Q   Okay. And can you say whether any of the

24   individuals noted in these -- in this -- in

25   court actions, either as respondents or as

1   defendants, to your recollection were any of

2   them ever connected to cash facilitation

3   incidents at casinos?

4   A   No. There was no way for me to connect these

5   civil court records to -- directly to activity

6   in the casino. It was -- no.

7   Q   No. And, sorry, let me reframe the question. I

8   think I wasn't stuffily precise. I'm not asking

9   whether you were able to connect the subject

10   matter of a civil court action to a casino

11   transaction. My question is simply were you

12   ever able to identify a respond or a defendant

13   in one of those court actions as a person who

14   had been involved in a cash facilitation event

15   at a casino?

16   A   Off the top of my head, no, I couldn't answer

17   that question. I would have to conduct some

18   research on that one. It's like --

19   Q   I'm sorry. I interrupted you. Please finish

20   your answer.

21   A   That was my answer.

22   Q   Okay. So is it simply that that's not a -- you

23   don't -- is that research that you did at the

24   time?

25   A   That would have been something that the

 1   investigations side, the AML investigations side

 2   would have looked into based off of the

 3   intelligence report that we gave back to them.

 4   That's the sort of thing that they would be

 5   looking into to, you know, if it was identified

 6   that this individual was linked to a promissory

 7   note or private mortgage then the intelligence

 8   report, the AML investigations team, they would

 9   then be making that assessment as to the risk

10   assessment for that player and if they were

11   connected to it. So it's a better question for

12   Mr. Tottenham.

13   Q   So am I -- do I understand correctly that your

14   work and your research was more concerned with

15   what you were able to discover about people in

16   open-source research outside of the casinos?

17   You were looking outside. Somebody else's job

18   was to look at what was happening inside the

19   casinos, in other words?

20   A   Yes. We looked somewhat into the player

21   activity just to get some context as to who we

22   were conducting the research on. But when it

23   comes to the risk assessment of the findings in

24   totality, that's the AML investigations unit's

25   role in this.

 1   Q   And I think it would be helpful if we --

 2   actually, before I go to the document, I wanted

 3   to look at some of your documents that you

 4   referred to previously just to show how you

 5   were -- visually they help us understand what

 6   you were doing, but first you mentioned

 7   promissory notes, and I just -- I wanted to ask

 8   you what the context was for your comment about

 9   promissory notes relating to private mortgages.

10   If you could give us a little bit more detail.

11   A   The lender of the funds would claim to have a

12   promissory note for an amount of money that

13   was -- funds that were lent to an individual.

14   That contract could have been related to a

15   mortgage that was registered against a property

16   or it could have just been a private loan aside

17   from mortgage documents that was -- a private

18   contract that was being represented in the civil

19   case. It varied.

20   Q   All right. So the references to promissory

21   notes that's something that came out the civil

22   filings; is that correct?

23   A   Correct.

24   Q   Okay. Thank you. That was what I wanted to

25   make sure I was clear on.

 1   Madam Registrar, I'm going to ask you to

 2   pull up some documents, and this is for

 3   internal -- this is not to be displayed on the

 4   live stream, the next set of documents. If you

 5   could please pull up BCLC0015280.

 6   Mr. Rudnicki, do you recognize this

 7   document?

 8   A   Yes.

 9   Q   Did you author it?

10   A   I did.

11   Q   And can you just briefly describe for the

12   Commissioner what this document is and what its

13   purpose was and who its intended audience was.

14   A   This document was prepared when the government

15   commissioned some reports to be written in

16   regards to the real estate industry, and I

17   thought that that was a really good step, and I

18   reached out to -- I did some open-source

19   research and got some contact information for

20   Maureen Maloney, I believe, and reached out to

21   her and gave her a bit of a background of what I

22   do and some of the observations that I've been

23   making as it does relate to real estate. I

24   thought I had a fairly unique perspective

25   considering the amount of research that we were

1   doing on a regular basis into a lot of these

2   players and finding things as it relates to real

3   estate, and with my background and training with

4   AML that sort of led me to derive some more

5   thoughts about the industry and potential ideas

6   that may be useful to other people. So I

7   reached out to her, and this document was made

8   for a meeting that eventually was scheduled.

9   Dan Perrin was sent. He was also writing a

10   report I think more from a regulatory

11   perspective in regards to real estate, and so

12   this document was created to facilitate a

13   meeting that Rob Kroeker and myself set up with

14   Dan Perrin.

15   MS. PATEL: Okay. And before I forget,

16   Mr. Commissioner, if we could mark this as the

17   next exhibit. I think we're at 670?

18   THE REGISTRAR: Yes. Mr. Commissioner, you're muted.

19   THE COMMISSIONER: Sorry, my question was had we

20   marked Mr. Rudnicki's CV?

21   THE REGISTRAR: Yes, we have.

22   THE COMMISSIONER: All right. So this one will be

23   670. Thank you.

24   THE REGISTRAR: Yes, exhibit 670.

25   **EXHIBIT 670: Real Estate Observations BCLC AML**

    1   **Unit 2019**

    2   MS. PATEL:

    3   Q   And I think this is -- in this document, as you

    4   state in the title, you recorded some real

    5   estate observations that you were making. Is

    6   that right?

    7   A   Yes.

    8   Q   Okay. And so we're going to scroll forward.

    9   Madam Registrar, if we could go to the next

   10   page, please.

   11   Here I see -- I understand that the purpose

   12   here was to talk about the kinds of information

   13   sources you had available. Is that right?

   14   A   Yes. This was to give them -- him an overview

   15   of the process that we go through and the

   16   research that we're conducting on our players

   17   and to give him some background, which is

   18   basically stuff we covered recently, so our RCMP

   19   information-sharing agreement and then our

   20   access to BC OnLine land titles, the corporate

   21   registry and then our access to Canadian

   22   international court records, companies and our

   23   adverse media watch lists type information. So

   24   just to give a broad overview of the research

   25   and the sources where we're conducting our

1   research from.

