

**PROCEEDINGS AT HEARING
OF
OCTOBER 28, 2020**

COMMISSIONER AUSTIN F. CULLEN

INDEX OF PROCEEDINGS

Witness	Description	Page
	Proceedings commenced at 9:29 a.m.	1
Ward Clapham (for the Commission)	Examination by Mr. McGowan (continuing)	1
	Examination by Ms. Gardner	11
	Examination by Mr. Smart	13
	Examination by Mr. Skwarok	25
	Proceedings adjourned at 10:09 a.m.	32
	Proceedings reconvened at 10:15 a.m.	32
Gordon Friesen (for the Commission)	Examination by Mr. McGowan	34
	Proceedings adjourned at 12:10 p.m.	113
	Proceedings reconvened at 12:19 p.m.	113
Gordon Friesen (for the Commission)	Examination by Ms. Harlinton	142
	Examination by Ms. Harmer	154
	Examination by Mr. McFee	159
	Colloquy	168
	Proceedings adjourned at 1:29 p.m. to October 29, 2020	168

INDEX OF EXHIBITS FOR IDENTIFICATION

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

No exhibits for identification marked.

INDEX OF EXHIBITS

No.	Description	Page
------------	--------------------	-------------

102	City of Richmond Regular Council Meeting Minutes, February 26, 2007	8
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103	City of Richmond - Law & Community Safety 2007 Achievements/2008 Priorities	8
104	2007 Annual Report, City of Richmond	10
105	GPEB Audit Report Review of BCLC Player Gaming Fund Accounts Pilot Project 2009/2010	70
106	Letter from Gordon Friesen re Review of BCLC Player Gaming Fund Accounts Pilot Project - February 17, 2020	71
107	Email from Gordon Friesen re Under \$50K Buy-Ins in \$20 Bills - September 23, 2011	81
108	Letter from Gordon Friesen re Loan Sharking/Suspicious Currency & Chip Passing - April 14, 2010	114
109	Letter from Gordon Friesen re Loan Sharking/Suspicious Currency and Chip Passing - May 4, 2010	114
110	Letter from Derek Dickson re Money Laundering in Casinos - November 24, 2010	125
111	Letter from John Karlovcec re Money Laundering in BC Casinos - December 24, 2010	133
112	Letter from Joe Schalk re Money Laundering in BC Casinos - February 28, 2011	137

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

October 28, 2020
(Via Videoconference)

(PROCEEDINGS COMMENCED AT 9:29 A.M.)

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

THE COMMISSIONER: Thank you, Madam Registrar.

Yes, Mr. McGowan.

MR. MCGOWAN: Yes, Mr. Commissioner. We're continuing with Officer Clapham, who was giving evidence yesterday.

THE COMMISSIONER: Yes.

**WARD CLAPHAM, a witness
for the commission,
recalled.**

EXAMINATION BY MR. MCGOWAN (continuing):

Q Yes. Good morning, sir.

A Good morning.

Q When you were giving your evidence yesterday, you had told the Commissioner that in the leadup to the 2007 budgeting process you had made a request for funding for some 24 additional officers for the Richmond detachment?

A That's correct.

Q And you had also told the commissioner that third in your list of priorities moving forward

1 into the 2007 and 2008 years was creating an
2 illegal gaming investigation team embedded
3 within the Richmond detachment?

4 A Yes. I call it a casino crime team, but yes,
5 part of the mandate was illegal gaming, yes.

6 Q That was to be staffed out of the new officers
7 which you had requested through the budgeting
8 process?

9 A That is correct, yes.

10 MR. MCGOWAN: I wonder if we could please have
11 displayed -- I'm going to be pulling up some
12 pages over the next several minutes from
13 COR00001. And I'd like pages 157 through 170
14 pulled up right now, please.

15 Q Sir, these are minutes from a council meeting
16 February 26th, 2007, from the City of Richmond.
17 Do you see that?

18 A I do, yes.

19 Q As I understand it, this was the council meeting
20 at which your budget request was adjudicated, do
21 you recall that?

22 A Yes, I do.

23 Q And if I can take you to page 10 of the minutes,
24 please.

25 MR. MCGOWAN: I'm looking at the page number in the

1 bottom right corner, Madam Registrar.

2 Q And if you see under item 23 "Additional
3 Recommendation - 2007 Base Operating Budget."

4 A Yes, I do.

5 Q And number 3 under that:

6 "The following Additional Level Requests
7 as ranked by the Committee, be approved."

8 And it appears that you were, from this, given
9 something less than you requested; is that fair?

10 A That's correct. I can expand further, if you'd
11 would like.

12 Q Yes, please.

13 A So the first priority was to fund additional
14 funding for integrated homicide investigation
15 team, and that was accepted. The second request
16 was for 16 general duty foot officers. Because
17 of the resourcing challenges, pressures I was
18 facing, I needed the 16 officers just to provide
19 frontline 911 emergency response policing
20 duties, and I received 10.

21 My third priority was for the casino crime
22 team, which was not -- it's not on there. And
23 additional police. I had also asked, then, for
24 three serious crime investigators as a priority
25 four or five, I can't recall. It doesn't show

1 understanding was some of the casino revenue
2 money was going to policing. The best I
3 understand when this decision was made, the
4 casino revenue money was for four general duty,
5 front-line constables, which was a higher
6 priority just providing the initial emergency
7 response. I may or may not have readjusted
8 those resources. It takes about a year for
9 those boots on the ground after approval, but I
10 was gone by that point in time.

11 MR. MCGOWAN: Thank you. If we could please have --
12 on the list, Madam Registrar, I'm skipping over
13 one and I'm going to pages 269 to 288 of this
14 document we've been working with.

15 Q So this is the "Law & Community Safety, 2007
16 Achievements and 2008 Priorities." Do you
17 recognize this document?

18 A I do.

19 Q Can you tell the commissioner just in brief what
20 this document is.

21 A It's produced by the City of Richmond. So the
22 reporting structure was that the City of
23 Richmond had set up that I did not report to the
24 mayor and I did not report to the chief
25 administrative officer. Instead I reported to a

1 manager of -- vice president, I believe, was the
2 rank or something like that. Vice somebody of
3 law and community safety. Looked after fire,
4 looked after bylaws. And this is their report.
5 So that director -- I believe the language is
6 director -- she would have put this report
7 forward through their channels.

8 Q Would it have been based on part on input from
9 you about priorities?

10 A Oh, yes. Absolutely.

11 Q Okay. If we can turn to page 15 of the
12 document. I'm looking at the bottom right
13 corner for numbers.

14 Sir, do you see a heading in the middle of
15 that page, "2008 Priorities"?

16 A Yes, I do.

17 Q And under that, one of the priorities is:

18 "Gaming Crime Unit. The Casino Team is a
19 three member team responsible for criminal
20 code investigations at the casino"

21 And then near the bottom of that section it
22 says:

23 "This team will also be conducting
24 proactive investigations into loan
25 sharking, extortion and money laundering."

1 A Yes, I see that.

2 Q Even after the rejection of your two proposals
3 for a casino unit, this still remained a
4 priority in your mind for the Richmond RCMP?

5 A Correct. And obviously within law and community
6 safety because this is their report, not mine.

7 Q And was this crafted at least in part on input
8 from you about what priorities you felt were
9 important within the Richmond RCMP?

10 A There was absolutely no misunderstandings with
11 anyone in the City of Richmond that the casino
12 crime team was a very high priority for me and I
13 kept pushing for it, for something to be done
14 and to have that blessing or support up until I
15 left.

16 Where "three-member team" came from, that I
17 don't recall. I'd initially asked for four but
18 saw after the first attempt that I was going to
19 go nowhere fast. I moved back to two. Why I
20 bumped up to three, I can't answer that.

21 MR. MCGOWAN: Fair enough. Mr. Commissioner, I'm not
22 sure whether I marked the council minutes. I'm
23 not sure that I did. If they could be an
24 exhibit, please. It's the council minutes from
25 the February 26th, 2007 Richmond city council

1 meeting.

2 THE COMMISSIONER: Yes. Thank you. Exhibit 102.

3 THE REGISTRAR: Exhibit 102.

4 **EXHIBIT 102: City of Richmond Regular Council**
5 **Meeting Minutes, February 26, 2007**

6 MR. MCGOWAN: Thank you. And if the law and
7 community safety, 2007 achievements, 2008
8 priorities report can be the next exhibit,
9 please.

10 THE COMMISSIONER: 103?

11 THE REGISTRAR: Exhibit 103.

12 **EXHIBIT 103: City of Richmond - Law & Community**
13 **Safety 2007 Achievements/2008 Priorities**

14 MR. MCGOWAN: Thank you, Madam Registrar. If we
15 could please pull up pages 298 through 387 of
16 that document we have been working from.

17 Q So this is the 2007 annual report from the City
18 of Richmond?

19 A Yes, I see it.

20 Q And if we could turn, please, to page 27 of that
21 document, which is 335 of the larger document, I
22 believe.

23 MR. MCGOWAN: We're looking at page 27 in the bottom
24 right corner, Madam Registrar. Yes. Thank you.

25 Q You see, sir, in the middle of the page on the

1 left-hand side "2008 Success Indicators"?

2 A I do, yes.

3 Q And what does that mean to you?

4 A So this was their measurement model and
5 indicators of what they felt was -- the Richmond
6 was success in 2008.

7 Q Okay. So these were goals which, if achieved,
8 would indicate success, at least as reflected by
9 this report?

10 A Absolutely, yes.

11 Q Okay. If you look at the right, the second to
12 last bubble under "2008 Success Indicators":

13 "Create RCMP Gaming Crime Unit to conduct
14 proactive investigations into loan
15 sharking, extortion and money laundering."

16 A Yes, I see that.

17 Q Was it your understanding that in 2007 and
18 moving into 2008 this was still identified as a
19 priority?

20 A It was a high priority by myself and from this
21 document it appears that it was also with the
22 City of Richmond.

23 MR. MCGOWAN: Could that be the next exhibit, please,
24 Mr. Commissioner.

25 THE COMMISSIONER: Very well. 104.

1 THE REGISTRAR: Exhibit 104.

2 EXHIBIT 104: 2007 Annual Report, City of

3 Richmond

4 MR. MCGOWAN:

5 Q And, sir, when did you retire from your posting
6 as the officer in charge of the Richmond RCMP?

7 A April 2008.

8 Q And at the time of your retirement, had this
9 unit been created or had funding been put in
10 place to create the unit we've been speaking
11 about?

12 A No, it had not.

13 Q To your knowledge was such a unit ever created?

14 A To my knowledge -- I won't get into the details,
15 but ultimately I moved over to the chief of
16 transit police, chief officer, which also
17 policed the Canada Line which we were preparing
18 for when I was at Richmond, so I had direct
19 knowledge of what was happening regarding the
20 River Rock Casino because our substation was
21 based there for transit police, and there was no
22 team up until 2010 that I know of.

23 Q And that's sort of the point at which your
24 knowledge of what the policing situation was
25 stops?

1 A That's correct.

2 MR. MCGOWAN: Thank you for answering my questions,
3 sir.

4 Mr. Commissioner, those are my questions

5 THE COMMISSIONER: All right. Thank you,

6 Mr. McGowan. I think --

7 MR. MCGOWAN: I have -- I believe the province has
8 some questions for Mr. Clapham.

9 THE COMMISSIONER: Yes, thank you. Ms. Hughes.

10 MS. HUGHES: Thank you, Mr. Commissioner. I can
11 confirm we have no questions for this witness at
12 this point.

13 THE COMMISSIONER: Thank you.

14 Mr. -- sorry, Ms. Gardner for Canada.

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

16 **EXAMINATION BY MS. GARDNER:**

17 Q Mr. Clapham, can you hear me all right?

18 A Yes, I can.

19 Q Thank you. So you were providing evidence
20 yesterday and then again earlier this morning
21 regarding these two proposals that you advanced
22 for the creation of a casino crime unit within
23 Richmond RCMP. Do you recall that?

24 A Yes, I do.

25 Q And these were the proposals that you made in

1 2005 and 2006?

2 A Through to 2007, correct.

3 Q So was it your understanding that the City of
4 Richmond would receive some amount of the gaming
5 revenue that would be generated from River Rock?

6 A Yes.

7 Q And then your proposals asked the City of
8 Richmond to use some of that gaming revenue to
9 fund the creation of this casino crime unit you
10 were proposing?

11 A Yes.

12 Q And the City of Richmond did not approve either
13 of your proposals?

14 A That's correct, they did not approve.

15 MS. GARDNER: Thank you. That's all my questions.

16 THE COMMISSIONER: Thank you, Ms. Gardner.

17 Mr. Smart for the BC Lottery Corporation.

18 MR. SMART: You can hear me all right,

19 Mr. Commissioner?

20 THE COMMISSIONER: Yes, I can Mr. Smart. Thank you.

21 MR. MCGOWAN: We can hear you but not see you,

22 Mr. Smart.

23 MR. SMART: Oh, all right. This is why I need help.

24 MR. MCGOWAN: We can now see you.

25 MR. SMART: Thank you.

1 **EXAMINATION BY MR. SMART:**

2 Q Mr. Clapham, did you -- you know the next two
3 witnesses -- let me start again. The next two
4 witnesses are former RCMP officers, Gordon
5 Friesen and John Karlovcec. Did you know those
6 two individuals when they were police officers?

7 A I know their names. Never worked with them
8 directly, indirectly that I can recall or had
9 any social or other type of contacts with them.

10 Q Yes. But you did meet with them from time to
11 time when they became investigators at River
12 Rock?

13 A I don't recall, but if I can just put it into
14 context. I know my investigative team through
15 my inspector, Tony Mahon, who was the operation
16 support officer and then the whole general
17 investigation team and/or intelligence teams,
18 they would have been -- there might have been
19 meetings where we were all part of, but I don't
20 recall that now. But it would make sense
21 because they were our partner in the whole crime
22 detection, prevention.

23 Q And if you don't know this you'll just say you
24 don't, but do you agree that there was a good
25 working relationship between your detachment in

1 Richmond and the investigators at the British
2 Columbia Lottery Corporation at River Rock?

3 A There was a good working relationship, yes.

4 Q You know from your policing experience that in
5 the early period, early 2000s, legal gaming
6 activities expanded considerably in British
7 Columbia, didn't they?

8 A Yes, they did.

9 Q And from your own knowledge, they brought
10 certain benefits, jobs for individuals, money
11 for provincial and local governments as well as
12 for charities?

13 A Correct. And also the whole entertainment. As
14 it was forecasted years earlier through boom,
15 bust and echo, this was the next generation for
16 the baby boomers to have entertainment.

17 Q Yes. But it also brought social costs,
18 including increased crime that's associated with
19 gaming?

20 A That's correct.

21 Q And you -- I've got lights on now -- you
22 experienced that in Richmond?

23 A Yes.

24 Q Yeah. And the criminal activities that you were
25 aware of in Richmond included both legal gaming

1 businesses like River Rock and illegal gaming
2 businesses?

3 A That's correct.

4 Q And the crimes often overlapped, that is the
5 kinds of crimes that were committed, they were
6 committed at illegal and legal gaming
7 businesses?

8 A Yes. An example would be the illegal gaming
9 houses and the same criminal's clients would be
10 going between legal and illegal houses or places
11 to gamble or game.

12 Q Yes. And as you described yesterday, these
13 included some very serious criminal offences:
14 Extortions, robberies, assaults, thefts and loan
15 sharking and money laundering?

16 A Right. So there's that whole panacea of crime
17 includes front-line municipal policing
18 responsibilities like, you know, missing people,
19 potential homicides, kidnappings that can be
20 directly or indirectly related to gaming issues
21 to actual illegal gaming activities or crimes
22 like money laundering or, you know, different --

23 Q Loan sharking?

24 A Loan sharking absolutely, yeah.

25 Q And I think as you said yesterday, no one could

1 have predicted what you started to see at River
2 Rock in 2005 with respect to criminal offences?

3 A I said that, yes.

4 Q And that's accurate?

5 A You know, I look back. I try to ask myself,
6 could I have done better; could I have predicted
7 what was happening? But at the time, you know,
8 there was a lot of money in our province, a lot
9 of illegal money. Marijuana grow operations,
10 when marijuana was illegal, was generating a lot
11 of cash. There was a lot of cash floating
12 around. There was a lot of influx of cash
13 coming from Asia.

14 Q Yes.

15 A With that wealth transfer there was a lot of
16 stuff happening. Predicting all of that to come
17 at the same time at a nexus to a casino, I don't
18 think anyone could have predicted what we saw.

19 Q And there was a significant transition in
20 Richmond with respect to the cultural mix at
21 that time as well. It was late 90s and into
22 2000s.

23 A Absolutely. I led the most diverse community
24 per capita in Canada.

25 Q Yeah. And you came -- with the expansion -- I

1 think one of your officers described an
2 explosion in crime at River Rock. You were
3 faced with organized crime expanding its reach
4 into legal and illegal gaming in Richmond?

5 A It was already there, but was it expanding?

6 Yes.

7 Q Yes. And as Mr. McGowan has asked you, you came
8 to the conclusion that a specialized gaming unit
9 was needed, but you had difficulty obtaining
10 funding.

11 A It caused significant friction as a result of me
12 asking for that, and I was trying to find
13 anything that I could do to give my community
14 and the citizens comfort and that we were
15 actually taking immediate action in addition to
16 just our general responsibilities to policing,
17 and this was what I could think of at the time
18 because there was no other -- because, again, no
19 other detachment, RCMP detachment was facing
20 something like what I was facing. And I was
21 responsible for the day-to-day municipal
22 policing of that city, and so, you know,
23 kidnappings and robberies, those were the type
24 of crimes that I had to deal with immediately
25 and put front-line officers and detectives onto

1 and this is the best I could come up with at the
2 time. I was reaching out to everybody across
3 the spectrum within the RCMP and the municipal
4 chiefs of police and national police chiefs
5 looking for any other type of ideas. And until
6 Fred Pinnock came to me, this was my only
7 conclusion of something I could do immediately,
8 dedicate full-time to and then show optically
9 that the casino crime -- casino revenue was
10 coming directly back to fund a team, so it was
11 being directly invested back into something that
12 we were faced with.