2   MS. PATEL: Madam Registrar, the next page, please.

3   Q   All right. So Mr. Rudnicki, can you start by

4   telling us was a link chart is?

5   A   A link chart is an intelligent tool to link

6   icons and show relationships between entities.

7   That could be people, documents, buildings,

8   cars, telephones, et cetera. It's an

9   association chart of relationships, essentially.

10   Q   And what software do you use to create these

11   link charts?

12   A   We use IBM's i2 Analyst Notebook, which is an

13   industry standard in law enforcement,

14   essentially.

15   Q   Okay. I understand what we're looking at here,

16   of course, is a PowerPoint presentation that you

17   put together. Is this one link chart that we're

18   looking at on this page?

19   A   No, it's a collage of four link charts with

20   examples of some observations in relation to a

21   variety of things.

22   MS. PATEL: Okay. Madam Registrar, I'm going to ask,

23   if we can, if we can zoom into the link chart to

24   the number 1 on the left-hand side. I think

25   that's a good level of zoom. And if we could --

1   if you could pull the screen over so we can see.

2   So number 1. I just want to walk you through,

3   Mr. Rudnicki, some of the observations that you

4   were making and the reasons that you excerpted

5   these particular parts of link charts for this

6   presentation. So we can't see it now, but on

7   the right-hand side you have a number 1 that

8   says "lawyer registering mortgage for alleged

9   organized crime figure." What was the purpose

10   of highlighting this link chart for the -- for

11   Mr. Perrin and the expert panel? What was it

12   showing?

13   A   Here I correctly identified the lawyer

14   registering a private mortgage from an organized

15   crime member, and that -- that spurred from the

16   person at the top there. It was a management

17   request to conduct an EDD, an enhanced due

18   diligence review, I believe, on that person

19   based off of some of their unusual activity in

20   the casino, and so we did some research to

21   assess risk on this particular player, and that

22   led to their name being on a land title

23   connected to an address, and that address had, I

24   think, three mortgages attached to it, one of

25   which was a private mortgage, and the name I

1   recognized as someone linked to organized crime.

2   So I purchased that mortgage and confirmed

3   through address information that we had in our

4   database to the mortgage document as being the

5   same person. And I thought that was important

6   to highlight because it could be unusual that

7   this type of activity is happening, that private

8   mortgages are being loaned from people linked to

9   organized crime. And also in conjunction with

10   that is the fact that a lawyer was registering

11   this mortgage, and the lawyer in this case at

12   the time had an investigation ongoing, and so

13   there was some adverse media and concerns around

14   that, and it raised the question of perhaps this

15   lawyer is being utilized for their ability to

16   register mortgages, private mortgages.

17   Q   And, again, this isn't -- the link chart doesn't

18   indicate that you have discovered any evidence

19   of wrongdoing per se; is that right? It's just

20   observations that you're making linking

21   transactions and individuals?

22   A   Correct. It's observations. It doesn't prove

23   anything. Further investigation would be

24   required in order to determine if this was

25   anything untowards as far as BCLC's role in

 1   this. It's to -- this is about as far as we

 2   would take this sort of observation in our case.

 3   We'd assess it for what it is.

 4   Q   I want to ask this: on the charts that we're

 5   going to be looking at, there are a number of

 6   individuals such as the person on example

 7   number 1 who appear in a red circle. Can you

 8   just tell us what that red circle indicates?

 9   A   Generally I use the red circle to highlight

10   individuals that are banned in our casinos for

11   public safety reasons or AML concerns.

12   Q   Okay. So in this case Mr. Kwok Chung Tam had

13   been banned by BCLC, it says here, for five

14   years, and you indicate on your chart that you

15   discovered that he'd made a third mortgage of

16               $200,000 to this individual who was the

17   individual on whom you were performing this

18   enhanced due diligence. Is that right?

19   A   Correct.

20   MS. PATEL: And then, Madam Registrar, if we can just

21   scroll down the page, if we can look at

22   scenario 2. And can you -- on the right-hand

23   side again -- you can't see it because we're

24   over on the left side of the document. Number 2

25   you indicate:

 1   "The lawyer is owner through power of

 2   attorney for 1 of 2 properties linked to a

 3   beneficial owner."

 4   Can you just explain why you highlighted this

 5   example for Mr. Perrin and the expert panel.

 6   A   Right. So in reviewing the evidence and in

 7   preparing this document, it came to my attention

 8   that I mislabelled this individual as a lawyer.

 9   They were power of attorney. And on the -- I

10   believe on one of the -- another document, this

11   occurrence happened as well, and I just read at

12   the bottom of the document "borrower" and the

13   attorney, and that sentence to me, I interpreted

14   it as lawyer, which was incorrect. So I

15   mislabelled this individual on this. It was

16   related to a power of attorney.

17   Q   I see. I see. Okay. So that individual who

18   has the barrister's wig on at the bottom is in

19   fact a person who had a power of attorney for

20   the beneficial owner of a property?

21   A   Correct. In the beginning of why we were

22   looking into this was the individual who

23   presented the bank draft to us had a different

24   address on the bank draft than we had on file

25   for that person, and that raised some concerns

1   for us, and so we looked into maybe this

2   individual owns that place as well, and through

3   that exercise it was discovered that the second

4   property that this player was connected to was

5   held by a power of attorney. So from a risk

6   perspective it was good for us to connect this

7   individual to that bank draft, which we

8   ultimately did process, and that was -- that

9   was -- everything checked out there.

10   MS. PATEL: Okay. Madam Registrar, if we could move

11   up to the right a bit to scenario 3.

12   Q   And this was labelled in the right-hand side

13   as -- that's fine -- as "lawyer linked to

14   property with eight residents, owner linked to

15   individual connected to organize crime figures."

16   If you could just tell us what the observations

17   were that you were making in scenario 3 here.

18   A   This property was of interest to us due to the

19   seven or eight people that were connected to it.

20   We thought that was unusual that so many people

21   would be connected to the same property. And

22   then upon reviewing their occupations, there was

23   a lot of medical or hospital type relations

24   to -- back to China. And we tried to determine

25   what the nature of these associations were, and

1   the owner of the property, once we determined

2   who that was, we started to explore who they

3   were in our database, and through one of their

4   associates in our database, that individual

5   linked out to a couple connections to people who

6   were receiving -- being connected to people that

7   are in organized crime. And in particular the

8   same individual that we talked about in chart 1

9   is mentioned on chart 3 as providing another

10   mortgage to another individual for a different

11   amount. And that was -- that was interesting.

12   And so we also started to pay some attention to

13   lawyers that were registering mortgages as part

14   of our link charts because there's the potential

15   that something could be happening there, so we

16   just wanted to collect as much information as

17   possible and put it on a chart.

18   MS. PATEL: Madam Registrar, if you could just scroll

19   up a little bit so we can see the top. That's

20   good. Thank you.

21   Q   The top of the diagram 3 you have the owner of

22   this property which is connected to eight

23   individuals being connected, and simply it looks

24   by association to three people who are appearing

25   in red circles, Mr. Jin, Mr. Tam and Mr. Qin,

 1   all of whom I assume were barred by BCLC for

 2   various reasons.

 3   A   Yes.

 4   MS. PATEL: Okay. Madam Registrar, if we can zoom

 5   out and at page-- if we could go down to page 4

 6   of this presentation. Thank you.

 7   Q   Your list of examples continues on page 4,

 8   Mr. Rudnicki. Now, if we can zoom into incident

 9   number or example number 5 here. This is -- and

10   on the right-hand side the description -- the

11   description is "mortgage lenders linked to

12   organized crime." Can you tell us what you were

13   observing in this link chart.

14   A   The person that we were looking into here I

15   believe once we started connecting out -- again,

16   I can't see the whole link chart, but the

17   example here is that we connected the individual

18   as the borrower of privately lent funds, and one

19   of those individuals is connected to a court

20   record where they are listed alongside of

21   Mr. Jin, and so a private lender providing cash,

22   potentially it was cash, to this player in our

23   casino was of concern because if Mr. Jin is

24   listed on the same court record in the same

25   fashion that this person is connected to another

1   court record and they're involved in these other

2   loans separate from that court record, it raised

3   some concerns the relationship there and that's

4   really all that observation is.

5   Q   And I think you mentioned that it's difficult --

6   you can't see the whole record here.

7   Madam Registrar, if we could take down this

8   document and if you could bring up -- and again,

9   not on the live stream -- document BCLC0016937.

10   Thank you.

11   And, Mr. Rudnicki, does this look like the

12   full link chart that you'd excerpted in that --

13   on that page of that PowerPoint presentation?

14   A   Yes.

15   Q   Okay. And so we can -- you see at the top

16   Mr. Jin you mentioned associated by way of a

17   court filing there with another individual who's

18   not -- not in a red circle, so I assume that

19   person, Mr. Li, was not subject to BCLC barring?

20   A   No, there's no evidence that they were in our

21   database. That's one person on this chart

22   that's providing -- it looks like two loans to

23   the one individual, the red enlarged female

24   there at the bottom left, and then that same

25   individual is connected to if you go to the

1   right there's a land title that's marked there

2   with another individual with a red circle around

3   them, and they're a public safety barring.

4   Q   Okay.

5   A   They're listed as the mortgager on that land

6   title along with the other individual, Mr. Li

7   there at the top. So this one land title had

8   two -- looks like two private mortgages

9   connected to it. That's what -- sort of what we

10   saw with this, and it's in the amounts of -- you

11   know, the smaller loans are $20,000, $60,000,

12   and then the one mortgage is 500,000 connected

13   to a person we banned and then the other

14   mortgage at the top right there who's not

15   banned, they're also providing a mortgage. And

16   I have to go review the exact mortgage

17   documents, but these links were -- would have

18   been based off of those.

19   Q   But would multiple private mortgages like this

20   cause you concern?

21   A   It's an indicator for -- with our understanding

22   of how the underground economy could be

23   operating and lending cash to people through

24   these mechanisms in securing these types of

25   loans through private mortgages, how these

1   mortgages or these loans are paid back is --

2   could be a variety of things. It could be

3   overseas, it could be in town. It's very

4   similar to, I guess, the model, if you will,

5   that was -- we were seeing with some of the

6   players. They were borrowing funds and coming

7   to the casino and this, I would say, is very

8   similar. They're not coming to the casino;

9   they're instead potentially using it to renovate

10   their house or purchase a house.

11   MS. PATEL: Mr. Commissioner, if we could mark this

12   document as the next exhibit. I think we're at

13   671 now.

14   THE COMMISSIONER: Yes. Very well. 671.

15   THE REGISTRAR: Exhibit 671.

16   **EXHIBIT 671: Link Chart prepared by Brad**

17   **Rudnicki - November 27, 2018**

18   MS. PATEL: And, Madam Registrar, we can take that

19   down. And I won't go back to it. I don't ...

20   and, Mr. Commissioner, can I also at this time

21   seek a direction that neither exhibit 670 nor

22   671 will be posted on the website until such

23   time as they are appropriately redacted?

24   THE COMMISSIONER: Yes, I'll make that direction.

25   MS. PATEL: Thank you.

 1   Q   So, Mr. Rudnicki, I don't think I need to take

 2   you back to the presentation you were giving,

 3   but I understand from the balance of the

 4   PowerPoint that you also presented some ideas to

 5   the expert panel and to Mr. Perrin about your

 6   thoughts on the need for a real estate

 7   intelligence unit. Is that right?

 8   A   Yes.

 9   Q   Can you just describe why you -- what led you to

10   believe that a real estate intelligence unit at

11   the provincial level was something that's

12   necessary?