13 Q So my sense is at least in terms of Richmond,
14 the government and others were gaining the
15 benefits of expanded gaming but they weren't
16 adequately funding police to help deal with some
17 of the social costs of expanded gaming. Is that
18 a fair summary?

19 A I really can't respond to that. I can only talk
20 within my circle of influence at that time,
21 which was within Richmond.

22 Q And you weren't getting funding?

23 A The funding came as we saw in one of the earlier
24 exhibits for additional police officers, but I
25 was under the impression or belief that if it

1 was directly supported by the city and the
2 revenue was directly tagged to it, that that
3 would show everybody that there was a real
4 commitment and a commitment by me to allocate
5 and dedicate resources.

6 So I wasn't able to convince the City of
7 Richmond during my tenure there that that was
8 the best way to go, and council made decisions
9 and I had to move on from that.

10 Q Were you aware that the -- and I think you
11 are -- were, of the integrated illegal gaming
12 enforcement team that was established in 2003?

13 A Yes.

14 Q Okay. And according to summaries of the -- of
15 that agency, it was to deter illegal gaming and
16 preserve the integrity of public legalized
17 gaming in British Columbia through an integrated
18 approach that includes the RCMP and the Gaming
19 Policy Enforcement Branch. Did you have a
20 general understanding that was the purpose of
21 that gaming enforcement team?

22 A Yes, sir.

23 Q Okay. Did that approach of an integrated
24 specialized unit make good sense to you?

25 A Absolutely. It made great sense and I was a

1 full supporter of it.

2 Q And I can take -- we've got a summary of some of
3 the history of that organization, but I'll try
4 to avoid taking you to that and see what your
5 memory is of this. And I think you -- the
6 officer in charge of that at some point, I think
7 it was around 2005 or 2006, was Staff Sergeant
8 Fred Pinnock?

9 A That's correct.

10 Q And did you know him prior to him taking that
11 position?

12 A Yes, I did.

13 Q And this provincial unit had a -- do you recall
14 that it had a -- what the size of the unit was
15 initially after the first year or two, how many
16 officers were assigned to the unit?

17 A I believe to the best of my knowledge it was
18 across the province to be 12, but it was always
19 resourcing challenges that they were facing --
20 we were all facing of getting boots on the
21 ground, but approximately 12, but I could be
22 wrong.

23 Q No, I think that accords with what we have in
24 one of the exhibits, exhibit 77. And there was
25 an effort by Staff Sergeant Pinnock to double

1 the size of that unit. Do you recall that?

2 A I am aware of that, yes.

3 Q And that was in part to expand policing in legal
4 gaming sites such as River Rock. That was one
5 of the purposes of trying to double the size of
6 this organization, wasn't it?

7 A To the best of my knowledge, yes.

8 Q And you were supportive of that?

9 A I was supportive of that. And knowing that
10 there may be challenges in getting the
11 resources, I offered up the initial general
12 support to provide resources if that business
13 case was ultimately approved and if I continued
14 to have lack of success on the route I was at
15 the time championing, which was a stand-alone
16 breakaway kind of casino crime team. There was
17 no sense -- you know it made sense at that point
18 in time perhaps we come together if there was
19 support and it was -- yeah.

20 Q You're aware that the investigators at the
21 BC Lottery Corporation and obviously River Rock
22 would file suspicious transaction reports with
23 FINTRAC?

24 A Yes, I am aware of that.

25 Q Yeah. And were you aware that they were

1 providing information to the Gaming Policy
2 Enforcement Branch and RCMP as well about
3 suspicious transactions?

4 A To the best of my knowledge, yes. I wasn't
5 directly involved in that, but that sounds
6 reasonable at that time.

7 Q And do you agree that the police such as the
8 RCMP are the organization or body that's best
9 equipped, the most effective at investigating
10 criminal offences in and around casinos?

11 A Well, because the RCMP and British Columbia
12 polices at all three levels of government,
13 federal, provincial and municipal and the fact
14 that criminals know no boundaries or, you know,
15 borders, and the fact that some of these casinos
16 were being built in cities that were not policed
17 by the RCMP but by city police services, it made
18 absolute sense that the RCMP be at the table, if
19 not the lead.

20 Q And this integrated gaming enforcement unit was
21 a perfect organization to investigate crimes at
22 illegal and legal gaming facilities, wasn't it?

23 A I'm not -- I can't say perfect.

24 Q Yes.

25 A But, again, if we look and put it in context at

1 the time, everything aligned to that, it was set
2 up for success. It would have been better than
3 nothing by far. Is that fair to say instead of
4 the word "perfect"?

5 Q Yeah. No, "perfect" is an overstatement.

6 A Yeah.

7 Q Lawyers sometimes do that. But you saw it as
8 potentially an effective way of trying to deal
9 with the crime you were dealing with at River
10 Rock?

11 A Well, and more importantly, the way I led
12 Richmond detachment, it was very participative,
13 shared leadership, consultative. I had checked
14 in with all my investigators, all my team that
15 were involved in this to make sure we were on
16 the right track because, again, sometimes when
17 you're near the top you're the last person to
18 really know what's going on. And I was hearing
19 the same as what you've just suggested that this
20 would've -- this was a great idea and would
21 work.

22 And thus my blessing and support to Fred
23 Pinnock in an email that was an earlier exhibit
24 where I said, you have our support. I don't
25 think it's in the email where I talked about

1 resourcing, but I committed in general terms to
2 also help support with resources however I could
3 make it happen at the time.

4 Q Did you -- I appreciate you left in 2008 and you
5 went on to head up the transit police. Did you
6 become aware in 2009 that rather than expand
7 IIGET as Staff Sergeant Pinnock had suggested, it
8 was disbanded?

9 A Yes, I was aware it was disbanded and '09.

10 Q And did you become aware after it was disbanded
11 in terms of timing that the -- what I'll call
12 the rapid expansion of gaming and the entry of
13 large amounts of cash into casinos occurred? In
14 other words, I'm not saying there's necessarily
15 a coincidence, but it was after the disbanding
16 of that that we had this very large increase in
17 cash coming into casinos such as River Rock?

18 A I know that it was expanding and increasing.
19 The exact times and dates I can't give
20 specifics, but I can tell you I was responsible
21 for the Canada Line. That was just a concern of
22 myself as I know that many of these patrons, and
23 I'll call them the criminal element, were using
24 the train or the buses as transportation.

25 MR. SMART: All right. Well, we should all take

1 notice of that next time we get on the Canada
2 Line. Thank you.

3 Those are my questions, Mr. Clapham. Thank
4 you.

5 THE COMMISSIONER: Thank you, Mr. Smart.

6 Now, Mr. Skwarok for the Great Canadian
7 Gaming Corporation.

8 MR. SKWAROK: Thank you, sir.

9 **EXAMINATION BY MR. SKWAROK:**

10 Q Mr. Clapham, my name is Mark Skwarok. I'm one
11 of several lawyers for Great Canadian. If you
12 have trouble with my audio, please let me know.
13 Can you hear me?

14 A I can hear you, sir.

15 Q You testified that in 2005 there was an increase
16 in criminal activity around the River Rock
17 Casino; correct?

18 A Correct.

19 Q And as a result of that, you issued a directive
20 to increase foot patrols around the casino;
21 correct?

22 A It was -- when you use the word "issued a
23 directive," if you're inferring that it was
24 written and in a policy, no. Was it verbally
25 shared during our operational morning meetings

1 to the staff sergeants that ran the watches at
2 the time? Yes.

3 Q You told your subordinates to perform these foot
4 patrols; right?

5 A Yeah, when they had time. Yes.

6 Q Sure. And you testified that at around that
7 time you received a phone call from someone at
8 River Rock who suggested that having a police
9 presence could be bad for business. Do you
10 recall that testimony?

11 A I do, sir.

12 Q And do you know who that person was from River
13 Rock who phoned you?

14 A No.

15 Q All right. And this is 15 years ago; correct?

16 A Approximately 15 years ago, yes.

17 Q And the discussion that you had with this
18 gentleman was in the context of uniformed RCMP
19 officers being in the premises; correct?

20 A Correct.

21 Q And there was no suggestion that Great Canadian
22 wouldn't welcome plain-clothes police officers,
23 was there?

24 A That just wasn't brought up in the discussion.

25 Q All right. You'll agree, sir, that sometimes

1 honest people with nothing to hide and who have
2 appropriate respect and gratitude for the police
3 can sometimes become less relaxed when there are
4 uniformed police officers around?

5 A Could you rephrase that statement. And if
6 there's a question, please restate it.

7 Q Sure. There are, I suggest, honest people who
8 are appreciative of the police who can get
9 apprehensive or less relaxed in the presence of
10 a uniformed police officer. Do you agree with
11 that?

12 A You know, I only know from my perspective either
13 you are comfortable and feel that when the
14 police are around you're safer because
15 reassurance policing -- 50 percent of policing
16 is do I feel safe; am I safe? And we know from
17 science that uniform proactive messaging of
18 police presence is a positive. I don't see how
19 people would see it as a negative.

20 I compare it to all the years I was a foot
21 constable or a general supervisor doing bar
22 checks and walking through bars. That didn't
23 curtail people from not having a good time in
24 the bars or nightclubs. So I didn't see it as
25 an issue in River Rock whether my guys, my team

1 were in there in uniform or plain clothes. It's
2 expected as a public place. We are everywhere.

3 Q I see. So you disagree with the proposition
4 that honest people are sometimes more on edge or
5 more concerned when there's uniform police
6 officer around?

7 A Yeah, I can only speak for myself. I strive to
8 be honest, and I'm not disturbed by that as a
9 civilian today, but I can't speak for other
10 people. I'm sorry.

11 Q All right. You were the officer in charge of
12 Richmond for the first four years that River
13 Rock was in existence. How would you
14 characterize the nature of the professional
15 relationship between the police and the
16 surveillance department at River Rock?

17 A I don't have any direct knowledge, but from
18 everything that I can recall, there's nothing
19 today that I can think about that was a major
20 concern or issue.

21 Q Were you -- did you ever receive complaints from
22 your staff that River Rock surveillance were
23 uncooperative in requests for information?

24 A I never received a complaint like that.

25 Q And you never received any complaints that River

1 Rock staff were obstructionistic to your police
2 officers, did you?

3 A Well, as I testified, the uniformed patrol phone
4 call and then the -- where I was leading by
5 example and walking in there, being confronted
6 at the door by the first initial uniformed
7 security of why we were there. I testified to
8 that.

9 Q But when you wanted to get information or your
10 people wanted to get information, you never
11 heard a complaint that surveillance personnel
12 didn't provide information as requested?

13 A I can't recall any complaints at this time.

14 Q Are you aware, sir -- and I appreciate this is
15 four years after you retired -- that Great
16 Canadian surveillance in River Rock received two
17 awards of appreciation from the Richmond
18 detachment of the RCMP for professional and
19 timely assistance with criminal investigations
20 and outstanding assistance conducting
21 surveillance reviews for members beyond the
22 scope of its regular duties. Were you aware of
23 that?

24 A No, sir. But then I wasn't there, to be fair;
25 right?

1 Q No, you weren't, but I wondered if you would
2 have heard such a thing.

3 A No, that's the first time I've heard of that.

4 Q All right. So you don't have any first-hand
5 knowledge of the efforts that Great Canadian has
6 taken to supplement their compliance and
7 surveillance departments since your departure
8 some 12 years ago; correct?

9 A Could you rephrase the question.

10 Q Sure. You left in 2008. You're not aware of
11 efforts that Great Canadian took to increase its
12 compliance and surveillance departments
13 efficacy?

14 A So are you aware they offered me a position as
15 their vice president of operations when I retired?

16 Q I am aware of that, sir.

17 A And the plan was I would be the senior vice
18 president replacing Mr. Brian Egli.

19 Q Yes.

20 A And I received a written offer when I was asked
21 to leave Richmond. And I was basically looking
22 for a job and they had heard that I
23 was available. So you're aware of that. So
24 they -- you know, in full disclosure, they did
25 approach me. I declined the position.

1 Q All right. But you had no first-hand knowledge
2 after you until left about the activities and
3 steps taken to improve compliance; correct?

4 A Well, sir, after -- going to -- as a front-line
5 supervisor at Absolute Software, I was
6 headhunted by transit police, and we had a
7 relationship where the transit police station
8 was part of the new expansion of River Rock
9 where the transit police office was. So I again
10 had a relationship with Great Canadian. We
11 had -- they had built a community policing
12 station at the -- in the new building that was
13 available either to the RCMP or transit police.

14 So I can talk in those general terms of the
15 response and cooperation, but to your specific
16 question, no.

17 MR. SKWAROK: All right. Those are my questions,
18 sir. Thank you.

19 THE COMMISSIONER: Thank you, Mr. Skwarok.

20 Mr. McFee on behalf of James Lightbody.

21 MR. MCFEE: Mr. Commissioner, we have no questions.
22 The questions I had hoped to ask this helpful
23 witness have already been asked.

24 THE COMMISSIONER: Thank you, Mr. McFee.

25 Mr. McGowan, anything arising?

1 MR. MCGOWAN: No, Mr. Commissioner, I have no further
2 questions for this witness. I think he is no
3 longer required by the commission.

4 THE COMMISSIONER: All right.

5 **(WITNESS EXCUSED)**

6 MR. MCGOWAN: And I would suggest -- I know it's
7 early in the day, but I'm going to suggest a
8 five-minute break. There are some arrangements
9 we have to make the for the display of the next
10 witness.

11 THE COMMISSIONER: All right. That's fine. I should
12 probably check with Ms. Gardner and Mr. Smart if
13 anything arose from Mr. Skwarok's examination or
14 succeeding the examinations.

15 Ms. Gardner?

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

18 THE COMMISSIONER: Mr. Smart?

19 MR. SMART: No, thank you, Mr. Commissioner.

20 THE COMMISSIONER: All right. Thank you. We will
21 then take a five-minute break.

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

24 **(PROCEEDINGS ADJOURNED AT 10:09 A.M.)**

25 **(PROCEEDINGS RECONVENED AT 10:15 A.M.)**

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

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

5 MR. MCGOWAN: Yes, Mr. Commissioner. The next
6 witness is Mr. Friesen from the British Columbia
7 Lottery Corporation. And pursuant to your
8 ruling, his image will be displayed for you and
9 for counsel who are present in the virtual
10 hearing room, but it will be obscured on the
11 live stream.

12 THE COMMISSIONER: Very well. Thank you.

13 MR. MCGOWAN: Mr. Friesen, can you hear me okay?

14 THE WITNESS: Yes, sir.

15 MR. MCGOWAN: Okay. If at any time you have
16 difficulty with the audio with me or any of the
17 other counsel asking you questions, please just
18 speak up.

19 THE WITNESS: Thank you.

20 THE COMMISSIONER: I take it we'll have the witness
21 either sworn or affirmed.

22 MR. MCGOWAN: Yes. Thank you.

23 **GORDON FRIESEN, a**
24 **witness called for the**
25 **commission, sworn.**

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

3 THE WITNESS: Gordon Neil Friesen, F-r-i-e-s-e-n.

4 **EXAMINATION BY MR. MCGOWAN:**

5 Q Mr. Friesen, you were a member of the RCMP from
6 1971 to 2005; is that right?

7 A Yes, sir.

8 Q And you were stationed at stations in both
9 British Columbia and Alberta?

10 A Yes, sir.

11 Q And what proportion of your career with the RCMP
12 was dedicated to investigating matters related
13 to drug offences and organized crime?

14 A Approximately 27 years.

15 Q And in fact you were the officer in charge of
16 the Surrey drug section for six years prior to
17 your retirement?

18 A Yes, sir.

19 Q You joined the British Columbia Lottery
20 Corporation in 2005?

21 A Yes.

22 Q And what was your initial position with them,
23 sir?

24 A I was a security investigator.

25 Q And you ultimately remained with them until

1 2014?

2 A Yes, sir.

3 Q And during your time with them you were
4 initially a security investigator, and am I
5 correct you were then assigned to be stationed
6 at the River Rock Casino as a casino
7 investigator?

8 A Yes.

9 Q And following that you took on the role of
10 Assistant Manager of Investigations?

11 A Yes, sir.

12 Q And in 2010 were ultimately promoted to Manager
13 of Investigations?

14 A Yes, sir.

15 Q A position you held until your retirement; is
16 that correct?

17 A Yes, that's correct.

18 Q I'd like to ask you a few questions about your
19 initial role as a security investigator. Where
20 were you stationed in that role?

21 A I was stationed at our headquarters office in
22 Vancouver.

23 Q And was that a role similar to the casino
24 investigator role you ultimately filled at River
25 Rock?

1 A Very similar.

2 Q Okay. What was your -- what was the daily focus
3 of your work as a security investigator?

4 A For the most part we focused on our -- what we
5 call iTrak reports, which were incidents that
6 took place in a casino relative to criminal
7 activity, policy breaches, procedural breaches,
8 security matters, those types of issues. We
9 also focused on the self-exclusion program,
10 reviewing and assessing enrollments and/or
11 violations. We also reviewed and assessed and
12 processed -- excuse me -- FINTRAC reports and
13 filed FINTRAC reports, filed large cash
14 transaction reports and subsequent to that
15 suspicious transaction reports.

16 Q And when you -- but prior to being assigned to
17 the River Rock Casino were you assigned to a
18 specific casino as a security investigator or
19 were you investigating incidents and filing
20 reports in respect of a number of casinos?

21 A There were a number of investigators at --
22 working out of our headquarters building in
23 Vancouver, and we were assigned a number of
24 specific casinos or community gaming centres
25 throughout the province. I was assigned to

1 approximately four or five outlets, and other
2 investigators were assigned to other outlets.

3 Q And were you assigned during that time to any of
4 the larger Lower Mainland casinos?

5 A I recall the Holiday Inn. I recall the Burnaby
6 site, but the Burnaby site was under a lot of
7 construction at that time.

8 Q And when did you move to your position as casino
9 investigator stationed at the River Rock Casino?

10 A I believe it was 2006.

11 Q And were you replacing somebody or was this
12 the -- a new position of officers being
13 stationed right in the casino?

14 A Yes, sir. It was a new position.

15 Q Was this the first time that a BCLC investigator
16 had been stationed and operating out of the
17 River Rock Casino?

18 A Yes.

19 Q And was this something specific for River Rock
20 or was this a move taken in respect of other
21 casinos at the same time as well?

22 A It was specific to River Rock at that time.

23 Q And were you given an explanation by your
24 superiors as to why the position was created?

25 A The explanation at the time was the fact that

1 River Rock of course was the largest casino in
2 the province. River Rock was experiencing
3 significant -- significantly more, I would say,
4 customer traffic than any other casino in the
5 province. River Rock was experiencing
6 considerably more issues that had to be resolved
7 in a very timely and appropriate manner. More
8 issues than any of the smaller sites within the
9 province.

10 And there was a real need for BCLC to
11 establish relationships, close relationships
12 with all levels of management at the site,
13 establish credibility with management at the
14 site so that problem solving was definitely a
15 much easier process, and to establish a close
16 working relationship with our policing partners
17 in the Richmond detachment.

18 Q Thank you, sir. You talked about one of the
19 rationales for the position being created was a
20 higher level of issues at the site. When you
21 took your position, what were the leading issues
22 of concern in respect of River Rock from the
23 perspective of a BCLC investigator?

24 A Well, River Rock was a very large site, a very
25 new site. A lot of new employees -- sorry.

1 Okay.

2 Sorry, we just made a camera adjustment
3 here. Excuse me. Where was I? We ...

4 Q You were discussing the leading issues of
5 concern from an investigator's perspective when
6 you took your position at River Rock.

7 A Right. From my perspective, the leading issue
8 was we had an obligation to thwart any level of
9 criminal activity that may attempt to establish
10 itself in such a large casino of this nature.

11 Q When you took your position at River Rock, was
12 loan sharking or money laundering -- were loan
13 sharking or money laundering identified to you
14 as issues that you should be focused on?

15 A The issue of loan sharking was definitely the
16 priority.

17 Q And why was that a priority?

18 A Loan sharking -- in the government's and BCLC's
19 fundamental philosophy, responsible gaming is of
20 the utmost importance. Loan sharking smacked of
21 potential criminal activity behind the scenes.
22 Loan sharking involved just what it seems to be,
23 and that is lending money to people who may or
24 may not have funds to dispose of as far as
25 gaming is concerned. The responsible gaming

1 philosophy was that you would enjoy your
2 gambling without having to go into debt or
3 having to incur debts of credit or debts and
4 credit per se. So it smacked of a number of
5 issues.

6 Q When you arrived at River Rock and were present
7 on site in the first year or so that you were
8 there, did you identify loan sharks operating in
9 and around the casino?

10 A Yes.

11 Q What did you do in response to that?

12 A I collected as much evidence as I could on their
13 activity that supported loan sharking, and as a
14 result I submitted my reports to my superiors
15 and requested that they be barred off the
16 property. Barred off the property not only at
17 River Rock but throughout the province.

18 Q Okay. When you were an investigator assigned to
19 River Rock, did you work set shifts or did your
20 hours vary?

21 A Hours varied.

22 Q And who set the hours?

23 A For the most part, I did.

24 Q Were you working mostly sort of Monday to Friday
25 regular business hours?

1 A I believe, if I recall correctly, we tried to
2 work weekends when we thought there would be a
3 higher level of traffic per se. That's the best
4 of my recollection. It all depended on
5 commitments that had been made through the week,
6 more or less.

7 Q Right. Did you have a partner?

8 A Not initially, not for -- I believe it was the
9 first year.

10 Q Okay. And after that who was your partner?

11 A Yes, I did have a partner.

12 Q And who was that?

13 A John Karlovcec.

14 May I sip water as we're going through this?

15 I'm sorry.

16 Q Whenever you need it, sir.

17 A Okay. Thank you.

18 Q There's no prohibition on drinking water.

19 A Thank you.

20 Q And how often would you or Mr. Karlovcec be
21 present fulfilling your role as casino
22 investigator during the nighttime or early
23 morning hours at the River Rock?

24 A Sorry, I missed that. Repeat that again.

25 Q Would you -- how often would you or

1 Mr. Karlovcec work as a casino investigator at
2 the River Rock in the late evening or early
3 morning hours?

4 A Late evening -- are you looking for a
5 percentage? It's very difficult. Like I say,
6 normally we would commence a shift at 8:00,
7 9 o'clock in the morning, work till 5:00,
8 6 o'clock. Depending on work demands, we would
9 work into the night, let's say 9:00, 10 o'clock
10 usually. We rarely worked into the wee hours of
11 the morning.

12 Q Okay. When you started your posting at the
13 River Rock, could patron it is buy in with
14 anything other than cash?

15 A No.

16 Q Okay. And during the first few years at River
17 Rock, what would be considered a large cash
18 buy-in that you would take note of as an
19 investigator?

20 A 50,000.

21 Q And during that time period, the 2006 to 2008
22 time period, was money laundering on your radar
23 as an issue of concern at all?

24 A Yes.

25 Q And how did that come on your radar as an issue

1 of concern?

2 A Well, I think the simple fact that -- excuse
3 me -- we had loan sharks frequenting our
4 property definitely was a red flag.

5 Q Okay. When you arrived at River Rock as the
6 first casino investigator to be situated on
7 site, what was the reception you received from
8 River Rock management and personnel?

9 A Initially it was -- they were a bit sceptical as
10 to our presence and what our role was going to
11 actually mean for them. However, within a very
12 short period of time -- and I had mentioned
13 before the credibility issue. Once we
14 established our credibility, proved that we
15 worked in a cooperative collaborative fashion
16 with them, that attitude changed significantly.

17 Q Were you given the access you needed when you
18 needed it to surveillance resources?

19 A Yes.

20 Q I wonder if you can just take a moment and
21 describe for the commissioner what your day to
22 day looked like, what your role was and how you
23 fulfilled it.

24 A Well, our role commenced like it normally would.
25 We would get into what we call our iTrak system,

1 which was the provincial universal reporting
2 system. We would review the iTrak reports or
3 the incident reports that had commenced since we
4 had last attended the site. We would prioritize
5 those reports and formulate a plan of resolution
6 for those reports. We would assess the
7 self-exclusion program, the enrollments and the
8 violators, look for errors in enrollments and
9 correct them.

10 We would also look into our LCP folder. And
11 the LCP folder I will refer to as the FINTRAC
12 large cash transaction folder -- and determine
13 what buy-ins and cash-outs took place since we
14 were last at the site. We would assess their --
15 the dates, as they were time sensitive, and file
16 them accordingly once we were satisfied they
17 were correct and error free.

18 Q Did you have any role in training or briefing
19 Great Canadian or River Rock staff surveillance
20 [indiscernible]?

21 A Yes.

22 Q I wonder if you could describe that, please, for
23 the commissioner.

24 A I was responsible for the FINTRAC training for
25 River Rock staff, which included staff at all

1 levels, which was management, cage staff,
2 security staff, surveillance staff. And we --
3 yes. That's about it.

4 Q And did that training include training on how to
5 identify a suspicious cash transaction or
6 suspicious cash buy-in?

7 A Yes.

8 Q And did the training include any direction that
9 certain types of transactions should be refused?

10 A No.

11 Q In 2009 you took -- you were appointed as the
12 assistant manager of investigations?

13 A Yes.

14 Q And where were you located to fulfill that role?

15 A I was located at the BC Lottery headquarters
16 building in -- just off Grandview in Vancouver.

17 Q And were you replaced at River Rock?

18 A Pardon me?

19 Q Were you replaced at River Rock? Was your
20 position there filled?

21 A Yes.

22 Q Who filled that position?

23 A I can't remember.

24 Q As assistant manager, who did you report to?

25 A I reported to the director of security and

1 surveillance -- excuse me -- and I reported to
2 the vice president of security and surveillance.

3 Q And who were those people?

4 A The director was a gentleman by the name of
5 Bryon Hodgkin and the vice president, a
6 gentleman by the name of Terry Towns.

7 Q You remained in that role for approximately two
8 years?

9 A Yes, sir.

10 Q And what were your responsibility as assistant
11 manager of investigations?

12 A My responsibilities were very similar to that of
13 an investigator; however, they were much more
14 global. I was now responsible for the province
15 and all our investigator staff. And at that
16 time I do believe we had a total of 14
17 investigators and three support staff. So
18 duties would have included -- responsible for
19 all investigations of a criminal nature, Gaming
20 Act violation nature, self-exclusion violation
21 nature, policy and procedures nature,
22 investigations involving internal matters as
23 well as external matters.

24 I was responsible for developing
25 relationships with all the service provider

1 management and executive staff throughout the
2 province. I was responsible for creating and
3 developing sound relationships with our policing
4 partners, policing departments who had
5 jurisdiction over areas where our casinos and
6 communicating centres were located. I was
7 responsible for tending to communications that
8 were received by BCLC management from outside
9 sources and responding to them.

10 I was responsible for the audit process and
11 responding to audit issues. I was responsible
12 for freedom of information issues and responding
13 to queries in that regard. I was responsible
14 for policy and procedure amendments and update
15 in collaboration with the manager of security
16 and surveillance.

17 That's just some of the responsibility.
18 It's not the whole bucket list, if I may say,
19 but for the most part it sums it up.

20 Q A large list. Did your responsibilities shift
21 in any appreciable way when you took on the role
22 as manager?

23 A No. They were very, very -- very, very similar.
24 One other thing that I think is important to
25 mention is about the responsibility to ensure

1 scheduled meetings at our site, if the service
2 provider deemed it appropriate, they were
3 required to deal with some matter or issue at
4 the site, they would call them directly.

5 Q Did you ever see uniformed foot patrols
6 operating at the River Rock?

7 A Yes. We highly encouraged them.

8 Q And how frequently would you see uniformed foot
9 patrols in your time there?

10 A That would have to be a guesstimate. A couple
11 of times a week. Maybe more. I'm not sure.

12 MR. MCGOWAN: Thank you. I wonder if the witness
13 could be shown exhibit -- pardon me,
14 document BCLC0012833.

15 MR. LEUNG: This is Ken Leung with Mr. Friesen.
16 [Indiscernible] have a physical binder that we
17 could Mr. Friesen the document, that would be
18 helpful. Yeah, there it is.

19 MR. MCGOWAN:

20 Q Yes, sir. Nothing startling about this
21 document, but I just wanted to ask you a couple
22 questions. This is a 2007 email from you to a
23 number of individuals, including Rick Duff. And
24 was he the general manager at River Rock?

25 A Yes, sir.

1 Q And it appears to be going to others at BCLC and
2 River Rock, primarily. And the subject is
3 "working group meeting," and it speaks of a
4 working group meeting with the -- at the
5 Richmond RCMP office. Can you tell the
6 commissioner what this working group was and who
7 were members of it?

8 A Excuse me. One thing, if I may, I need glasses.
9 And sometimes the screen is not all that clear.
10 I do have these documents in a binder. I'm
11 wondering if it's okay to view them from the
12 binder instead of on the screen.

13 Q Yes, absolutely. That's fine.

14 A Okay. Thank you so much. It just makes it a
15 little easier. Some of that printing in there
16 is very light and I can't read it.

17 MR. MCGOWAN: Yes. And, Mr. Leung, I understand that
18 you're present with Mr. Friesen and please feel
19 free, subject to the commissioner's direction
20 otherwise to place a hard copy of whatever
21 document we display.

22 THE WITNESS: Okay. Thank you. 12883. Tab 8? 10.

23 Okay. Thank you.

24 MR. MCGOWAN:

25 Q So there's nothing particularly special about

1 the email. I wanted to use it in an attempt to
2 refresh your memory about the existence of this
3 working group and see if you can explain to the
4 commissioner what the working group was, who
5 were members of it.

6 A This is typical of what I had mentioned before
7 about establishing -- it was a priority for us
8 to establish a working relationship with our
9 policing partners at River Rock and around the
10 province, and this typifies how we organize
11 these working group meetings. And they were --
12 the participants were myself as an investigator
13 or any other investigator, such as John
14 Karlovcec, who worked side by side with me at
15 the time. Our policing partners. It could be
16 shift managers, could be the officer in charge.
17 It all depended who was available at the time.

18 From the service provider side it was
19 service provider management as indicated by
20 the -- Rick Duff. He was the manager at that
21 time. And other key individuals such as the
22 surveillance manager, the security manager and
23 even the cage manager.

24 So the idea behind the working group was
25 that all key stakeholders could get together at

1 the table, discuss issues of mutual concern and
2 problem solve.

3 Q And did those meetings continue throughout your
4 tenure as an investigator at River Rock?

5 A Yes, sir.

6 Q And did they continue after your departure on
7 assumption of the management role?

8 A Yes, sir.

9 Q And did you participant in those meetings as an
10 assistant manager and manager?

11 A As many as I could.

12 Q And when was the first time the issue of loan
13 sharking or money laundering was raised as an
14 issue at one of these joint working group
15 meetings, to your recollection?

16 A That's a good question. I don't know. It
17 could've been right from day one.

18 Q Do I take it from that answer that from an early
19 stage concerns about loan sharking and money
20 laundering were a topic of conversation at these
21 working group meetings?

22 A Yes, sir.

23 Q Did you through these working group meetings
24 develop any sort of a joint strategy to address
25 those two topics of concern?

1 A I'm just trying to think here if there was a
2 strategy developed with -- I think one of the
3 strategies we discussed was sharing information
4 on people who were involved in that industry and
5 sharing them with their plain-clothes people,
6 the -- what they call the GIS section, people
7 who dealt with those types of -- with that type
8 of criminality.

9 Q And in terms of issues of concern within the
10 working group, where did money laundering and
11 loan sharking fall in the sort of hierarchy of
12 issues to be addressed?

13 A Well, I think it's fair to say that issues of
14 mutual concern relative to the casino such as
15 thefts and drunkenness and other criminal issues
16 of the like were probably best left with the
17 uniform department. We then had subsequent
18 meetings with the plain-clothes people where the
19 more -- where issues such as loan sharking and
20 those types of issues were discussed.

21 Q And when you got to the stage of discussing
22 those issues like loan sharking and money
23 laundering, what degree of priority was attached
24 to addressing and combatting those within the
25 working group?

1 A Best of my recollection, when we discussed those
2 issues in particular with the plain-clothes
3 people, the -- a number of -- not all River Rock
4 management people would be there. This would be
5 a separate topic of discussion.

6 Q Yes.

7 A And for the simple reason that I don't think it
8 was in the best interest of people like, you
9 know, the cage or whatever knew what type of
10 investigative steps we were taking or what
11 information the police were allowed to depart --
12 impart to us or vice versa.

13 Q And as a result of those meetings, what
14 investigative approach was decided on?

15 A I don't think there was any investigative
16 approach decided on. It was more BCLC was
17 trying desperately to find sources of
18 information to confirm suspicion that certain
19 people were involved in the trade or determine
20 more associates or gang affiliations or this
21 type of thing. It was -- a lot of time was
22 spent trying to nail down information sources,
23 particularly from the police, and find
24 assistance with some of our issues in that
25 regard.

1 Q And what were the issues of most concern that
2 you were seeking assistance with?

3 A I think identification of participants,
4 location, crime affiliations, associates, their
5 criminal histories and did they represent a
6 threat to public safety.

7 Q Did you get the information you needed?

8 A Most of the time.

9 Q Did you as the representative of BCLC push your
10 law enforcement partners to pursue an active
11 presence and conduct active investigations with
12 a view to identifying, arresting and ultimately
13 prosecuting loan sharks or money launderers?

14 A I don't think I could use the term "push." We
15 could only make information available.

16 Q Why, as a representative of the British Columbia
17 Lottery Corporation with the role -- the mandate
18 to manage gaming in the province, couldn't you
19 push your law enforcement partners to take
20 action?

21 A I don't think it was our role to push anybody.
22 We wanted to be inclusive. We needed
23 assistance, and to push -- we just didn't have
24 that authority to push anybody to do anything.
25 We would only request. We could only provide.

1 And it was -- they had to pick up the ball if
2 they wanted to. We couldn't force anybody to do
3 anything.

4 Q Okay. Sir, when you were assistant manager and
5 manager of investigations, what did you see as
6 your investigators' role in respect of large
7 suspicious cash transactions?

8 A Well, our first -- I'm going to say primary role
9 is to observe and report. The other role is to
10 attempt with the resources we had at our
11 disposal to build profiles on these people,
12 create a case based on evidence that would in
13 effect rid ourselves of these individuals
14 through the barring process.

15 Q When you were a manager or assistant manager did
16 your investigators have any role to play in
17 terms of interjecting themselves into the
18 process with a view of stopping a suspicious
19 transaction?

20 A I'm sorry, how do you mean?

21 Q Preventing, for example, a suspicious buy-in
22 from happening.

23 A Well, I'm not so sure it was -- unless we had
24 information that this was proceeds of crime, we
25 had no authority to stop a suspicious buy-in.

1 Our role at that time was to observe and report.

2 Q So your position when you were in management was
3 that your investigators did not have authority
4 to stop a transaction?

5 A Right.

6 Q Were there any circumstances in which they would
7 be authorized to intervene and stop a suspicious
8 transaction from occurring?

9 A If we had any level of proof that we were
10 dealing with proceeds of crime, definitely we
11 would have intervened in that manner.

12 Q And what level of proof did you feel was
13 required? What level of certainty?

14 A It would have required more than just a
15 suspicion. It would have required an
16 investigation. It would require the gathering
17 of evidence to support the fact that this was
18 proceeds of crime.

19 Q If \$200,000 in \$20 bills wrapped in elastic
20 bands was dropped off to somebody in a parking
21 lot outside the casino and tendered at the cash
22 cage, would that be a sufficiently suspicious
23 transaction to warrant intervention during your
24 time as --

25 A It would be -- it would be a suspicious

1 financial transaction, yes, and reportable.

2 Q Would it be sufficiently suspicious to warrant
3 intervention by your investigators to stop the
4 transaction?

5 A I don't believe so.

6 Q Why not?

7 A We didn't have evidence to the fact that it
8 was -- that there was a criminal offence being
9 committed.

10 Q Thank you, sir. I'll come back and ask you a
11 few more questioning about cash buy-ins in a
12 bit, but there's a couple of other topics I'd
13 like to cover with you first.