13   A   Part of that was discussed with Mr. Kroeker, and

14   he thought that the ideas in that document

15   were -- had some merit, and the rationale that I

16   came to was that there's the opportunity to

17   conduct due diligence on a lot of these types of

18   transactions, and I drew parallels to the work

19   that we were doing in the casino industry and

20   know your customer type techniques for opening a

21   PGF account per se. So part of that was, you

22   know, perhaps there could be a process like that

23   for private lenders and looking at adverse media

24   related to these private lenders. In many cases

25   the timing of these private mortgages, if those

 1   searches were conducted, that would be -- could

 2   be flagged as a higher risk transaction based

 3   off of adverse media that's available for the

 4   individuals that are conducting those

 5   transactions and perhaps more scrutiny could be

 6   applied to those types of transactions and/or

 7   the lawyers that are helping conduct those

 8   transactions similar to what we do with casinos

 9   in our risk assessment for who are the players

10   that we are transacting with and what types of

11   information we can find and add to our risk

12   assessment as part of our risk-based approach

13   for players that are engaging with us.

14   Q   I think you said that you thought -- I think you

15   said Mr. Kroeker thought that this was valuable.

16   What led you to believe that he thought that?

17   A   We had a discussion about it, and he said Brad,

18   that's a good idea.

19   Q   Okay.

20   A   He was very supportive of this sort of side

21   quest, if you will, as it really didn't have

22   anything to do with the roles and

23   responsibilities that BCLC had to conduct. He

24   supported it, though, because he thought there

25   was some value in that based off of these

1   observations.

2   Q   And you mentioned a couple of times that, you

3   know, it's not BCLC's mandate or it's not

4   BCLC's -- it's not within your scope to pursue

5   certain issues. Besides this presentation that

6   you made to the expert panel, and to Mr. Perrin,

7   were there other steps that you were taking with

8   this information to bring it to the attention of

9   those perhaps who did have a mandate to pursue

10   it? And I just -- I know you're there with your

11   counsel, and I just want to make sure you have

12   an opportunity to pay attention if they're

13   signalling anything to you. Okay.

14   A   We did share this information with the RCMP,

15   which was part of our information-sharing

16   agreement. So some of these things were topical

17   in some of our meetings and we'd bring these

18   items to those joint meetings that we were

19   having. And through that the conversation was

20   that this could be interesting for perhaps CRA,

21   this could be interesting for the health

22   authority, this could be interesting for CBSA,

23   et cetera, and so we kind of relied on that

24   conduit of information for them to perhaps look

25   into it further if required.

 1   Q   Okay. And in a couple of those examples that we

 2   looked at, and one of them, I appreciate, was a

 3   mistake of identification of a lawyer, but in

 4   other instances I believe you indicated that you

 5   noted the involvement of lawyers in

 6   transactions; is that fair?

 7   A   Yes.

 8   Q   And the involvement that you were observing, did

 9   that cause you concern in any way?

10   A   They were just observations. More work would

11   have to be done in order to confirm if something

12   unusual is happening there. So ...

13   Q   Was it your observation that you were seeing the

14   same law firms or the same lawyers involved in

15   transactions with -- in particular with these

16   private mortgages?

17   A   Yes, there was some patterns with people that we

18   know or linked to organized crime and the

19   lawyers in which they were using, and that could

20   be unusual. It could be not. But there were

21   observed connections on that level, yes.

22   Q   And did you or BCLC ever take steps to reach out

23   to the Law Society with respect to those

24   observations?

25   A   I did not.

1   Q   Are you aware if anybody else at BCLC did?

2   A   No.

3   Q   I would like, actually, to go back to

4   BCLC0015280, exhibit 669, Madam Registrar. And

5   to the 13th page of that document.

6   THE REGISTRAR: Just to clarify, this is exhibit 670.

7   MS. PATEL: Thank you. Yes.

8   Q   Can you, Mr. Rudnicki -- this document is a

9   little bit, this page of the presentation is a

10   little bit different than what -- than the other

11   link charts we were just looking at in that

12   there aren't actual -- there aren't names of

13   individuals, of real individuals associated with

14   these figures. Can you explain what it is that

15   you -- first of all, does this link chart derive

16   from actual observed facts?

17   A   No. I wouldn't call them -- I would say

18   observes. There's another document that shows

19   transition of renovation of a couple places that

20   could fit this model. Whether that's happening

21   or not is unknown. It's merely an idea or a

22   theory of potentially what could be happening.

23   And this arrangement was more or less created --

24   you could almost replace the house costs, the

25   house there, with casino. It's an individual

 1   borrows some funds and uses those funds to pay

 2   contractors to build a house. It's the same

 3   pattern that an individual borrows funds and

 4   comes to the casino and uses those funds. Is

 5   there anything untowards about the source of the

 6   cash, that's unknown. To me in this example I

 7   did write proceeds of crime, and it's the

 8   borrower of a house could renovate their

 9   property very easily and pay cash to the

10   contractors and put -- add that value to the

11   house. And then in this example I included a

12   foreign country as to where those funds are

13   repaid. Again, it could just stay in Canada if

14   that house was sold and the funds were recouped

15   through the sale of the house then those funds

16   could be transferred within Canada and paid to

17   the original lender. That's what this chart's

18   really trying to illustrate.

19   Q   And is this chart more than a hypothetical, or

20   is it based on observations that you were making

21   as part of your open-source research?

22   A   I would say it was a hypothetical that led to

23   finding observations using Google Street View

24   and timelines in relation to the purchase and

25   sale of a house in relation to those people and

 1   their connections to the underground economy

 2   that we made, and so it's sort of -- this fit

 3   that model, if you will. Is that exactly what's

 4   happening? I don't know. It's not really me to

 5   figure it out. But it was just being curious

 6   about the whole topic at hand and how this could

 7   be happening. I thought it was important to

 8   sort of highlight this example and we did

 9   find it -- or I did find it in a couple research

10   items on a player and found their house and then

11   look at it over time and the house would be

12   renovated and then sold. And in some cases

13   millions of dollars in profit were made in a

14   couple days and that example is in one of the

15   other documents that I provided to you.

16   Q   And would this be with players -- would these

17   instances involve players with private

18   mortgages, with persons that were suspected of

19   connections to organized crime?

20   A   Yes. Some of those individuals were connected

21   to unusual activity at the casinos with cash

22   facilitators, which brought up the idea of maybe

23   this is what is happening in this case and maybe

24   it's not. It's just an observation that I made.