14 During your time with the Lottery
15 Corporation did the number of suspicious
16 transaction reports your staff was filing stay
17 stagnant or did it increase or decrease year by
18 year

19 A Increase.

20 Q And did the number of those transaction reports
21 related to large cash buy-ins also increase?

22 A Yes, sir.

23 Q Who were you reporting these transactions to?

24 A We were reporting to FINTRAC. We were reporting
25 them to the Gaming Policy Enforcement Branch.

1 We were reporting to the RCMP proceeds of crime
2 unit and we were also reporting to other RCMP
3 agencies with an interest in that type of
4 activity.

5 Q And at its peak, how many such reports would
6 financial crimes units or the RCMP be receiving,
7 say, on a weekly basis?

8 A That's a difficult question because as our -- as
9 our, I'm going to say, site grew, so did the
10 traffic grow, so did the betting public grow, so
11 did the bet limits on table games grow.
12 Everything was in the process of growing, and it
13 grew exponentially. So as time went by, large
14 cash transactions increased, suspicious
15 financial transactions increased.

16 So when I started at River Rock, we may --
17 and here, again, you'll have to forgive me; I'm
18 guessing -- maybe five or 10 a week, and it grew
19 maybe to 25 a week.

20 Q And did you -- in response to those reports you
21 were making to law enforcement, did you ever
22 perceive a law enforcement response that was
23 triggered by any of those reports in terms of an
24 active investigation you became aware of?

25 A Yes, actually -- well, I want to qualify that.

1 As we supplied the police with information, we
2 received a request from the police on certain
3 individuals that they were investigating. Now,
4 these investigations are definitely a need to
5 know. So we would entertain a police request,
6 and whether or not they were totally focused on
7 proceeds of crime or other enterprise crimes or
8 predicate crimes, that was up to them. We
9 didn't necessarily know that.

10 Q Did you ever become aware of a potential money
11 launderer or loan shark identified in one of
12 your reports being arrested?

13 A Yes. Yes.

14 Q How often, or how many times in your tenure that
15 you can recall?

16 A Not very often.

17 Q More than five times?

18 A You'll have to excuse me. I'm trying to run
19 it through. A lot of time has gone by here, so
20 you'll have to give me a moment because I
21 just -- those answers just aren't on the tip of
22 my tongue anymore. I'm just trying to think of
23 that in terms of names, so ...

24 Possibly five times. That's another
25 guesstimate.

1 Q Thank you.

2 A It wasn't a lot.

3 Q You also mentioned that you were reporting to
4 the Gaming Policy Enforcement Branch.

5 A Yes, sir.

6 Q And what was your observation of the degree and
7 quality of response from your perspective of the
8 Gaming Policy Enforcement Branch in response to
9 the reports that you and your team were filing
10 to them?

11 A We actually didn't receive any feedback from our
12 response -- our submissions.

13 Q Did you observe a response?

14 A Pardon me?

15 Q Did you observe any response or were you made
16 aware of any response from the Gaming Policy
17 Enforcement Branch to the suspicious transaction
18 reports you were filing to them in respect of
19 large cash transactions?

20 A The only time we received a response from the
21 Gaming Policy Enforcement Branch from my
22 recollection was they sent memos explaining that
23 potentially we needed to do more in our -- with
24 our AML strategy to thwart that type of activity
25 in our casinos. But as far as your asking were

- 1 we getting feedback on investigations that they
2 had entered into, no.
- 3 Q You had a joint working group meeting with law
4 enforcement. Did you have a similar arrangement
5 with the Gaming Policy Enforcement Branch?
- 6 A Gaming Policy Enforcement Branch had an open
7 meeting [sic] to any and all of our meetings
8 relative to the working group.
- 9 Q Pardon? I'm sorry. So the Gaming Policy
10 Enforcement Branch, you're saying, was invited
11 to those meetings?
- 12 A Yes. They had an open invitation.
- 13 Q I didn't see them on the email list. What was
14 the nature of the invitation they received?
- 15 A It was an open invitation. They knew as far as
16 I was concerned that we held these working group
17 meetings on a regular scheduled basis, and if
18 they wanted to attend, they could.
- 19 Q Did you ask them to attend?
- 20 A I did.
- 21 Q What was their response?
- 22 A I did not -- let's qualify that. I did not ask
23 them on each and every occasion.
- 24 Q Yes. Okay.
- 25 A The invitation was there.

- 1 Q Who did you ask?
- 2 A The investigator that was assigned to that site.
- 3 Q Do you recall who that was?
- 4 A For River Rock it was ...
- 5 Q Was it a Mr. Ackles or a Mr. Barber?
- 6 A Mr. -- who?
- 7 Q Barber or Ackles?
- 8 A No. I don't know those people. Rick -- I'm
9 sorry, his name just went right out of my head.
- 10 Q That'd fine. We'll carry on and perhaps it will
11 come to you.
- 12 How did you communicate the invitation?
- 13 A By phoned, by person -- in person.
- 14 Q And did a member of the Gaming Policy
15 Enforcement Branch ever attend any of the
16 working group meetings to your knowledge?
- 17 A Once in a while, but not very often.
- 18 Q And when they attended would they participate in
19 discussions about developing a strategy to
20 combat money laundering and --
- 21 A Not that I'm aware of.
- 22 Q How would you characterize your working -- the
23 working relationship between the British
24 Columbia Lottery Corporation and the Gaming
25 Policy Enforcement Branch during your years with

1 the Lottery Corporation?

2 A Arm's length.

3 Q Given that the two bodies had to some extent
4 overlapping mandates, was an arm's length
5 relationship optimal?

6 A No.

7 Q Did you take steps to try to bring the two
8 organizations closer together?

9 A We tried.

10 Q And how did you make such efforts?

11 A In person we asked that they participate in a
12 cooperative, collaborative manner, help us with
13 supplying information. They had access to
14 police records; we didn't. They had the power
15 of investigation outside the walls and the
16 property of the casino. We asked for help if at
17 all possible, and to my knowledge we didn't get
18 any help.

19 Q Sir, during your time with the Lottery
20 Corporation, the limit on the value of a bet
21 that could be placed increased several times.
22 Do you recall that?

23 A Yes, sir.

24 Q And when you started, do you recall what the bet
25 limit was?

1 A To the best of my knowledge, it was
2 approximately \$500 per place.

3 Q And what was the maximum bet that could be
4 placed by the time you retired?

5 A 10,000 per bet per place.

6 Q And could one player in the later years bet more
7 than one place?

8 A In a game like baccarat, he could actually bet
9 on 10 places.

10 Q So one player could bet \$100,000 per hand?

11 A Yes, sir.

12 Q Was that actually happening in the 2012 to 2014
13 year time period?

14 A Yes, sir.

15 Q What was your observation of the -- of how bet
16 increases translated into the quantity of cash
17 making their way into casinos and to the number
18 of large cash buy-ins?

19 A Well, it was definitely relative. As the bet
20 limits increased, so did the -- so did the cash.
21 As the bet limits increased, so did the quantity
22 of what they classed as a VIP player, wealthy
23 individuals who could afford to play at that
24 level. That also increased.

25 Q Was the rationale for increasing the bet limits

1 ever explained to you by your superiors?

2 A Well, there were -- to the best of my
3 recollection, the explanation was that to be
4 competitive on the -- basically the world stage
5 and to entice VIP players to gamble in our
6 facilities, the bet limits had to be increased.

7 Q And who explained that rationale to you?

8 A My superiors. It would've been the director,
9 the vice president of gaming -- or excuse me,
10 the security and surveillance unit and the VP of
11 casino gaming.

12 Q And who are those individuals?

13 A Bryon Hodgson [sic], Terry Towns, Darryl
14 Schiewe.

15 Q Thank you. When you started with the British
16 Columbia Lottery Corporation, could a patron buy
17 in with anything other than cash?

18 A No.

19 Q And through your time there was investigation
20 and implementation of certain cash alternative
21 programs; is that fair?

22 A Yes.

23 Q Those included player gaming fund accounts?

24 A Yes, sir.

25 Q And ultimately the acceptance of transfers and

1 bank drafts?

2 A Yes.

3 Q To your observation did any of those cash
4 alternative programs go to any significant
5 length to reducing the quantity of cash coming
6 into the Lower Mainland -- the large Lower
7 Mainland casinos?

8 A Yes.

9 Q Which of those do you believe had the greatest
10 impact?

11 A I think eventually the player gaming account was
12 very effective.

13 Q To your observation it was your belief that that
14 player gaming fund account was reducing the
15 quantity of cash coming into casinos?

16 A Well, again, that's difficult to say. I didn't
17 have those metrics. I mean, gaming at the time,
18 we all have to appreciate, when I was there was
19 explosive. It was growing exponentially, and
20 with that growth -- I mean, you were building
21 casinos whose size was second to none. River
22 Rock wasn't the only large facility in
23 Vancouver. There were at least five that were
24 huge.

25 And in that -- with that concept came a lot

1 more traffic. With that concept came a lot more
2 money. So -- and that didn't stop, it -- while
3 I was there. It just kept growing. It was
4 incredible.

5 Q Could a player fund their player gaming account
6 with cash?

7 A There were electronic transfers of funds from
8 recognized institutions into the player gaming
9 accounts held at specific casinos.

10 Q Thank you.

11 MR. MCGOWAN: Could the witness please be shown
12 GPEB562.

13 THE WITNESS: Thank you.

14 MR. MCGOWAN:

15 Q Sir, the document that I'm going to show you is
16 an audit report, I believe, from the Gaming
17 Policy Enforcement Branch reviewing player
18 gaming fund accounts for a certain period.

19 A Interim audit report 2009 to '10. Oh, thank
20 you. Yep.

21 Q I just wanted to ask you a couple of questions
22 about this. Sir, this is a review of a short
23 period of time relating to the player gaming
24 fund accounts in the early days; is that fair?

25 A Yes, sir.

1 Q I just wanted to flip over to the second page of
2 the report under heading "Audit Findings and
3 Exceptions."

4 A Yes, sir.

5 Q Under 1(a), sir:

6 "Large cash transaction record was not
7 created for the initial wire transfer
8 deposit of \$17,000."

9 And I just wanted to, if you could, explain to
10 the Commissioner what the lottery corporation's
11 position was on -- understanding was of their
12 obligation to file large cash transaction
13 reports in respect of wire transfers.

14 A Well, the FINTRAC regulations state that any
15 large cash transaction of \$10,000 or more must
16 be reported to FINTRAC. So \$17,000 falls
17 into -- into that category.

18 Q Right. But this appears to be a wire transfer?

19 A This is a wire transfer.

20 Q Yes. So what was your understanding of your
21 obligation to file LCTs in respect of wire
22 transfers?

23 A They -- as far as I recall, they fell under the
24 same requirement as a cash buy-in.

25 MR. MCGOWAN: Thank you. If this could be the next

1 exhibit, please, Mr. Commissioner.

2 THE REGISTRAR: Sorry, Mr. Commissioner, your mic is
3 muted.

4 THE COMMISSIONER: Thank. I'm sorry. Are we at 105
5 now?

6 THE REGISTRAR: Yes, exhibit 105.

7 THE COMMISSIONER: Thank you.

8 **EXHIBIT 105: GPEB Audit Report Review of BCLC**
9 **Player Gaming Fund Accounts Pilot Project**
10 **2009/2010**

11 MR. MCGOWAN: If the witness could be shown GPEB564,
12 please. Thank you. I may have the wrong
13 document here. If I could just have a moment.
14 No, that's not the document I want. Yes,
15 GPEB -- may I just have a moment,
16 Mr. Commissioner.

17 Yes, 564. I'm looking for -- it appears to
18 be a letter British Columbia Lottery Corporation
19 letterhead, February 17th, 2010, addressed to a
20 Terry van Sleeuwen from Mr. Friesen. Yes,
21 that's it. Thank you. It is the right
22 document.

23 Q Do you see this document?

24 A Yes, sir.

25 Q And is this the response to the audit document I

1 just showed you?

2 A Yes, sir.

3 MR. MCGOWAN: Thank you. If that could be the next
4 exhibit, Mr. Commissioner. Madam Registrar the
5 next exhibit is ...

6 THE REGISTRAR: 106.

7 MR. MCGOWAN: Yes. Mr. Commissioner, might we mark
8 that as exhibit 106, please.

9 THE COMMISSIONER: I'm sorry, I remained muted. Yes,
10 106. Thank you.

11 THE REGISTRAR: Thank you.

12 **EXHIBIT 106: Letter from Gordon Friesen re**
13 **Review of BCLC Player Gaming Fund Accounts Pilot**
14 **Project - February 17, 2020**

15 MR. MCGOWAN:

16 Q Sir, I wanted to ask you about the situation
17 with service providers issuing cheques for
18 winnings and return of buy-ins. They were two
19 types of cheques that could be issued by a
20 service provider during your time; is that
21 correct?

22 A That's my recollection.

23 Q One was called a verified win cheque?

24 A Yes.

25 Q And one was called a convenience cheque?

- 1 A Yes.
- 2 Q And in what circumstances was a service provider
3 permitted to provide a verified win cheque to a
4 patron?
- 5 A There's only one circumstance, and that is if a
6 player was determined to be a legitimate player,
7 his win-loss record for a particular time
8 frame -- 24 hours, I believe was the time
9 frame -- would be assessed, and depending on how
10 many wins minus the losses, a verified win
11 cheque could be issued.
- 12 Q Okay. If I the bought in for \$100,000, played
13 and lost down to \$10,000 but then hit big for a
14 \$200,000 jackpot or win, what would I be
15 entitled to receive in a verified win cheque?
16 Could I get my \$200,000?
- 17 A No. You'd get back exactly what -- you'd get
18 back what you bet minus what you won. Sorry,
19 what you won minus what you bet. I apologize.
- 20 Q You mean the value of the buy-in?
- 21 A The value of the buy-in minus the value of the
22 win.
- 23 Q Yes.
- 24 A Sorry.
- 25 Q I who knew there was going to be math today.

1 And a convenience cheque, what is that?

2 A A convenience cheque is issued to, again, a
3 verified player. A player who has been verified
4 they are actually playing commensurate to their
5 buy-in or their -- yeah, their buy-in, and if,
6 for example, a player bought in with a large
7 amount, they would be given what's called a
8 convenience cheque instead of cash back to take
9 out of the casino, and the fundamental reason
10 behind that was a public safety issue.

11 Q So if somebody -- let's say I came in and bought
12 in for \$20,000 in \$20 bills and appeared to be
13 gaming legitimately for a couple of hours and my
14 stack was down to \$10,000 could I walk out with
15 a cheque representing the remaining 10,000?

16 A Yes, probably. Probably.

17 Q If I walked in with \$200,000 and appeared to be
18 gaming legitimately for three or four hours and
19 had \$150,000 left, could I walk out with a
20 cheque for that?

21 A Possibly.

22 Q Was there not a concern on your part that by
23 allowing players to buy in with cash and walk
24 out with a cheque, the casino might be
25 facilitating them transitioning cash into

1 another form of equity that would raise less
2 suspicious when deposited into a financial
3 station?

4 A Well, sir, that's why there was a significant
5 difference between labelling a cheque that was
6 issued "verified wins" as opposed to
7 "convenience."

8 And the other thing is the way I would look
9 at it from a security perspective, I would much
10 rather have that patron leave the casino with a
11 cheque other than the \$150,000 in cash. Just
12 purely from a public safety issue. And the
13 other thing is if something happened to that
14 patron, a robbery or he was injured or killed, I
15 think that, you know, we would really have to
16 look at some liability here.

17 Q You knew that if a patron went to a bank with
18 \$150,000 in cash and deposited that, that would
19 trigger FINTRAC reporting obligations?

20 A Potentially.

21 Q And did you have any information as to whether
22 financial institutions treated verified win
23 cheques or convenience cheques differently in
24 terms of reporting?

25 A Well, I think it's fair to note that when these

1 so-called PGF accounts player funding accounts
2 were created there was a significant amount -- I
3 wasn't at these meetings, but I understand, so
4 we'll clarify that as well -- there was an
5 understanding, a clear understanding between the
6 difference of a verified win cheque and a
7 convenience cheque, so it was not uncommon or
8 would not be uncommon for a bank to make that
9 distinction.

10 Q Okay. Were you aware of any limits on the
11 amount that could be issued by way of a
12 convenience cheque?

13 A Yes. Limit -- initially a limit was \$5,000.
14 And then when I was there it increased to -- I
15 believe the maximum was \$10,000.

16 Q Okay. The example I gave you a few minutes ago
17 was \$150,000 left and you indicated that could
18 probably be issued by way of a convenience
19 cheque.

20 A I totally forgot about the limits. I was
21 concentrating more on your example than -- I
22 did. I totally forgot about the limits.

23 Q Was there a time period in which a six-figure
24 convenience cheque could be issued by a service
25 provider?

1 A Not in my time.

2 Q So maybe I'll ask you if you want to revisit
3 your answer to the earlier question. Was it
4 possible for somebody to buy in with cash and
5 walk -- in the neighbourhood of 50- or \$100,000
6 and walk out with a convenience cheque
7 representing those amounts?

8 A No.

9 Q Why not?

10 A Because of the limits that were placed on the
11 amount a convenience cheque could actually be.

12 Q Did the British Columbia Lottery Corporation
13 play any role in reviewing the convenience
14 cheques that were issued to ensure they were
15 within limits and review verified win cheques to
16 ensure that they were -- represented winnings
17 only?

18 A Yes.

19 Q What was that role?

20 A The investigators who were assigned to those
21 sites, that was part of their ongoing duties was
22 to review those -- the issuances of cheques.
23 The other department that reviewed issuances
24 from cheques was our audit department.

25 Q And under your watch from the investigations

1 side, what was the frequency of anomalies that
2 were detected with convenience cheques or
3 verified win cheques?

4 A Anomalies were very few, from my recollection.
5 Very, very few.

6 Q Do you recall any notable anomalies that caused
7 you concern?

8 A I recall -- I vaguely recall, I'll be clear --
9 of a verified win cheque that was issued in
10 total error and that caused quite a stir.