25   MS. PATEL: Madam Registrar, we can take down this

 1   document.

 2   Q   And the last document I'm going to take you to,

 3   Mr. Rudnicki, is -- Madam Registrar, the

 4   document B Rudnicki "Analytical Concepts for

 5   Cullen Commission." Mr. Rudnicki, do you

 6   recognize this document?

 7   A   Yes.

 8   Q   And can you just describe how it came about and

 9   what its purpose is.

10   A   This document was developed over the years, I

11   would say, in finding certain examples in the

12   database and the databases and creating links.

13   It was more for my own interest and potentially

14   to share with other individuals that may have

15   the interest to conduct this type of analysis.

16   It's not a BCLC-related product in the sense of

17   I created it out of my own interest or sharing

18   with others. I have had conversations with

19   people in the mortgage industry, CRA, CBSA, et

20   cetera, and this was one of those documents that

21   I thought it would be good to collect these

22   ideas. In my research I would come across a

23   pattern in the data and think this observation

24   could actually be replicated and other people or

25   other entities or other similar linkages could

1   be found through analytical methods, and so I

2   would create a record of that idea and put it

3   into this document and sort of slowly built it

4   over time with the intent of maybe one day some

5   of these things would happen and this type of

6   analysis could occur if someone were given a

7   mandate or had the interest to look into things

8   further. I thought these would be useful.

9   Q   So kind of a diary of AML ideas that came

10   together into one document?

11   A   Yeah. And it's -- again, it's an ideas

12   document. There's definitely more discussion

13   that could happen on some of these ideas and

14   they could be refined further. They could be

15   moot points at this point in time. Like one of

16   the items on there was probably added to the

17   document in 2015 or '16, and but now I know that

18   that's something that is occurring, so maybe a

19   seed I planted grew. But there's other ideas in

20   this document, sort of my own personal thoughts

21   as to if I had access to all the data and it was

22   my job to look further into things, these are

23   some of the ideas that I thought would be

24   interesting to explore.

25   MS. PATEL: And, Mr. Commissioner, I note

1   Mr. Rudnicki commented this is his own document;

2   it's not a BCLC document, and so it's not

3   labelled that way. Could we have this marked as

4   the next exhibit. I think we're at 672.

5   THE COMMISSIONER: Very well. 672.

6   THE REGISTRAR: 672.

7   **EXHIBIT 672: Analytical Concepts for Cullen**

8   **Commission**

9   MS. PATEL:

10   Q   And I want to -- Mr. Rudnicki, if there's

11   anything in particular in this document that you

12   wanted to draw our attention to, please let me

13   know, but I wanted to take you to page 13 of 16.

14   And just to highlight here that you've given

15   quite a bit of thought to different regulators

16   and data holders in BC. Is that a fair

17   assessment of what you've done here?

18   A   Yes.

19   Q   All right. And much as you suggested in your

20   presentation to the expert panel and to

21   Mr. Perrin, I see you're suggesting a provincial

22   unit or a task force?

23   A   Yes. Again, I'm no expert in how these sort of

24   structures would be created and stuff. It was

25   just my idea of what ideally could potentially

1   occur because there is a lot of overlap that

2   occurs in this realm, I would say, and there's

3   many instances where it would be useful to have

4   information sharing amongst these groups in an

5   official form to connect the dots because

6   when -- and build understanding in all of the

7   types of different industries that are being

8   overseen here. And I think that would be a

9   beneficial approach to tackling things like

10   money laundering because it's not specific to

11   one industry. It traverses many industries, and

12   the enforcement is the other angle to it all and

13   how that relates to observations that are made

14   in real estate. It could relate to CRA, it

15   could relate to a police matter, it could relate

16   to civil forfeiture, which would be linked to

17   the police, and these discoveries that are made

18   through the research that even BCLC does could

19   provide valuable information and observations to

20   say, we found something; this looks interesting;

21   could someone run with it and determine if

22   something unusual is happening. I think this

23   unit could conduct a lot of other things in

24   regards to due diligence and intelligence

25   analysis on the transactions and the data that's

1   available. And there's a lot of data that I

2   think is available -- potentially available for

3   research and identifying things that would

4   require further followup. And really it kind

5   of -- it parallels on some of the stuff that we

6   do at BCLC in the sense of know your customer

7   and monitoring transactions and in that regard

8   in conducting due diligence essentially in the

9   casino we have hundreds of cameras and trained

10   people who are observing transactions and

11   reporting these transactions, and these reports

12   are getting sent to FINTRAC, the police and GPEB

13   from our perspective. However, for like private

14   mortgages, for example, it's -- what is the --

15   and perhaps I lack the understanding of what all

16   the processes are as far as know your customer

17   and due diligence, but I see value if there was

18   a unit to conduct research on these types of

19   transactions which aren't happening under the

20   hundreds of cameras and involving multiple

21   people and trained individuals to monitor these

22   transactions. And I would assume that there's a

23   lot of private mortgages that are being

24   registered and some scrutiny could be applied to

25   it with some tenacity if there was a provincial

 1   unit like this. For one example. There's I

 2   think 16 in this document that sort of tie into

 3   ideas like that.

 4   Q   All right. Mr. Commissioner, just to note, I

 5   don't believe -- I'll let Mr. Stephens

 6   or Ms. Roos jump in if I'm incorrect, but I

 7   don't believe that there's any reason that this

 8   document can't be published or posted to the

 9   website unredacted as an exhibit.

10   THE COMMISSIONER: All right. If there is no

11   objection, then I will make --

12   MS. PATEL: Mr. Commissioner, I'm getting a note from

13   IT that we are -- there's a problem with the

14   live stream. I think we need to stand down for

15   a few minutes.

16   THE COMMISSIONER: All right. We'll do that. Thank

17   you.

18   IT SUPPORT: Actually, apologies, Mr. Commissioner,

19   if anybody is watching the live stream, it would

20   be on the second browser. Thank you, everyone.

21   So we can continue.

22   THE COMMISSIONER: All right. Thank you.

23   MS. PATEL: All right. I take it back. Nonetheless,

24   Mr. Commissioner, I have no more questions for

25   this witness.

1   THE REGISTRAR: Sorry, Mr. Commissioner, do you want

2   to mark that last document as an exhibit?

3   THE COMMISSIONER: Yes. Thank you.

4   THE REGISTRAR: That will be exhibit 673.

5   THE COMMISSIONER: Thank you.

6   **EXHIBIT 673: Incident Report #IN20150017386 -**

7   **April 2, 2015**

8   THE COMMISSIONER: All right. Ms. Herbst on behalf

9   of the highway society of British Columbia, who

10   has been allocated 10 minutes.

11   MS. HERBST: Thank you, Mr. Commissioner.

12   **EXAMINATION BY MS. HERBST:**

13   Q   I very much appreciate, if I may just say,

14   Mr. Rudnicki's correction at the outset in

15   direct of a couple of mislabellings of people

16   who aren't lawyers as lawyers because, to

17   everyone's relief, I'm sure that will save me

18   the need to go through the lawyers directory and

19   various land title documents I provided last

20   week. I also note that I very much appreciate

21   Ms. Patel and Mr. Rudnicki's joint clarification

22   of the limitations on BCLC's mandate and

23   observations, so that should save a bit of time.

24   So, Mr. Rudnicki, as you've gathered, I'm

25   counsel for the Law Society of BC. My name is

1   Ludmila Herbst, and I just have a few points to

2   touch on. The first of them is I believe you

3   drew a distinction between your role and the AML

4   investigations team --

5   THE COMMISSIONER: Sorry, I'm just going to interrupt

6   for one second, Ms. Herbst. I'm not going to

7   stop you, but I realize I left over Ms. Chewka

8   for the province. I just want to indicate that

9   I will get back to her. But I think we've

10   launched with you, so let's just carry on.

11   MS. HERBST: All right. Thank you very much,

12   Mr. Commissioner.

13   Q   Mr. Rudnicki, I believe you drew a distinction

14   between your role and the AML investigations

15   team, and I just wanted to clarify. Your role

16   doesn't involve, for example, doing interviews

17   with particular people. You're more analysis of

18   the documents that you gather through

19   open-source materials and so on?

20   A   Correct. I do not do interviews.

21   Q   Okay. Now, just in terms of your background, I

22   just have a few more questions for

23   clarification, and if I ask about an element of

24   experience or expertise or a degree that you

25   don't have, I in no way mean that in a

1   disparaging way. It's just to clarify my

2   understanding. I will say that there are many

3   things that I would be answering no to as well,

4   including software expertise, so I just qualify

5   that.

6   But, Mr. Rudnicki, you haven't trained as a

7   real estate agent?

8   A   No.

9   Q   And you've not worked as a realtor in practical

10   terms?

11   A   No.

12   Q   You've not worked as a mortgage broker?

13   A   I have not.

14   Q   And you haven't worked in the banking sector?

15   A   No. I have not.

16   Q   And you don't have training in accounting?

17   A   No, I do not.

18   Q   And, again, I say this with particular --

19   there's absolutely no reason you should have,

20   but you don't have a law degree?

21   A   I do not.

22   Q   Okay. And you're also not a notary?

23   A   No.

24   Q   Okay. And then my last question you mentioned

25   speaking with Ms. Patel about software, the IBM

1   standard that you work with. Have you ever

2   worked with a product by a developer named

3   Quantexa?

4   A   No, I haven't heard of that.

5   MS. HERBST: Okay. Thank you, Mr. Rudnicki. Those

6   are my questions. Thank you, Mr. Commissioner.

7   THE COMMISSIONER: Thank you, Ms. Herbst. And

8   Ms. Chewka, I'm sorry for leaping over you, but

9   I will come back to you now. On behalf of the

10   province you've been allocated 15 minutes.

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

12   **EXAMINATION BY MS. CHEWKA:**

13   Q   Mr. Rudnicki, can you hear me okay?

14   A   Yes.

15   Q   Thank you. Mr. Rudnicki, I understand from your

16   CV that you have a bachelors degree of

17   technology, crime and intelligence analysis from

18   BCIT. Is that correct?

19   A   Yes.

20   Q   And your résumé indicates that you focused on

21   various analytical skills while at BCIT, the

22   criminal law procedure, legal evidence and major

23   case management; is that correct?

24   A   Yes.

25   Q   And while completing your degree, I just wanted

   1   to confirm that you didn't take courses relating

   2   to, for example, the regulation of the real

   3   estate sector?

   4   A   No, I did not.

   5   Q   Or the regulation of mortgage brokers, for

   6   example?

   7   A   No.

   8   Q   Or the regulation of the legal profession?

   9   A   No.

  10   Q   I note as well in your CV that you've received a

  11   diploma of technology of petroleum and natural

  12   gas from BCIT as well; is that correct?

  13   A   Correct.

  14   Q   And is it fair to say when completing this

  15   diploma again you didn't take courses with

  16   respect to the regulation of BC's real estate

  17   sector?

  18   A   Correct.

  19   Q   Or mortgage broker regulation?

  20   A   Correct.

  21   Q   Or the regulation of the legal profession?

  22   A   And yes, correct.

  23   Q   And, Mr. Rudnicki, you're currently an employee

  24   of BCLC; is that correct?

  25   A   Yes.

 1   Q   And you're employed with the AML unit legal

 2   compliance and security?

 3   A   I am, yes.

 4   Q   And you currently hold the position of AML

 5   Intelligence Specialist; is that right?

 6   A   Yes.

 7   Q   In your witness statement you indicated that

 8   you're responsible for conducting background

 9   research on casino patrons, in particular for

10   know your customer, know your client purposes;

11   is that correct?

12   A   Correct.

13   Q   And you helped develop customer due diligence

14   policies?

15   A   Yes, I did.

16   Q   And in your current role you also ensure that

17   BCLC remains compliant with the regulatory

18   framework that applies to the BCLC?

19   A   Yes, that's part of my role.

20   Q   In your capacity at BCLC you're not responsible,

21   for example, the regulation of the real estate

22   sector?