11 Q And which gaming facility was this from?

12 A I believe that was River Rock.

13 Q And what was the amount of the cheque?

14 A I can't remember. It wasn't a great amount. It
15 was somewhere -- I'm just guessing more or less
16 it was around 5,000.

17 Q Thank you. There's a sort of commonly known
18 \$10,000 reporting threshold in the FINTRAC
19 regime for large cash transactions. You're
20 familiar with that?

21 A Yes, sir.

22 Q Was there a time in which -- in respect of the
23 River Rock property the British Columbia Lottery
24 Corporation and Great Canadian gaming came to
25 some understanding about a suspicious

1 transaction reporting threshold of \$50,000 in
2 respect of cash buy-ins?

3 A No.

4 MR. MCGOWAN: I wonder if the witness could please be
5 shown BCLC12599.

6 Q I'm going to show you an email, sir, that may
7 assist you in recalling some discussions about
8 this issue.

9 Sir, this is an email exchange between you
10 and others at the British Columbia Lottery
11 Corporation. But first -- I'll start at the
12 bottom of the email. This is from Ross Alderson
13 to yourself and Mr. Karlovcec and Mr. Beeksma.
14 And you and Mr. Karlovcec and Mr. Alderson were
15 all investigators at various levels with the
16 Lottery Corporation?

17 A Yes.

18 Q And he says:

19 "We've had some recent files where we have
20 patrons buying in for 49,960 and 49,980 in
21 20s and we have found out through
22 investigation."

23 It says:

24 "River Rock are not reporting these as
25 suspicious, and Steve and I feel it's too

1 much of a coincidence and the players must
2 have been informed.

3 We also find that an individual
4 player that may have combined buy-ins over
5 a 24-hour period exceeding \$50,000 in 20s
6 are also not deemed suspicious as only the
7 individual buy-in is being looked at."

8 And then going up, you respond:

9 "This is not written in our policy, so an
10 auditor will not find it non-compliant.
11 This is an AML strategy. The problem we
12 face is that if we believe River Rock are
13 not reporting because someone has
14 instructed the cage not to report these
15 incidents, I don't think you're going to
16 get too many confessions."

17 And then at the bottom you say:

18 "As indicated, the \$50,000 threshold was
19 just a simple determination made at River
20 Rock because of the volume of
21 transactions."

22 Does this assist you in recalling the
23 implementation of some sort of a \$50,000
24 reporting threshold in respect of cash or \$20
25 buy-ins?

1 A Well, I think, if I recall correctly, this issue
2 was precipitated by a GPEB request to River Rock
3 that they only wanted section 86 reports that
4 included \$50,000 cash buy-ins in \$20 bills. And
5 this actually caused quite a bit of confusion
6 between River Rock and BCLC.

7 Q And what was the nature of that confusion?

8 A The fact that because the directive came from
9 the Gaming Policy Enforcement Branch, that some
10 took it to mean that this was a new cap on our
11 reporting responsibilities. The cap had never
12 changed from \$10,000 cash.

13 Q And did this confusion result in transactions
14 that ought to have been reported not being
15 reported?

16 A I believe it may have, but they were -- to the
17 best of my knowledge that was rectified.

18 Q Did it cause you concern that patrons appeared
19 to be buying in at a level to avoid triggering
20 this reporting threshold?

21 A Yes.

22 Q What did you do in response to that?

23 A What I asked -- if I recall correctly, what I
24 asked them to do was to investigate that and
25 make an attempt to determine who was involved in

1 that and take whatever action we had to to
2 correct it.

3 Q Do you recall what action was ultimately taken?

4 A No, sir, I don't.

5 MR. MCGOWAN: If this could be the next exhibit,
6 please, Mr. Commissioner.

7 THE COMMISSIONER: Yes, very well. That will be 107.

8 THE REGISTRAR: Exhibit 107.

9 **EXHIBIT 107: Email from Gordon Friesen re Under**
10 **\$50K Buy-Ins in \$20 Bills - September 23, 2011**

11 THE COMMISSIONER: I'm sorry, Mr. McGowan, could you
12 give me that number again on that.

13 MR. MCGOWAN: Yes, Mr. Commissioner. Did you want
14 the exhibit number or the document number?

15 THE COMMISSIONER: The document number, please.

16 MR. MCGOWAN: Yes. BCLC12599.

17 THE COMMISSIONER: Thank you.

18 MR. MCGOWAN:

19 Q Sir, was chip passing an issue of concern during
20 your tenure as assistant manager or manager?

21 A Yes.

22 Q And what was the nature of the concern as it
23 related to -- well, maybe I'll just say chip
24 passing you understood to be one patron
25 providing chips to another patron?

1 A Yes, sir.

2 Q And was this an issue that was uniformly of
3 concern or was some chip passing okay and some
4 not okay?

5 A Again, circumstances dictated the relevance to
6 that policy, and it was a policy that we had
7 that chip passing was not allowed in our
8 facilities. And there was a significant
9 difference from, let's say, friends or relatives
10 or a husband and wife exchanging chips on a
11 gaming table as opposed to a more commercial
12 venture where significance amount -- significant
13 amounts of cash or chips were exchanged in a
14 casino.

15 Q Was there a limit of chips that could be passed
16 beyond which action should not be taken?

17 A No.

18 Q What direction did you give your investigators
19 with respect to determining which chip passing
20 was off side and what was okay?

21 A Well, we start with the premise that chip
22 passing was not okay. We then asked that our
23 investigators in collaboration with our -- with
24 the casino security people investigate whether
25 or not warnings had to be issued or barrings had

1 to be issued as a result of the chip passing.

2 Again, if it was chip passing between -- and
3 I'll use this example -- husband and wife, which
4 did occur, as you can well imagine. The
5 question would be asked. If it was husband and
6 wife, I'm sure that was just fine. If it was
7 something different and involved a more
8 commercial, I'm going to say, event, then
9 warnings may be appropriate or depending on
10 circumstances, barring may be appropriate.

11 Q Thank you. Sir, during the time from when you
12 started at the British Columbia Lottery
13 Corporation and through your time at the River
14 Rock Casino is it fair to say that the quantity
15 of cash and the magnitude of larger cash buy-ins
16 was increasing steadily year by year?

17 A Yes.

18 Q To the point in 2010, is it fair to say by then
19 six-figure cash buy-ins were not uncommon?

20 A True.

21 Q And this continued to increase year by year, and
22 we've heard some evidence that by 2012 to 2014
23 six-figure buy-ins in the 200- to \$400,000 range
24 were relatively common?

25 A Yes.

1 Q And even larger buy-ins in the 6- and \$800,000
2 range were occurring with some degree of
3 regularly?

4 A Yes.

5 Q What was the predominant denomination of bill
6 used for these cash buy-ins?

7 A Well, a lot of them were multi-denominational.
8 Usually the \$20 bill, \$50 bill or the \$100 bill
9 or a combination of all of them.

10 Q Were you -- as an assistant and manager were you
11 briefed on the development and the increase in
12 the quantity of cash coming into British
13 Columbia casinos?

14 A Was I briefed? I knew there was an increase in
15 the quantity. I can't speak to who I was
16 briefed with, but ...

17 Q Okay. Were you reviewing statistics on the
18 number of STRs and the nature of those that were
19 being filed?

20 A Yes.

21 Q And were you -- were you made aware of the
22 manner in which the cash was typically brought
23 into or transported to or received at Lower
24 Mainland casinos?

25 A Yes.

- 1 Q You knew that it was frequently coming in
2 shopping bags, duffel bags, grocery bags and the
3 like?
- 4 A Yes.
- 5 Q And were you briefed on the manner in which the
6 cash was packaged or presented?
- 7 A Yes.
- 8 Q And how was it typically presented at the cash
9 cage? Once it -- what did it look like when it
10 came out of the bag?
- 11 A It came out in bundles, usually in
12 multi-thousand dollar bundles, either wrapped in
13 paper or with elastic bands.
- 14 Q Was the most common presentation bricks of 20 --
15 \$10,000 wrapped at either end with elastic
16 bands?
- 17 A Possible. I -- some were.
- 18 Q Okay. And did these bricks frequently contain a
19 mixture of both newer and older bills?
- 20 A I can only speculate. Possible.
- 21 Q In your time as a police officer and drug
22 investigator, did you ever have occasion to
23 retrieve or obtain large quantities of cash from
24 a legitimate financial institution?
- 25 A Yes.

1 Q And was that in the context of an undercover
2 operation where drug money -- drug buy money was
3 obtained?

4 A Yes.

5 Q And did you have occasion to see how the money
6 was packaged when it was received from the
7 financial institution?

8 A Yes.

9 Q Can you describe for the commissioner what the
10 money looked like when you received it from
11 the -- what money looked like when you received
12 it from a legitimate financial institution?

13 A It was packaged in bubbles -- bubbles. Bundles,
14 excuse me. I need a sip. Excuse me.

15 It was packaged in bundles and wrapped in
16 paper.

17 Q Did the money you were seeing in the
18 surveillance videos of cash cage buy-ins look
19 like the money that you got from the bank?

20 A Very similar.

21 Q So did the money you get from the bank have
22 elastic bands on it?

23 A The money I received, no.

24 Q In your years as a drug investigator, did you
25 come to understand that the common

1 presentation -- the common way of packing
2 \$20 bills in the drug industry was in \$10,000
3 bricks with elastics?

4 A In my experience, it varied.

5 Q Was that one common presentation that you saw in
6 your days as a drug investigator?

7 A I could have. I saw a lot of money, but I can't
8 recall specifically whether it was in thousand
9 dollar bundles, 5,000 or 10,000.

10 Q Did the money that was presented at the cash
11 cage that you saw on surveillance videos in
12 these large cash buy-ins look more like the
13 money you got from the bank or more like money
14 you seized during cash seizures -- cash seizures
15 during your drug investigations?

16 A Well, the money I received from an institution
17 was similarly packaged, and that was in bundles
18 wrapped in paper. The money we received at the
19 cash cage in our casinos varied. And to which
20 was more common, I would only be guessing.

21 Q By the time you got to the stage where there
22 were frequent six-figure buy-ins often in \$20
23 denominations, had you as an investigator and a
24 manager drawn a conclusion about what the likely
25 source of this cash was?

- 1 A Did I draw conclusions?
- 2 Q Did you form a view?
- 3 A What was my point of view? I'm sorry. I'm --
- 4 Q Let me ask it this way: were you concerned this
5 was proceeds of crime?
- 6 A Yes.
- 7 Q Did you believe -- did you believe that was the
8 most likely source of the money?
- 9 A Yes.
- 10 Q Did your investigators raise concerns at monthly
11 meetings about the large cash buy-ins and the
12 potential that the source of these funds was
13 illicit?
- 14 A There were conversations in that regard, yes.
- 15 Q Okay. Did your investigators such as
16 Mr. Beeksma, Mr. Hiller and Mr. Lee raise
17 concerns with you that the funds that were being
18 accepted by Lower Mainland casinos in these
19 large cash buy-ins were proceeds of crime?
- 20 A Potentially.
- 21 Q Well, does "potentially" mean yes or no, or you
22 don't remember?
- 23 A I'm trying to think of specific conversations
24 here that I had, and I'm -- there were
25 conversations relative to suspicious financial

1 transactions and people's thoughts on the origin
2 of those funds and potentially they were from
3 proceeds of crime.

4 Q Did you report these concerns to your superiors?

5 A Of course.

6 Q How did you report them?

7 A Mostly verbally.

8 Q And who did you report concerns that the cash
9 being used to buy into Lower Mainland casinos
10 was proceeds of crime to?

11 A Well, again, this was only suspicion. I
12 can't -- I would never go into my superiors and
13 say, this is definitely proceeds of crime. That
14 had to be supported by some level of evidence
15 and proof. So verbally we could suspect, and
16 those suspicions were definitely heard.

17 Q Who did you communicate those suspicions to?

18 A My director and my vice president.

19 Q And what are their names?

20 A Bryon Hodgson [sic] and Terry Towns.

21 Q What was the response you received?

22 A That unless we had information more than just
23 the fact that this was a buy-in with cash that
24 is suspicious, our duties are to observe and
25 report.

1 Q As the body charged with conducting and managing
2 gaming in the province, did you in your
3 discussion with your superiors consider the
4 possibility that the lottery corporation had the
5 option or maybe even the obligation to step in
6 and stop transactions that you suspected to be
7 bringing proceeds of crime into British Columbia
8 casinos?

9 A One of the problems with that is that what you
10 suspect and what actually is can be two
11 different things. Even as a police officer for
12 nearly 35 years, I may suspect something, but
13 until such time as I have proof that it actually
14 is what I suspect, I can't accuse people of it;
15 I wouldn't accuse people of it. I would have to
16 be very, very careful.

17 And until such time as the British Columbia
18 Lottery Corporation had some level of proof that
19 this was actually proceeds of crime or money
20 laundering, I don't see how we could have
21 accused people of those types of crimes.

22 Q Well, leaving aside the issue of accusing
23 somebody, sir. Could the British Columbia
24 Lottery Corporation have instructed service
25 providers to not take six figure buy-ins in

1 \$20 bills?

2 A Well, sir, in my position, I honestly did not
3 have the authority to do that.

4 Q Did you propose that?

5 A No.

6 Q Did you propose anything like that as a measure
7 to guard against the possibility that proceeds
8 of crime were being used to buy into British
9 Columbia casinos?

10 A Like our invest -- excuse me, like your
11 investigators, I can float the idea. The BC
12 Lottery Corporation and the Gaming Policy
13 Enforcement Branch were negotiating alternatives
14 to cash. And if that came out as a directive,
15 definitely we would have taken action -- the
16 appropriate action accordingly.

17 Q You said you could float the idea. Did you
18 float ideas of that nature to your superiors?

19 A I'm only guessing for the simple reason that
20 it's hard -- it would have been hard not to. I
21 can't put a finger on a specific date or time or
22 conversation that I did have.

23 Q You said you couldn't accuse anybody without
24 proof. Now, this commission has before it
25 evidence of really quite substantial cash

1 buy-ins in the nature of 6- and \$800,000 dollars
2 predominantly in \$20 bills before it, and
3 buy-ins in the \$200,000 range with quite a
4 degree of frequency, predominantly in \$20 bills.

5 Do you accept that that was happening during
6 your tenure as manager?

7 A Yes.

8 Q Can you conceive of any legitimate source for
9 that quantity of \$20 bills?

10 A Well, in the first place I think you have to
11 consider the fact that it was definitely only
12 wealthy people who were gaming in our casinos
13 that had access to that type of cash. The other
14 thing is that if they are wealthy, they may have
15 legitimate sources for that type of cash. It is
16 incumbent upon us to determine whether or not
17 that suspicion is real.

18 Q Sir, but I wasn't asking you about the wealth of
19 the players; I was asking you about the source
20 of the \$ bills. Can you conceive of any
21 legitimate source, any scenario where somebody
22 legitimately obtaining funds would do so in the
23 manner of \$800,000 in \$20 bills?

24 A Maybe they sold a house and it's revenue from
25 that. Maybe they sold art or collectibles or

1 maybe they got it from a legitimate banking
2 source. I don't know. I have no idea.

3 Q As manager did you conceive there was any
4 possibility that these \$20 bills that were being
5 used to buy in came from the sale of a house or
6 from a banking institution, a legitimate
7 financial institution?

8 A I could get it.

9 Q I suppose you could, sir, but would you? If you
10 needed \$800,000 or \$600,000 to conduct a
11 financial institution [sic], would you go to the
12 bank and ask them to give it to you in 20s?

13 A I don't know. It depends on circumstances. I
14 have in the past. I got \$20 bills. Undercover
15 operations.

16 Q For drug dealing?

17 A Yes.

18 Q Thank you, sir. Were you investigators under
19 your supervision permitted to interview patrons
20 and ask them -- patrons at Lower Mainland
21 casinos and ask them about the source of the
22 funds they were buying in with?

23 A Again, that would depend on circumstances. We
24 had a collective agreement with our service
25 providers that if there was any intervention to

1 do with high-limit players, it would be in
2 coordination with their security people.

3 Q If your investigator was on-site and was
4 observing somebody buying in with \$200,000 in
5 cash, could they walk up to that patron and ask
6 them where they got it?

7 A I'm sure they did.

8 Q Did you give them a direction one way or the
9 other whether that was permissible?

10 A I gave them direction that if they were going to
11 do such a thing, we should do it in company with
12 service provider security staff.

13 Q Do you recall your investigators being
14 discouraged from talking to patrons?

15 A I'm sorry, repeat.

16 Q Do you recall your investigators being
17 discouraged from talking with patrons by
18 anybody?

19 A I was asked a question if I was a participant in
20 a meeting where that took place, and I don't
21 recall that meeting, and I don't recall that
22 conversation taking place.

23 Q Well, maybe since you've brought it up, I'll ask
24 you. Now, you had an investigator by the name
25 of Ross Alderson working under you?

1 A Yes.

2 Q Do you recall an incident where Mr. Alderson
3 interviewed two patrons at the River Rock Casino
4 in respect of a transaction that he felt might
5 be suspicious?

6 A I don't.

7 Q Do you recall you -- or hearing that your
8 superiors received feedback from anybody at
9 Great Canadian or River Rock raising concerns
10 about investigators speaking with patrons?

11 A No.

12 Q Do you recall an incident where Mr. Alderson
13 instructed the cage to pay back a patron in
14 \$20 bills when the patron had bought in for 20s,
15 and Mr. Alderson believed he had played
16 minimally and was seeking to cash out for
17 \$100 bills?

18 A No, I don't.

19 Q Do you recall a meeting which you were present
20 at -- well, I'll ask you if you were present, if
21 you recall -- involving where Stone Lee, Steve
22 Beeksma and Ross Alderson were brought by
23 yourself to Mr. Towns' office and Mr. Towns
24 addressed them about the issues of chip passing
25 and -- or enforcing chip passing and speaking

1 with patrons?