23   A   No.

24   Q   Or the regulation of mortgage brokers?

25   A   No.

 1   Q   Or the regulation of the legal profession?

 2   A   No.

 3   Q   But in your capacity at BCLC you made

 4   observations about real estate transactions

 5   involving persons that BCLC knew or believed to

 6   be were involved in cash facilitation at

 7   casinos; is that correct?

 8   A   Correct.

 9   Q   And those observations that you made were based

10   on accessing open-source information?

11   A   Yes.

12   Q   Now, I understand that -- I'm not sure it was

13   actually marked as an exhibit twice, but it's

14   exhibit number 672 or 673 or both perhaps. But

15   it's the report about the analytical concepts.

16   You said you had created that document separate

17   and apart from your role at BCLC; is that

18   correct?

19   A   Yes.

20   Q   And so you didn't make that document in the

21   regular course of your employment duties?

22   A   I would have worked on it during work hours.

23   Q   But you wouldn't have been required to do that

24   for your role as an AML intelligence specialist?

25   A   No, it's not part of my role to do that.

1   Q   It was created out of interest, I believe you

2   had testified today.

3   A   Yes.

4   Q   And I believe you agreed with commission counsel

5   who described it as a diary of AML ideas?

6   A   Correct.

7   Q   And you testified that admittedly this is a

8   document that's been a working document, and so

9   some of the ideas included in it might be out of

10   date now?

11   A   Yes.

12   Q   And when you also testified that when you were

13   creating this document that you didn't have

14   access necessarily to all of the data that you

15   would have wanted?

16   A   In the fashion of being able to access it from a

17   database administration perspective, no. The

18   data that we have access to is through the front

19   pay wall, and so we have to buy singular pieces

20   of information, which isn't the best way to do

21   analysis. It's better to look at an entire data

22   set and run queries to derive meaning and

23   prioritize things in that nature.

24   Q   And in this document as well, I would say -- or

25   maybe you can correct me if I'm wrong, but it

 1   appears that the document contains

 2   recommendations or musings about what could be

 3   done, for example, to address some of the money

 4   laundering concerns that you've identified in

 5   the real estate sector. Is that a fair

 6   assessment?

 7   A   Yes. It's an ideas document and it's further

 8   discussion would be required to validate some of

 9   those ideas and build upon them. It's by no

10   means the -- it's not a finalized document, if

11   you will. So it would require further research

12   to determine strategies that may be useful or

13   may not be useful in order to assess risk in

14   those types of environments.

15   Q   For example, if you have a copy or I can ask

16   Madam Registrar to pull it up on the screen, but

17   it's page 11 of the document. You have an idea

18   of holding realtors accountable, for example?

19   A   Right.

20   Q   Do you recall that section?

21   A   Yes.

22   Q   You make some suggestions about how you can

23   regulate and hold realtors accountable here,

24   just, again, ideas about what could be done.

25   Would you agree with that?

 1   A   Yeah, this one stemmed from a freedom of

 2   information request that we got from FINTRAC

 3   back in 2010 to 2013, I believe was the time

 4   frame, and it was quantifying the number of LCTs

 5   and STRs that were being filed by industry in BC

 6   and -- or across Canada, and we were interested

 7   in sort of where the casinos fit into the

 8   overall volume of where these types of

 9   transactions or reports that are going to

10   FINTRAC were coming from, and in particular one

11   thing that stood out for me was the lack of STRs

12   that were being filed out of the real estate

13   industry, and the number was -- while BCLC was

14   around thousands of transactions and the banks

15   were in the tens of thousands of transactions

16   the real estate industry had minimal -- less

17   than 20 in some cases in an entire year. And to

18   me I thought that was unusual given some of the

19   observations that were being made, and I would

20   just expect that some of those transactions were

21   being reported and through other personal

22   conversations that I had with some realtors --

23   and this isn't saying anything about all

24   realtors; it's just my personal experience was I

25   heard things like oh, I wouldn't file an STR

1   because it would jeopardize my sale. And

2   through collecting information from a variety of

3   sources that sort of helped me develop this idea

4   of are there realtors that are not flagging

5   transactions that should be flagged and reported

6   to FINTRAC. And that's sort of the idea around

7   this. It would be easy to -- the idea that

8   section would -- if you were engaging in a

9   contract and selling real estate to somebody and

10   it's easy to Google that person's name and you

11   can see a photo of that person, it's the same

12   person that you're meeting and they're

13   conducting a transaction and perhaps there's

14   some indicators that are relevant to AML

15   training, that could lead to submitting an STR

16   and it's an idea of what could be done.

17   Q   And Ms. Patel took you to page 13 of the

18   document, which was your suggestion about the

19   creation of a provincial task force?

20   A   Yes.

21   Q   Do you recall that --

22   THE REGISTRAR: Sorry, Ms. Chewka, do you want me to

23   bring this up on the screen?

24   MS. CHEWKA: No, I don't think it's necessary. I

25   don't intend to go through it in detail. But

1   thank you, Madam Registrar.

2   THE REGISTRAR: Also, sorry to interrupt, I just want

3   to clarify, we have this document marked twice.

4   So it should be 672. Thank you.

5   MS. CHEWKA: Thank you, Madam Registrar.

6   Q   When you were discussing this page or this

7   provincial task force that was one of your ideas

8   with Ms. Patel, you had testified that you're no

9   expert with respect to these issues. Would you

10   agree with that still?

11   A   Yes.

12   Q   And on this document there is a number of

13   stakeholders listed, and that's also listed at

14   page 14 of the document. For example, in your

15   proposed task force it may affect the following

16   stakeholders as you've identified them as. The

17   Land Title and Survey Authority. Would you

18   agree with that?

19   A   Yes.

20   Q   The BC Law Society?

21   A   Yes.

22   Q   The Superintendent of Real Estate?

23   A   Yes.

24   Q   You also reference FICOM in your report, which

25   is of course since been changed a BCFSA, and so

1   FICOM is listed here, but would you agree that

2   also BCFSA as its successor would also be

3   affected by this proposed task force?