2 A No, I don't.

3 Q Do you recall Mr. Towns discouraging the
4 investigators from speaking with patrons?

5 A No.

6 Q Do you recall Mr. Towns telling the
7 investigators to essentially ease up on the
8 enforcement of chit passing regulations? And
9 I'm paraphrasing; I don't recall the exact
10 words.

11 A No, I don't. And honestly, I would find that
12 astounding.

13 Q Thank you, sir. In 2010 to 2014 in your role as
14 manager of investigations, did you have a
15 concern that British Columbia casinos were being
16 used to facilitate money laundering?

17 A No.

18 Q Today looking back, do you believe that they
19 were?

20 A No.

21 Q You knew there was a problem with loan sharks
22 providing money to high-limit patrons? Well,
23 I'll ask you: did you know that there was --

24 A What? Patrons, sorry?

25 Q Was there -- did you have -- were you aware of

1 concerns about loan sharks providing cash to
2 high-limit patrons, high-limit players?

3 A Yes. Yes.

4 Q Did you believe that was happening?

5 A Yes.

6 Q Where did you think the loan sharks were getting
7 their cash?

8 A I have no idea.

9 Q Did you consider the source of -- what the
10 source of that cash might be at the time?

11 A It could be from a myriad of sources. I don't
12 know.

13 Q What did you think at the time was the most
14 likely source of \$200,000 in \$20 bills in the
15 possession of a loan shark?

16 A Well, again, that would require some level of
17 inquiry. I don't -- I do not have one blanket
18 answer for that. I do not have an
19 all-encompassing answer for that.

20 Q Did it occur to you -- did the possibility occur
21 to you that the \$20 bills and other cash that
22 was being provided to high-limit players from
23 loan sharks was illicit in nature?

24 A Yes.

25 Q Did it occur to you that the loan shark would

1 have to be paid back by the borrower?

2 A Yes.

3 Q Did it occur to you that that repayment might
4 occur in some form other than cash?

5 A Potentially. I don't -- okay. I don't know. I
6 don't know.

7 Q Did you consider the -- sorry, I didn't mean to
8 cut you off if you've got further ...

9 A I was just trying to think in what form. I'm
10 sorry. I'm ...

11 Q Did it occur to you that if the cash that was
12 being loaned by loan sharking to patrons to play
13 with was illicit, and the loan shark was paid
14 back by the patron in some form other than that
15 cash, that British Columbia casinos were being
16 used to facilitate money laundering?

17 A Well, that's a very difficult question to
18 answer, and I don't have one composite answer
19 for that. I mean, that still depends on
20 circumstances.

21 Q Did one of your investigators, Mike Hiller,
22 propose or raise the possibility of this exact
23 scenario and alert you to the possibility that
24 British Columbia casinos might be a component of
25 a money laundering scheme in the fashion that

- 1 I've laid out for you?
- 2 A You mean loan sharks lending patrons money,
3 patrons paying back loan sharks in some other
4 form, or ...
- 5 Q Yeah, so the illicit proceeds making their way
6 in this scenario into British Columbia casinos?
- 7 A Yes.
- 8 Q Mr. Hiller raised that possibility with you?
- 9 A Yes.
- 10 Q Did you communicate that -- his concerns in this
11 regard to your superiors?
- 12 A I don't recall.
- 13 Q And were these concerns raised to you in your
14 time as assistant manager or manager?
- 15 A I don't recall.
- 16 Q Leaving aside the issue of money laundering, did
17 you feel that the possibility that vast
18 quantities of proceeds of crime were being
19 accepted by Lower Mainland casinos was something
20 that required decisive action?
- 21 A If I thought it was proceeds of crime, I
22 definitely thought it needed action.
- 23 Q Well, did you think it was proceeds of crime?
- 24 A Some could well have been proceeds of crime,
25 yes.

1 Q What action did you take to slow or halt
2 suspected proceeds of crime into British
3 Columbia casinos?

4 A Well, the action I would have liked to have
5 taken was a lot different than what I could have
6 taken because I didn't have the authority to
7 take action. I observed --

8 Q What action --

9 A I observed and I reported.

10 Q What action would you have liked to have taken?

11 A I would like to have been a peace officer for
12 the province. I would like to have the -- have
13 had the ability to investigate proceeds of crime
14 and its source. I would like to have been able
15 to execute warrants, mount surveillance teams
16 and determine the origins of cash and who was
17 responsible, and ultimately hopefully prosecute.
18 That's what I'd like to have done.

19 Q To your understanding did the British Columbia
20 Lottery Corporation have the authority to
21 dictate the manner in which service providers
22 could accept buy-ins from patrons for the
23 purposes of gambling?

24 A Well, I didn't have that authority, so I don't
25 know. I didn't have the authority.

1 Q You don't know whether the British Columbia
2 Lottery Corporation could have put, for example,
3 a cap on the quantity of cash that could be used
4 to buy in?

5 A I'm sure that if the Lottery Corporation wanted
6 to do that, it would have required Gaming Policy
7 Enforcement Branch approval and probably
8 approval from the ministry.

9 Q Are you aware of the Lottery Corporation ever
10 seeking approval for a restriction on the manner
11 or quantity of cash that could be used to buy in
12 during your tenure?

13 A What I'm aware of is that the BC Lottery
14 Corporation was in constant negotiations with
15 the Gaming Policy Enforcement Branch to find
16 alternatives to cash. And if in fact that was
17 one of the topics that was discussed, I wasn't
18 privy to it, so I don't know.

19 Q As the manager of investigations, if the British
20 Columbia Lottery Corporation was seeking
21 approval for a directive that would restrict the
22 manner or quantity of cash that could be used to
23 buy in, do you expect you would have been
24 consulted or in the loop on that?

25 A I can't answer that. I don't know.

1 MR. MCGOWAN: If the witness can please be shown
2 GPEB166.

3 Q Sir, I'm going to ask you about some
4 correspondence that went back and forth between
5 primarily your office and the Gaming Policy
6 Enforcement Branch starting with a letter of
7 April 14th, 2010, addressed to a Mr. Morrison
8 from Derek Dickson. Who was Mr. Morrison?

9 A Mr. Morrison was the manager of casino -- BCLC
10 manager of casino security and surveillance at
11 that time.

12 Q And who was Mr. Dickson?

13 A Mr. Dickson was the manager of investigations
14 for Gaming Policy Enforcement Branch.

15 Q Okay. And you see the letter in front of you on
16 the screen?

17 A Yes.

18 Q I'm fine for you to look at a hard copy if
19 that's more convenient.

20 A Yes, I do.

21 Q You're familiar with this piece of
22 correspondence?

23 A I would have to read it first.

24 Q Well, I'll take you through it. I'm going to
25 suggest that ultimately -- well, maybe let's go

1 through it?

2 A Okay. I don't recall this, but I'm more willing
3 to entertain it as -- if that's what you want.

4 Q Certainly. Well, perhaps if I just might have a
5 moment to help situate you.

6 MR. MCGOWAN: Perhaps if the witness could be
7 shown -- we'll come right back to this document,
8 but if the witness can be shown GPEB1929. And
9 this is a letter to Mr. Dickson.

10 Q Do you see that, sir?

11 A Yes. Thank you.

12 Q And if you look at the back page of the letter,
13 this comes from you?

14 A Yes.

15 Q And if we just go back to the first page of the
16 letter, the opening line:

17 "Receipt of your correspondence --"

18 It's to Mr. Dickson.

19 "Receipt of your correspondence 2010,
20 April 14th, acknowledged."

21 A Yes.

22 Q So if we could just go back to the April 14th
23 letter, it appears that despite the fact he
24 wrote to a Mr. Morrison, you responded on behalf
25 of the British Columbia Lottery Corporation; is

1 that fair?

2 Sir, does it appear as if the letter, though
3 it came to Mr. Morrison was responded by you on
4 behalf of the British Columbia Lottery
5 Corporation?

6 A Yes, sir.

7 Q This letter is titled "Loan Sharking Suspicious
8 Currency and Chip Passing Activity in Lower
9 Mainland Casinos." And I'll just read out to
10 you the second sentence:

11 "Over the past several months we have
12 observed a number of incidents involving
13 large cash transaction patrons of Lower
14 Mainland casinos and their continued
15 involvement in chip passing, money
16 exchanging and loan sharking activities."

17 Do you see that?

18 A Yes.

19 Q And then the author goes on to review in the
20 correspondence transactions respecting four
21 patrons?

22 A Yes.

23 Q And then you'll see on the last page of the
24 letter, the first full paragraph in the first
25 sentence, the writer acknowledges that BCLC has

1 been vigilant in dealing with loan sharks?

2 A Yes.

3 Q And then it goes on starting at the bottom
4 sentence of that paragraph:

5 "We believe the next step in dealing with
6 loan sharks is to target the patrons using
7 the services of loan sharks and operating
8 on behalf of loan sharks. We are of the
9 opinion that permitting any patron to
10 engage in these types of behaviours is a
11 serious threat to the integrity of gaming
12 and an aggressive attitude needs to be
13 adopted by the service providers, BCLC and
14 GPEB to stop this undesirable behaviour
15 which is ultimately fostering the loan
16 sharks' abilities to operate within
17 casinos.

18 One of the tactics available to BCLC
19 that we believe should be utilized is to
20 toughen their stance on these types of
21 policy violations and prohibit any patron
22 found to be engaging in undesirable
23 behaviours involving associating with loan
24 sharking and particularly engaging in loan
25 shark activity."

1 So it appears that what they are proposing is
2 not only be vigilant in dealing with loan
3 sharking but being vigilant in dealing with and
4 prohibiting those who are receiving funds from
5 loan sharks. Did you take this -- the proposal
6 that way?

7 A Yes.

8 Q Did you adopt the suggestion?

9 A No.

10 Q Why not?

11 A Well, if you're asking me if we took action
12 against patrons who may be using funds supplied
13 by loan sharks, a couple of issues come to mind.
14 First of all, the patron could be innocent of
15 knowing that in fact it is a loan shark. The
16 patron may think that he is obtaining legitimate
17 funds. When it comes to the patron, he's going
18 to -- there's going to be -- there has to be a
19 degree of investigation in this regard. This
20 isn't just a simple matter of sanctioning a
21 patron.

22 Q If the patron was seen on a surveillance video
23 receiving \$200,000 in \$20 bills in a grocery bag
24 in the parking lot of the casino, would that
25 have been sufficient evidence for you?

1 integrity of gaming in the province."

2 How -- when you speak of a threat to the
3 integrity of the gaming in the province, what
4 was the threat you were speaking of?

5 A Well, I think for a couple of reasons, now that
6 I read this. Loan sharking does represent a
7 threat to the integrity of gaming, without
8 question. I think that the fact that loan
9 sharking could smack a potential criminal
10 activity is an integral issue even unto itself.
11 The responsible gaming philosophy that BCLC
12 adopted is -- I think plays into this as well
13 with respect to the patron receiving the loans
14 from a loan shark, potentially paying exorbitant
15 user fees, which is a criminal offence as well,
16 and the fact that it could support a criminal
17 enterprise is anathema to responsible gaming.
18 And the other thing is that these individuals,
19 when identified, were barred.

20 Q Yes. Was one of the threats to the integrity of
21 gaming in the province a concern on your part
22 that gaming facilities and ultimately government
23 might be being funded with proceeds of crime?

24 A Yes.

25 Q Turning to the very last page of this letter.

1 Let me ask -- well, the very last -- second to
2 last paragraph you say:

3 "Please be assured BCLC is exited to doing
4 everything it possibly can to address all
5 incidents of loan sharking both
6 strategically and proactively thus
7 ensuring the integrity of gaming in the
8 province."

9 Do you believe that the lottery corporation
10 during your tenure as manager of investigation
11 lived up to that assurance?

12 A Did what? I'm sorry.

13 Q Do you believe that the British Columbia Lottery
14 Corporation during tenure as manager of
15 investigations and assistant manager of
16 investigations lived up to the assurance given
17 in that paragraph?

18 A I believe so.

19 Q Had the British Columbia Lottery Corporation
20 pursued and implemented a cash cap, do you
21 believe that would have gone further to
22 addressing concerns about money laundering and
23 concerns that proceeds might be making their way
24 into British Columbia casinos?

25 A I think that pursuing the philosophy of cash

1 alternatives in the casino would have done a
2 very, very good job.

3 Q Do you believe during your tenure it did a good
4 job to stop the flow of suspicious cash into
5 British Columbia casinos?

6 A Well, when I was in River Rock when they
7 introduced the player gaming account, we were
8 definitely making progress. And by the time I
9 left I think the player gaming -- or the funding
10 account was definitely a step forward and
11 gaining much more popularity.

12 I mean, if you introduce an alternative like
13 that to a cash-based business, and a cash-based
14 business that has been running for years and
15 years and years asking players to now change
16 their habits is not something that's going to
17 happen overnight.

18 Q Do you believe that had -- in the early days
19 when these large cash buy-ins were starting to
20 become an issue of concern, had the British
21 Columbia Lottery Corporation pursued and
22 implemented a requirement that any cash -- the
23 source of any cash be proved prior to buy-in,
24 this would have combatted the problem more
25 effectively than the cash alternative measures

1 that were adopted?

2 A Sorry, I missed a key word in your question
3 there.

4 Q Let me break it down, then, perhaps it was a
5 little bit wordy.

6 A Yeah, yeah.

7 Q I apologize.

8 In 2010 and '11 when this was -- and maybe
9 even before when the issue of suspicious cash
10 buy-ins was coming to the forefront, are you
11 aware of whether the British Columbia Lottery
12 Corporation considered or pursued a requirement
13 that any cash being used to buy in, the source
14 be established and proven by way of, for
15 example, a receipt from a legitimate financial
16 institution?

17 A I do believe to the best of my recollection that
18 alternatives were already being sought, be it
19 through a debit card, be it through a certified
20 cheque, be it through a similar instrument, but
21 I don't believe that those alternatives could
22 get -- would -- were approved by GPEB.

23 Q Thank you.

24 A It had to be approved by GPEB before BCLC
25 could -- that's my understanding.

1 Q Thank you for that information, sir. Did -- my
2 question was did the British Columbia Lottery
3 Corporation explore or seek to implement a
4 source of funds requirement when these large
5 cash buy-ins initially became an issue of
6 concern?

7 A Specifically, I don't recall. I don't.

8 Q Had the British Columbia Lottery Corporation in
9 conjunction with GPEB and the service provider
10 implemented a requirement that all cash be
11 sourced to a legitimate financial institution,
12 say, within the last 24 or 48 hours, do you
13 believe the quantity of cash being used to buy
14 into British Columbia casinos would have grown
15 the way it did?

16 A I do believe it would have probably put a cap on
17 a lot of it.

18 Q Thank you.

19 MR. MCGOWAN: If the witness could now -- we're done
20 with that document. The witness could now be
21 taken to --

22 MR. LEUNG: Mr. Friesen would like to have a bathroom
23 break, if that's --

24 MR. MCGOWAN: Yes, certainly. Why don't we --
25 Mr. Commissioner, we've been going for some

1 time. I still have a little bit longer to go in
2 my examination. Not too, too much longer. I
3 wonder if we might take 10 minutes.

4 THE COMMISSIONER: Yes. Very well, we'll take a
5 10-minute break. Thank you.

6 THE REGISTRAR: The hearing is adjourned for a
7 10-minute recess until 12:21 p.m.

8 **(WITNESS STOOD DOWN)**

9 **(PROCEEDINGS ADJOURNED AT 12:10 P.M.)**

10 **(PROCEEDINGS RECONVENED AT 12:19 P.M.)**

11 THE REGISTRAR: Thank you for waiting. The hearing
12 the now resumes Mr. Commissioner.

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

14 **GORDON FRIESEN, a**
15 **witness for the**
16 **commission, recalled.**

17 THE COMMISSIONER: Yes, Mr. McGowan.

18 MR. MCGOWAN: Thank you, Mr. Commissioner. If the
19 witness could please be shown --

20 THE COMMISSIONER: I'm sorry, Mr. McGowan. Before
21 you move on, have we marked as exhibits those
22 last two letters you referred to?

23 MR. MCGOWAN: I may have neglected to do that,
24 Mr. Commissioner. I apologize, and I will ask
25 that they be marked now, please.

1 THE COMMISSIONER: Very well.

2 MR. MCGOWAN: I can assist with document numbers, if
3 that assists. The first letter was the
4 April 24th correspondence from Mr. Dickson to
5 Mr. Morrison. That was GPEB0166.

6 THE COMMISSIONER: Thank you.

7 MR. MCGOWAN: That would be the next exhibit.

8 THE COMMISSIONER: Is that --

9 THE REGISTRAR: 108.

10 THE COMMISSIONER: 108. I beg your pardon.

11 **EXHIBIT 108: Letter from Gordon Friesen re Loan**
12 **Sharking/Suspicious Currency & Chip Passing -**
13 **April 14, 2010**

14 MR. MCGOWAN: Thank you. And the next was
15 Mr. Friesen's correspondence to Mr. Dickson,
16 May 4th, 2010, GPEB1929. If that could be the
17 next exhibit, please.

18 THE COMMISSIONER: 109.

19 THE REGISTRAR: Exhibit 109.

20 **EXHIBIT 109: Letter from Gordon Friesen re Loan**
21 **Sharking/Suspicious Currency and Chip Passing -**
22 **May 4, 2010**

23 MR. MCGOWAN: Thank you for that reminder,
24 Mr. Commissioner.

25 And if the witness can be shown GPEB169.

1 Q Mr. Friesen, this is a November 24th, 2010
2 letter from you -- pardon me, to you from
3 Mr. Dickson?

4 A Yes, sir.

5 Q Do you have that in front of you?

6 A Yes.

7 Q Thank you. The letter has a re line "money
8 laundering in casinos."

9 A Yes.

10 Q It reads:

11 "Dear Gord: Recently we have begun to see
12 a dramatic increase in the amount of small
13 denomination Canadian currency used for
14 large cash buy-ins by LCT patrons within
15 Lower Mainland casinos. Although there
16 have been numerous similar suspicious
17 currency transactions, one particular LCT
18 patron's play over a four-week period at
19 Starlight Casino illustrates the magnitude
20 of the situation. This division of the
21 branch and the RCMP are very concerned
22 about the potential [indiscernible] by
23 patron in British Columbia casinos."

24 And you see that, sir?

25 A Did I what? Sorry?

- 1 Q This is a letter that you received from
2 Mr. Dickson?
- 3 A Yes.
- 4 Q And Mr. Dickson then goes on to set out the play
5 of this patron at Starlight over approximately a
6 one-month period?
- 7 A Yes.
- 8 Q And on August 31st the patron brought in --
9 bought in for \$200,000, 198,000 of which was
10 \$20 bills?
- 11 A Yes.
- 12 Q And the next day the patron bought in three
13 times for a total of \$490,000 and all but 6,000
14 of which was \$20 bills?
- 15 A Yes.
- 16 Q And then on the third day the patron bought in
17 for another \$100,000 all in \$20 bills?
- 18 A Yes, sir.
- 19 Q So in the span of three days this patron has
20 bought in for over a million dollars, all but
21 \$8,000 of it was in \$20 bills?
- 22 A Sure.
- 23 Q What degree of concern arose in your mind when
24 you were presented with this information?
- 25 A I think as far as I was concerned, this required

1 more investigation as far as -- I don't know --
2 I don't know. We're dealing with a wealthy,
3 wealthy participant here. I know who this is.
4 Are you referring to what GPEB wanted us to do
5 with this, or? I'm not sure.

6 Q Let me ask you, what did you consider the
7 possible sources were of a million dollars worth
8 of \$20 bills over the span of three days?

9 A Well, the first thing that comes to mind, it's
10 suspicious.

11 Q And throughout the rest of the month, including
12 the buy-ins I've just mentioned, Mr. Dickson
13 communicates to you that over this one-month
14 period there was buy-ins in the total amount of
15 a little over -- well, \$3,111,000 of which
16 \$2,657,940 was in 20 dollar denominations?

17 A Yes.

18 Q And he goes on on the second page of the letter
19 to state:

20 "This is not an isolated case."

21 And then poses this question at the bottom of
22 the second paragraph. I assume he poses it to
23 you because that's who the letter is addressed
24 to.

25 "Why are these \$20 denominations not being

1 taken to a bank facility? Why isn't the
2 patron using a player gaming fund account
3 or being forced by the service provider
4 and BCLC to use a player gaming fund
5 account?"

6 What did you make of those suggestions?

7 A I just lost you for a minute. Which paragraph
8 was that? I'm sorry.

9 Q I was reading the last -- well, let me read it
10 to you again. It's the last sentence of the
11 second paragraph on page 2.

12 A Oh, I'm sorry.

13 Q "Why are these \$20 denominations not being
14 taken to a bank facility? Why isn't the
15 patron using the player gaming fund
16 account or being forced by the service
17 provider or BCLC to use the player gaming
18 account? Senior director Joe Schalk and
19 the writer met recently with the officer
20 in charge RCMP integrated proceeds of
21 crime unit (IPOC) and they are well aware
22 of this issue and are seriously concerned
23 that ... casinos are being used as a
24 method to launder large sums of money for
25 organized crime groups."

1 So what was your reaction to being alerted to
2 this possibility and having this are pattern of
3 play drawn to your attention?

4 A Well, first of all, like I said, these buy-ins
5 and the -- the money he was using for the
6 buy-ins, the \$20 bills is suspicious. There's
7 no doubt about it. Why did he not take these
8 \$20 bills to a banking facility, I have no idea.

9 Why isn't the patron using the PGF account
10 or being forced by the service provider and BCLC
11 to use the PGF account? Well, at this time --
12 and we went over this briefly before, the fact
13 that PGF accounts were in their infancy. We
14 were just starting with PGF accounts. And we
15 can't force people to utilize those types of
16 alternatives. We just can't.

17 The other thing is that:

18 "Senior director Joe Schalk and the writer
19 met recently with the officer in charge
20 RCMP integrated proceeds of crime ... and
21 they are well aware of this issue and are
22 seriously concerned that our casinos are
23 being used as a method to launder large
24 sums of money for organized crime groups."

25 Okay. If this is an indicator of that, then why

1 aren't we told about it, and why isn't GPEB
2 doing something about it? Why aren't we being
3 helped?

4 Q Well, sir, was it a bit of a wake-up call to be
5 told the integrated proceeds of crime unit
6 thought the casinos that your organization was
7 charged with managing were being used to
8 facilitate the laundering of proceeds of crime?

9 A No, because we'd been providing the integrated
10 proceeds of crime -- RCMP proceeds of crime unit
11 information for years.

12 Q Why didn't you and the service provider get
13 together and go to this patron and say, we don't
14 want your \$20 bills; get a bank draft?

15 A I don't have the authority to do that. We
16 didn't have procedures in place to do that.
17 Even though we suspect, I did not have the
18 authority to tell this patron, take your
19 \$20 bills and go.

20 Q Did you have the authority to tell the service
21 provider, don't take money from this patron;
22 it's suspicious, or --

23 A No, I did not.

24 Q -- they're laundering proceeds?

25 A No, I did not. I did not have the authority.

1 Q Did you take this information to your managers,
2 to your supervisors?

3 A Yes.

4 Q And what was their response?

5 A That we had to look into this matter and respond
6 accordingly.

7 Q Did this patron continue to buy in for many
8 months after with extremely large cash buy-ins?

9 A I don't know. I don't know.

10 Q Having received this letter did you not monitor
11 his continued -- his or her continued play? I
12 don't know from the name which it is.

13 A Sir, you're going back 10, 11 years. I don't
14 know. I honestly don't.

15 Q Fair enough. Going to the third page of the
16 letter, the writer acknowledges that BCLC is
17 meeting its reporting requirements, and then
18 goes on to state the following:

19 "However, although identifying the
20 suspicious nature of these transactions
21 and complying with the legal requirements
22 to report suspicious criminal
23 activity/money laundering to the police
24 and regulatory agencies, you continue to
25 allow the service providers to take these

1 large amounts of 20 denomination in duffel
2 bags, paper bags, et cetera to be used for
3 gambling in the casinos.

4 BCLC is responsible for the conduct and
5 manage of casino gaming in British
6 Columbia through standard operating
7 procedures and we believe at a minimum as
8 a good corporate citizen you should
9 reassess your corporate responsibility in
10 allowing these large amounts of \$20
11 denominations to enter the casino gaming
12 environment. A restriction on allowing a
13 maximum of \$10,000 in \$20 denominations
14 could remedy the situation."

15 Did you consider that proposal and take it to
16 your superiors?

17 A Would I consider that proposal?

18 Q Did you consider the proposal that was being put
19 forward in this correspondence and take it to
20 your superiors?

21 A I did consider it, yes.

22 Q Did you take it to your superiors?

23 A Yes.

24 Q Who did you take it to?

25 A Our vice president, Terry Towns.

1 Q And did you pursue the possibility of a cap on
2 \$20 denominations or a cap on cash

3 [indiscernible] --

4 A No.

5 Q -- in response to this correspondence?

6 A No.

7 Q Why not?

8 A First of all, if you put a cap on \$20 bills,
9 what happens to the \$5 bill, the \$50 bill or the
10 \$10 bill? The \$100 bill? This may be a very
11 small part of a very small solution. This isn't
12 the solution.

13 And the other thing is that BCLC and
14 Mr. Dickson's ADM and his Director of Risk
15 Management were heavily involved with BCLC in
16 finding alternatives to cash. And this memo, I
17 don't even know why it has come to me. This is
18 misdirected. I have no authority to do this.
19 This has to go through his executive, to our
20 executive and become a negotiating tool.
21 This -- I can't do this. I have no authority to
22 do this.

23 Q Did you take the concerns expressed in here to
24 those in your organization with authority?

25 A I presented this correspondence to our VP, Terry

1 Towns.

2 Q Thank you. And you mentioned the concern that
3 if 20s are banned, the \$5 and \$50 bill may take
4 their place. Did you in conjunction with your
5 superiors consider or explore in response to
6 this correspondence a cash cap irrespective of
7 denomination?

8 A No.

9 Q You said you couldn't force players to use a
10 player gaming fund account, it was voluntary.
11 Wouldn't one way have been to encourage them to
12 use cash alternatives or the player gaming fund
13 account to stop taking cash in the quantities
14 that the --

15 A And I --

16 Q -- [indiscernible] were?

17 A I'm confident that was happening.

18 Q You're confident what was happening?

19 A That these players were being encouraged to
20 utilize the provisions of the player gaming
21 account.

22 Q Couldn't you virtually mandate it in conjunction
23 with the service provider by stopping accepting
24 cash buy-ins over a certain amount?

25 A Myself personally, no, I can't mandate it.

1 But --

2 Q Could your organization in conjunction with the
3 service provider have mandated it?

4 A No.

5 Q And when --

6 A I don't have that authority.

7 Q Did the British Columbia Lottery Corporation
8 have authority to your understanding to direct
9 the manner in which service providers could
10 accept buy-ins?

11 A In my opinion that would have to have been a
12 collaborative decision between the Gaming Policy
13 Enforcement Branch, the ministry and BCLC.

14 Q Did you take this correspondence from
15 Mr. Dickson as an indication that the Gaming
16 Policy Enforcement Branch would support such a
17 proposal?

18 A No. I was tasked with answering this.

19 MR. MCGOWAN: Yes. If that could be the next
20 exhibit, please, Mr. Commissioner.

21 THE COMMISSIONER: Yes, very well. That will be the
22 next exhibit. Thank you.

23 THE REGISTRAR: It's exhibit 110, Mr. Commissioner.

24 THE COMMISSIONER: Thank you.

25 **EXHIBIT 110: Letter from Derek Dickson re Money**

1 **Laundering in Casinos - November 24, 2010**

2 MR. MCGOWAN: Thank you. If we could please go to
3 GPEB577.

4 Q Sir, this is a report of findings that appears
5 to be from the Gaming Policy Enforcement Branch
6 and it believes to -- it appears to me to be the
7 report compiling the information from which the
8 correspondence we were just looking at was
9 crafted. Have you seen this report of findings
10 before?

11 A I have -- excuse me, I have just recently.

12 Q Did you see it when you were employed by the
13 British Columbia Lottery Corporation?

14 A No, I don't believe so.

15 Q Thank you. You indicated that you were the
16 person tasked with responding to Mr. Dickson's
17 letter of November 24th. Is that your
18 recollection?

19 A Yes.

20 Q It appears you may have done so in conjunction
21 with Mr. Karlovcec. Does that accord with your
22 recollection?

23 A Yes, sir.

24 MR. MCGOWAN: If the witness could please be shown
25 GPEB581.

1 has instituted a rigorous anti-money
2 laundering strategy in an effort to
3 mitigate money laundering risk in all of
4 our BC facilities."

5 And then it goes on:

6 "This strategy includes but is not limited
7 to enhanced BCLC policy and procedures,
8 comprehensive anti-money laundering
9 training for service provider employees
10 and strict adherence to FINTRAC reporting
11 guidelines."

12 At the time -- so he outlines three things
13 there: enhanced policies and procedures,
14 training and FINTRAC reporting. Were those the
15 three primary pillars of BCLC's rigorous
16 anti-money laundering strategy at the time?

17 A Just give me a second to reread that, if I may.

18 Q Certainly.

19 A That's correct.

20 Q And this anti-money laundering strategy which
21 you and Mr. Karlovcec describe as rigorous, in
22 your view over the next four years that you were
23 with the British Columbia Lottery Corporation
24 was this strategy effective?

25 A As part of the -- as far as I'm concerned, as

1 part of the tools that we had to defer this type
2 of thing, I think we did a very good job. Was
3 there room for improvement? Of course.

4 Q And your view that you did a very good job --
5 when I say "you" I mean the corporation -- you
6 hold that despite the fact that large suspicious
7 transactions increased by a significant margin
8 year on year?

9 A Well, sir, we needed assistance. And we weren't
10 getting assistance. If we were to improve, we
11 needed help. And we didn't get help.

12 Q Who do you say you needed help from?

13 A Gaming Policy Enforcement Branch and proceeds of
14 crime.

15 Q Thank you. Second page of the letter, at the
16 bottom the letter is responding to the query why
17 the patron has not taken the \$20 bills to a
18 banking facility. And in part your response is:

19 "Our records reveal that the patron has
20 provided his occupation as owner of coal
21 company/commercial real estate. He's very
22 well known to BCLC and our service
23 provider partners and has documented large
24 cash transactions that date back to July
25 2006.

1 BCLC cannot answer why the patron
2 chooses not to take these \$20 denomination
3 bills to a banking facility. The \$20 bill
4 is the most widely utilized form of
5 currency in Canada."

6 Let me start with he has "provided his
7 occupation as owner of coal company/commercial
8 real estate." Did the Lottery Corporation
9 simply take patrons' words for what their
10 occupation was?

11 A Well, I believe in this case open sources were
12 engaged and this in fact was proven.

13 Q Okay. And despite that wealth, does this
14 strike -- did it strike you as an occupation
15 that would result in having a million dollars in
16 \$20 bills to buy in over a three-day period?

17 A I would say it's potentially reasonable.

18 Q You say:

19 "The \$20 bill is the most widely utilized
20 currency in Canada."

21 Did it occur to you that might be because most
22 transactions are --

23 A Did it occur to me, sorry?

24 Q Did it occur to you that that might be because
25 many -- most -- many, probably most,

1 transactions are of a relatively small nature?

2 A Well, I -- all I know that the \$20 bill accounts
3 for between 70 and 80 percent of all
4 transactions in North America, not even Canada.

5 Q Did you investigate --

6 A I --

7 Q Did you --

8 A Whether or not they're small or large, I don't
9 know.

10 Q Did you investigate how many six-figure
11 transactions are conducted in \$20 bills?

12 A In Canada?

13 Q Legitimate transactions in Canada or North
14 America.

15 A No, I did not.

16 Q Mr. Karlovcec says, and I assume represents your
17 view as well, given what you've said, in the
18 final paragraph at page 3:

19 "It is our opinion that based on the
20 patron's history of play, his betting
21 strategy, the fact he has requested only
22 one verified cheque during the dates in
23 question, his win-loss ratio and the fact
24 his occupation states he owns coal mine
25 and commercial real estate firm, he does

- 1 not meet the criteria that would indicate
2 he is actively laundering money in British
3 Columbia casinos."
- 4 That was the conclusion of you and Mr. Karlovcec
5 at the time?
- 6 A Yes.
- 7 Q Is it still your conclusion?
- 8 A Sorry?
- 9 Q Is it still your conclusion?
- 10 A Yes.
- 11 Q Leaving aside the issue of whether the patron
12 was actively laundering funds, did you have a
13 concern at the time that the funds the patron
14 was buying in with were illicit in origin?
- 15 A The possibility did exist, yes. It was
16 suspicious.
- 17 Q In your mind was it a possibility or a
18 probability?
- 19 A Well, in those terms I'm thinking they mean the
20 same thing.
- 21 Q Well, in my mind "probability" means it's more
22 likely than not. So --
- 23 A Okay. I'm suggesting that it's a possibility.
- 24 Q But you didn't see it as a probability the way I
25 termed "probability"?

1 A Not to that degree. This would require some
2 investigation.

3 MR. MCGOWAN: Thank you. If the witness -- if that
4 could be the next exhibit, Mr. Commissioner.

5 THE COMMISSIONER: Very well. That will be 111.

6 THE REGISTRAR: Exhibit 111.

7 **EXHIBIT 111: Letter from John Karlovcec re**
8 **Money Laundering in BC Casinos - December 24,**
9 **2010**

10 MR. MCGOWAN: If the witness could please be taken to
11 GPEB179.

12 This, sir, is another piece of
13 correspondence, and if we just -- if I may have
14 the number wrong. If you could just scroll
15 down, if I could see the first page of the
16 document attached to this. No, that's not what
17 I'm looking for. I apologize.

18 I'm looking for a piece of correspondence
19 dated February 28th, 2011, to Mr. Friesen.

20 THE REGISTRAR: I believe it's GPEB171 -- 0171.

21 MR. MCGOWAN: Thank you. If we could display that.
22 Yes, that's the letter I'm looking for. Thank
23 you, Madam Registrar.

24 Q This is a letter to you from Mr. Schalk, who was
25 senior director of investigations and regional

1 operations with GPEB, February 28th, 2011.

2 A Yes.

3 Q And it starts off, second sentence of the second
4 paragraph:

5 "The number of files generated by required
6 reporting from these venues and what could
7 only be considered staggering quantities
8 of cash predominantly in \$20 is a huge
9 integrity of gaming issue and must be
10 addressed."

11 Did you agree with that proposition when you
12 received the correspondence?

13 A I don't even think I considered it. I think I
14 looked at this correspondence as a whole.

15 Q Okay. It says at the top of page 2:

16 "BCLC has repeated for many years that
17 they have/are instituting a rigorous
18 anti-money laundering strategy in an
19 effort to mitigate money laundering risk.
20 However, just over the past 10 months
21 reported incidents of suspicious currency
22 transactions and money laundering have
23 more than tripled over the previous year.
24 We believe those statistics underlie the
25 seriousness of the issue we are dealing

1 with. These strategies to appear to have
2 been ineffective to date."

3 Did this cause you and your superiors to rethink
4 the anti-money laundering strategy that the
5 BC Lottery Corporation had been pursuing?

6 A Well, that was under review already, I've
7 mentioned before. BCLC was in intense -- in
8 negotiations with the Gaming Policy Enforcement
9 Branch, the ADM, the director of risk
10 management, to find alternatives to cash. And,
11 you know, his -- so it's not that strategies
12 were being abandoned and the ones we had in
13 place at the time were the best we could do. We
14 were searching and continued to search for other
15 strategies, but they needed approval.

16 Q Okay. The writer goes on -- and I'm halfway
17 down the second to last paragraph on the page --
18 to state:

19 "Regardless of whether they win or
20 lose --"

21 Speaking of patrons.

22 "-- all of the money they buy in with, we
23 believe --"

24 Maybe I'll start just at the beginning of the
25 paragraph so -- to be fair and give context:

1 "Large quantities of \$20 bill
2 denominations will continue to be and are
3 presently properly reported to the various
4 authorities as suspicious currency. Both
5 by the service provider and BCLC. Patrons
6 using these large quantities of \$20
7 currency buy-ins may not in sum, certainly
8 not all cases, be directly involved with
9 criminals themselves. Regardless, whether
10 they win or lose all of the money they're
11 betting with, we believe in many cases
12 patrons are at the very least facilitating
13 the transfer of and/or laundering of
14 proceeds of crime. Those proceeds may
15 have started out two or three persons or
16 groups removed from the person using these
17 instruments to play in the casino.