4   A   Yes.

5   Q   And BCFSA is responsible for the regulation of

6   mortgage brokers in BC; is that correct?

7   A   If you are -- yes, if that's what you're saying,

8   I agree with you, yeah.

9   Q   And so throughout the report, particularly with

10   respect to this proposed provincial task force,

11   would agree with me this idea of a task force

12   would impact a number of regulatory bodies in

13   British Columbia?

14   A   Again, it could be, and I'm not a person that

15   would be, you know, well informed on how to

16   create a unit of this complexity. There's other

17   people that are far more knowledgeable that

18   could assess this idea for validity and take it

19   for what it's worth.

20   Q   That was going to my next question was whether

21   or not you would agree with me whether or not

22   individuals from these statutory bodies would

23   actually be better positioned to determine

24   whether or not such a task force would be

25   advisable or workable, for example. Would you

1   agree with that?

2   A   Absolutely.

3   MS. CHEWKA: Those are my questions. Thank you so

4   much, Mr. Rudnicki.

5   THE COMMISSIONER: Thank you, Ms. Chewka.

6   I'll now call on Mr. Usher, who has been

7   allocated five minutes.

8   MR. USHER: Thank you, Mr. Commissioner. Perhaps

9   Madam Registrar could bring up exhibit 672 and

10   go to page 4 of that. Thank you, Madam

11   Registrar.

12   **EXAMINATION BY MR. USHER:**

13   Q   I just have a couple questions, Mr. Rudnicki. I

14   note here in fact third line it says "the

15   publicly available BC court report 160560." I

16   take it that's a typographical error and that

17   really should read "160650." Is that correct?

18   A   Correct.

19   Q   Thank you. And on that particular matter that

20   was a foreclosure in regard to a West Vancouver

21   property; is that correct?

22   A   Yes.

23   Q   And did you -- you got a title search for that

24   and did you obtain copies of the multiple -- I

25   think there were in fact eight mortgages on that

 1   property?

 2   A   Yes.

 3   Q   A couple questions out of your comments here.

 4   You say, for example, that -- I'm quoting:

 5   "Private lender were registering mortgages

 6   possibly unaware that other lenders also

 7   had registered mortgages."

 8   Can you explain that a bit. Because title

 9   searches, of course, do show registered

10   mortgages.

11   A   Right. And that's why I used the word

12   "possible" is that I was -- I wasn't sure if

13   they did their due diligence before registering

14   a mortgage, so ...

15   Q   And if I suggested to you that on all eight

16   mortgages there were lawyers and in one instance

17   a notary, but in all of the cases there were at

18   least one, and on six of the instances the

19   lender and borrower were separately represented

20   by lawyers?

21   A   I'll take your word for that, yes.

22   Q   Okay. And are you aware that on -- that many of

23   those mortgages, in fact just only two of

24   them -- or one not but six of the mortgages in

25   fact were *inter alia* mortgages where the

1   security covered more than one lot?

2   A   Again, I didn't go into great detail to work out

3   the details in this matter. I just saw that

4   there was nearly -- I think it was close to

5              $30 million worth of mortgages registered to a

6              $6 million house and thought that was unusual.

7   Q   Yes. I certainly agree. This is an odd matter.

8   But in fact the mortgages on those properties

9   were *inter alia*. The lots if you looked at all

10   of them covered in fact four properties and

11   which ultimately by my looking at sale documents

12   was sold for more than $57 million.

13   A   Okay.

14   Q   Do you have any reason to doubt that, or ...

15   A   No. Again, I didn't go into great detail to

16   research this observation. It sounds like you

17   did, which is great, and that's the type of work

18   that should be done when observations like this

19   are made.

20   Q   Thank you. And finally you had an observation

21   about cash. I take it you're not suggesting --

22   in other words, you didn't have any evidence to

23   suggest that lawyers or notaries involved in

24   these -- and there was quite of number of

25   them -- acting for lenders and borrows that they

1   actually were dispensing cash in the form of

2   currency, in a sense paper money, not for

3   example cheques from trust accounts?

4   A   I'm not aware of the type of funds that were

5   involved in these transactions. I did not look

6   into that.

7   MR. USHER: Okay. Thank you. That's all my

8   questions.

9   THE COMMISSIONER: Thank you, Mr. Usher.

10   Mr. Westell on behalf of the Canadian Bar

11   Association and the Criminal Defence Advocacy

12   Society has been allocated five minutes.

13   MR. WESTELL: Thank you, Mr. Commissioner. My

14   questions and concerns were ably handled by

15   Ms. Herbst, so I have no questions. Thank you.

16   THE COMMISSIONER: Thank you, Mr. Westell. And

17   finally Mr. Stephens on behalf of BC Lottery

18   Corporation, who has been allocated 10 minutes.

19   MR. STEPHENS: Mr. Commissioner, we have no questions

20   for Mr. Rudnicki.

21   THE COMMISSIONER: All right. Thank you,

22   Mr. Stephens.

23   Anything arising, Ms. Chewka or Ms. Herbst?

24   MS. CHEWKA: No, Mr. Commissioner.

25   MS. HERBST: No, Mr. Commissioner. Thank you.

1   THE COMMISSIONER: Thank you. Ms. Patel?

2   MS. PATEL: No, thank you, Mr. Commissioner.

3   THE COMMISSIONER: Thank you, Mr. Rudnicki, for

4   taking the time to share your experience and

5   expertise with us. It has been helpful. And we

6   will -- you're now excused from further

7   testimony.

8   **(WITNESS EXCUSED)**

9   THE COMMISSIONER: I think, Ms. Patel, we're in a

10   position to adjourn until tomorrow at 9:30. Is

11   that correct?

12   MS. PATEL: That's correct.

13   THE COMMISSIONER: Thank you. We will do so.

14   THE REGISTRAR: The hearing is now adjourned until

15   March 3rd, 2021, at 9:30 a.m. Thank you.

16   **(PROCEEDINGS ADJOURNED AT 1:00 P.M. TO MARCH 3, 2021)**

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