18 Regardless, money is being laundered.

19 The end user, the patron, must still
20 pay back all of the money he/she receives
21 in order to facilitate his buy-ins with
22 \$20 bills and for the person on the
23 initial start of the facilitation process,
24 the money is being laundered for him or
25 her through the use of the gaming venue."

1 Did this cause you and others at the British
2 Columbia Lottery Corporation to reconsider what
3 I understand had been the position that it was
4 unlikely to be money laundering if the patron
5 put the funds at risk and gambled legitimately?

6 A For me -- I can only speak for me personally,
7 and this paragraph is highly speculative, it is
8 his opinion and may not be my opinion. We were
9 doing everything we possibly could in
10 coordination with GPEB to find alternatives to
11 cash and to strengthen our anti-money laundering
12 program.

13 MR. MCGOWAN: If that could be the next exhibit,
14 please.

15 THE COMMISSIONER: Very well. That will be 112.

16 MR. MCGOWAN: I'm not aware --

17 THE REGISTRAR: Exhibit 112.

18 **EXHIBIT 112: Letter from Joe Schalk re Money**
19 **Laundering in BC Casinos - February 28, 2011**

20 MR. MCGOWAN: Thank you.

21 Q Sir, I'm not aware of any record of that
22 correspondence being responded to. Do you have
23 a recollection of you or anyone else at the
24 Lottery Corporation respond to that last piece
25 of correspondence?

1 A It was not responded to.

2 MR. MCGOWAN: If the witness could please be shown --

3 I believe it's GPEB 181, a December 27, 2012

4 letter from Mr. Hodgkin to Mr. [Indiscernible].

5 Q Are you familiar with this correspondence, sir?

6 It appears to build on the ones we've just been
7 speaking about.

8 A This -- this is the -- I saw it a few days ago
9 when I reviewed it. That's the only time I've
10 seen it.

11 Q It was not brought to your attention at the time
12 by Mr. Hodgkin?

13 A Not that I recall.

14 Q It provides some statistics. Speaking of 2011
15 it identifies cash buy-ins in the amount of
16 approximately \$40 million, the majority of those
17 being \$20 bills, and to the first nine months of
18 2012 cash buy-ins being \$63 million range with
19 44 million of those being in \$20 bills.

20 Whether you're familiar with this
21 correspondence, do those numbers -- were they
22 numbers you were aware of at the time?

23 A I'm sorry. I'm trying to follow the numbers
24 here. What page was that on? Is that still on
25 page 1?

1 Q Maybe I'll take a step back from the
2 correspondence. In your position as the manager
3 of gaming -- manager of investigations for the
4 British Columbia Lottery Corporation, did you
5 have access to and did you review statistics on
6 the quantity of cash month by month or year by
7 year being used to buy into British Columbia
8 casinos?

9 A I had access to it. Yes, I did.

10 Q Did you review it?

11 A I may have. I don't know. I don't recall
12 specifically reviewing that at all.

13 Q The correspondence says that in the first nine
14 months of 2012 \$63 million on -- in cash was
15 brought into British Columbia casinos in a total
16 of almost 800 files of which 44 million was
17 \$20 bills. Had you been given this
18 correspondence, would that have come as a
19 surprise to you?

20 A I'm sorry, had it what? Sorry?

21 Q Had you been given this correspondence when it
22 arrived at BCLC, would you have been surprised
23 to hear that in nine months \$44 million in
24 \$20 bills had been used to buy into British
25 Columbia casinos?

1 A I don't know. I don't think so.

2 Q Then there's a particular --

3 MR. MCGOWAN: If that could be the -- I won't ask
4 that that be marked, Mr. Commissioner. The
5 witness wasn't able to identify it.

6 You recall a short time ago, sir, I was
7 asking you some questions about correspondence
8 in relation to a particular patron. Do you
9 recall that? Who had bought in over three days
10 for a million dollars mostly in \$20 bills?

11 A Yes.

12 Q This is a patron that was well known to you?

13 A Yes.

14 Q Did you view that patron's transactions as
15 suspicious?

16 A I don't view his transactions as suspicious. I
17 view the origin of the funds as suspicious.

18 Q In March -- did you discuss this patron at
19 investigators meetings, to your recollection?

20 A I don't recall.

21 Q There's been a suggestion to the commission that
22 you did, so I'm going to ask you about it.

23 In -- on March 20th, 2013, at an investigators
24 meeting during a discussion of this patron, did
25 you say to your investigators, if this patron

1 came into a casino with \$200,000 in \$20 bills,
2 that is not suspicious because we know who he
3 is?

4 A Do I recall saying that?

5 Q Yes.

6 A I don't recall saying that.

7 Q Would that statement have been consistent with
8 the view you held at the time?

9 A I think if it would have been -- if I would have
10 said that, it must have been in context with a
11 much greater conversation because whether or not
12 I knew this patron wouldn't have mattered. If
13 he came into a casino with \$200,000 in cash and
14 I didn't know the origin of that cash, I would
15 be suspicious. So I'm not so sure that I --
16 that little snippet, sir, is something that
17 obviously is a small part of a much larger
18 conversation. And I do not recall making a
19 statement like that.

20 Q And in that scenario we've just talked about,
21 this patron coming in and buying in with
22 \$2,000,000 in \$20 bills, what would your
23 expectations have been in regard to the actions
24 your investigators should have taken?

25 A They must fulfill the requirements of FINTRAC,

1 GPEB and report it to the police.

2 Q And when you say fulfill the requirements of

3 GPEB and FINTRAC, what do you mean by that?

4 A Report.

5 Q By written documentation?

6 A Sorry?

7 Q You mean file written documentation?

8 A Yes, sir.

9 MR. MCGOWAN: Thank you, sir. Those are my
10 questions.

11 THE WITNESS: Sure.

12 THE COMMISSIONER: Thank you, Mr. McGowan. I
13 understand that Ms. Harlingten for the province
14 has some questions of this question, and a
15 30-minute allocation of time.

16 MS. HARLINGTEN: Thank you, Mr. Commissioner.

17 **EXAMINATION BY MS. HARLINGTEN:**

18 Q Mr. Friesen, can you hear me all right?

19 A So far. Thank you.

20 Q Thank you.

21 A You might have to yell.

22 Q All right. Well, I just have a few questions --

23 A That's better.

24 Q Is that better? All right. Well, I just have a
25 few questions for you this afternoon.

- 1 A Yes.
- 2 Q Thank you. So, Mr. Friesen, this morning you
3 gave evidence to Mr. McGowan that you submitted
4 reports to GPEB and received no feedback on
5 those reports. Do you recall giving that
6 evidence?
- 7 A Yes.
- 8 Q When you were referencing those reports, were
9 you referencing section 86 reports that you
10 submitted to GPEB?
- 11 A Yes.
- 12 Q And that was the written document that you just
13 confirmed in response to Mr. McGowan?
- 14 A Those were reflective of a typical suspicious
15 financial transaction report that we would send
16 to GPEB.
- 17 Q And you're aware, Mr. Friesen, that GPEB
18 investigators could request further information
19 in response to a section 86 report?
- 20 A Sorry, I missed that.
- 21 Q That's fine.
- 22 A Bear with me. Sorry.
- 23 Q No. Of course, Mr. Friesen. I'm happy to
24 repeat it.
- 25 A The sound here is not -- it's good, but it's not

1 great. It depends on your voice.

2 Q No trouble Mr. Friesen. I was asking if you
3 were aware that after submitting a section 86
4 report, GPEB investigators could come back and
5 request further information; is that correct?

6 A They could. I don't know. Is there a specific
7 incident that you're referring to? I don't
8 know.

9 Q Mr. Friesen, are you aware that GPEB
10 investigators would in fact ask BCLC
11 investigators for further information in
12 response to section 86 reports?

13 A Oh, I --

14 Q Just as a general proposition.

15 A Yeah. Oh, a general -- I'm not aware of that.

16 Q Okay. While you were a casino investigator,
17 Mr. Friesen, once you provided a section 86
18 report to GPEB, you had no further involvement
19 with that matter, did you?

20 A With GPEB, probably not. I may have taken some
21 further action on an issue.

22 Q But you would agree with me that you would have
23 no direct knowledge as to what steps GPEB may
24 have taken with respect to the information
25 provided?

1 A No, I have no idea.

2 Q Mr. Friesen, I'd like to move on to your
3 evidence regarding your authority to intervene
4 in suspicious cash transactions.

5 A Yes.

6 Q You gave evidence this morning that you believed
7 it was not your role or BCLC investigators had
8 no authority to intervene when a suspicious cash
9 transaction was occurring; is that correct?

10 A Correct.

11 Q And is that because you believed that you didn't
12 have -- you weren't well placed to determine
13 whether or not there was in fact suspicious
14 activities occurring or whether the cash was in
15 fact the proceeds of crime?

16 A The transaction may be suspicious, but we had no
17 other proof in fact that it was related to
18 proceeds of crime.

19 Q And so your evidence that you had no authority
20 to intervene in those transactions, that was
21 your evidence; correct?

22 A Yes.

23 Q And that was because you viewed that as the role
24 of police to determine whether or not the cash
25 was the proceeds of crime?

1 A That is correct.

2 Q And you gave Mr. McGowan, in response to a
3 question he posed, what I'll call a wish list of
4 things that may occur and you indicated that you
5 would like warrants or surveillance or
6 prosecutions, for instance. Do you recall
7 giving that evidence?

8 A Yes.

9 Q And, sir, is it fair to say that that wish list
10 comes from your extensive experience as an RCMP
11 officer?

12 A Guilty. Yes.

13 Q And those would be all things that police
14 officers would undertake in their duties?

15 A Yes.

16 Q Mr. Friesen, I would like to return back to a
17 point that my friend Mr. McGowan raised with
18 regards to a threshold that was in place at
19 service providers for a particular period of
20 time of \$50,000.

21 But first I'd like to confirm, Mr. Friesen,
22 I understood your evidence this morning to be
23 that compliance with reporting, FINTRAC
24 reporting specifically, was a primary focus for
25 you?

1 A Yes.

2 Q You gave evidence that it was important to
3 ensure FINTRAC reporting was done properly. Do
4 you recall that?

5 A Yes.

6 Q And so it's fair to say it was your focus and
7 your supervisor's focus that reporting to
8 FINTRAC should be done correctly and promptly?

9 A As promptly as possible.

10 Q When you were giving evidence this morning,
11 Mr. Friesen, about this \$50,000 cap, you
12 indicated that it was an issue precipitated by
13 GPEB, by a GPEB request to be precise, that they
14 only wanted section 86 reports for \$50,000
15 buy-ins. Is that a fair summary of your
16 evidence?

17 A Yes.

18 Q And you indicated that that caused quite a bit
19 of confusion among service providers and BCLC?

20 A Amongst service providers and BCLC; that's
21 correct.

22 Q And your evidence was that that directive came
23 from GPEB?

24 A We, as far as I recall, were not notified of
25 that directive from GPEB, and probably

1 precipitated a lot of that confusion on our
2 side.

3 MS. HARLINGTEN: Madam Registrar, I'd like to take
4 the witness to a package of documents that we
5 provided in anticipation of Mr. Friesen's
6 cross-examination. It should be an excerpt from
7 exhibit 75, specifically appendix I. It should
8 be at page 8, Madam Registrar, if that assists.

9 THE REGISTRAR: I'm very sorry. I just had it
10 earlier. Page 6.

11 MS. HARLINGTEN: Page 8, I think Madam Registrar, if
12 you wouldn't mind. Thank you.

13 THE REGISTRAR: Yeah, sorry.

14 MS. HARLINGTEN: No, that's perfect. I appreciate
15 it.

16 Q Can you see that document there, Mr. Friesen?

17 A Yes.

18 Q So, Mr. Friesen, you'll see on that email before
19 you that that's an email that you sent on
20 November 3rd, 2010. Do you see that there?

21 A Yes.

22 Q And turning just to the first line of that
23 email, Mr. Friesen, just the two lines, you can
24 see that that is sent to members of British
25 Columbia Lottery Corporation and the Great

1 Canadian Gaming Corporation; is that right?

2 A Yes.

3 Q There's no one to your knowledge from GPEB on
4 that email chain?

5 A Correct.

6 Q And in this email -- I'll just take a moment
7 just to read it to you Mr. Friesen, just so you
8 have an idea of where I'm going with this. You
9 state:

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

16 Do you see that there?

17 A Yes.

18 Q You go on to say:

19 "In our discussion Pat advised he would
20 instruct his employees to open an incident
21 report and put a brief note in it as to
22 circumstances, et cetera."

23 And then you go on to state that you would
24 monitor them and perhaps report to FINTRAC. Do
25 you see that there?

1 A Yes.

2 Q In this email, Mr. Friesen, you say that Derek
3 Dickson told the service provider to report
4 anything other than \$50,000; is that correct?

5 A Yes.

6 Q You'll agree with me that there's nothing in
7 this email to suggest that GPEB was directing
8 that the service provider stop reporting
9 transactions under \$50,000?

10 A There is no direction by GPEB to stop reporting
11 transactions of less than \$50,000, but this is
12 what caused the confusion.

13 Q I see. So, Mr. Friesen, your evidence is that
14 there was no directive from GPEB but there was
15 confusion as to whether one existed; is that
16 fair?

17 A What I meant by that is that GPEB did not -- as
18 far as I knew, did not notify BCLC that they had
19 notified the Great Canadian that they were only
20 interested in buy-ins of \$50,000 or more that
21 were conducted with \$20 bills.

22 Q I see. And, Mr. Friesen, it's fair to say that
23 if there was confusion about this direction, it
24 would have been important to follow up to make
25 sure that GPEB had issued such a direction.

1 Isn't that true?

2 A Well, I think we did. If I recall correctly we
3 did follow up because we noticed that some Great
4 Canadian employees were not filing suspicious
5 financial transactions under \$50,000.

6 Q So your evidence is that at some point after
7 this you followed up with the service provider
8 to advise that they ought to be filing
9 transaction reports for any transaction under
10 \$50,000?

11 A If I recall correctly, I instructed our
12 investigators to find out why they weren't
13 reporting. Well, what precipitated this? This
14 is not a BCLC policy or AML decision. We didn't
15 know where this came from.

16 Q Well, you'll recall that Mr. McGowan took you to
17 an email in September of 2011 discussing this
18 threshold. Do you recall that?

19 A Yes.

20 Q Would you like to see that email again? It's
21 exhibit 107.

22 A Okay.

23 MS. HARLINGTON: Madam Registrar, would you be so
24 kind as to bring up exhibit 107.

25 Q Mr. Friesen, I understand you've already gone

1 through this email with my friend Mr. McGowan.

2 A Okay. Yes.

3 Q But in your response of September 23, 2011, you
4 see there in the first line you say:

5 "This is not written in our policy, so an
6 auditor will not find us non-compliant.
7 This is an AML strategy."

8 Do you see that there?

9 A Yes.

10 Q And at the bottom you say:

11 "As indicated the \$50,000 threshold was
12 just a simple determination made at River
13 Rock because of the volume of
14 transactions. You can alter this at
15 will."

16 Do you see that there?

17 A Yes.

18 Q You were aware at the time that a threshold of
19 this nature would violate FINTRAC reporting
20 requirements, weren't you?

21 A Yeah. Yes.

22 Q Are you aware, Mr. Friesen, that this practice
23 occurred for another four years after this
24 email?

25 A This occurred four years after this email? I --

1 I'm not -- I have no idea what you're talking
2 about.

3 Q All right. Well, is it fair to say that at this
4 time, in September 2011, you knew that the River
5 Rock was not reporting suspicious transactions
6 so long as they fell under the reporting
7 requirement of \$50,000?

8 A That was the part of the confusion in what we're
9 talking about that GPEB had asked River Rock not
10 to report -- or they were only interested in
11 reporting transactions of \$50,000 or more in
12 \$20 bills. That's --

13 Q You have no --

14 A That's -- I'm sorry, but that's my -- that's my
15 recollection of events.

16 Q You have no direct knowledge of any conversation
17 between Patrick Ennis and Derek Dickson, do you?

18 A No, I don't.

19 Q I'm going to put it to you, Mr. Friesen that
20 Derek Dickson never made any such direction.

21 A I disagree.

22 MS. HARLINGTEN: All right. Thank you,
23 Mr. Commissioner, those are my questions for
24 this witness.

25 THE COMMISSIONER: Thank you, Ms. Harlingten.

1 And now Ms. Harmer for Great Canadian Gaming
2 Corporation has been allotted 15 minutes.

3 MS. HARMER: Thank you, Mr. Commissioner.

4 **EXAMINATION BY MS. HARMER:**

5 Q Mr. Friesen, if you have any difficulty hearing
6 me, I ask that you advise me, please. Can you
7 hear all right?

8 A No.

9 MR. MCGOWAN: I'll just interject, Mr. Commissioner.
10 I'm hearing quite an echo from Ms. Harmer. I
11 don't know if others are as well.

12 THE COMMISSIONER: Yes, I think I am as well.

13 MS. HARMER: Just let me switch the microphone that
14 I'm using and see if I can correct that.

15 Mr. Commissioner, is the volume better on
16 that?

17 THE COMMISSIONER: Yes, it is for me. I can't speak
18 for everyone else. I see Mr. McGowan is
19 nodding, so it appears that's cleared it up.
20 Thank you.

21 MS. HARMER: Thank you very much for advising me.

22 Q Mr. Friesen, my name the Melanie Harmer. I'm
23 one of the counsel for Great Canadian Gaming
24 Corporation, and I have just a few questions for
25 you here about the evidence you gave to the

1 commissioner earlier.

2 Part of your evidence was that you worked as
3 a security investigator for BCLC and you were
4 assigned to the River Rock Casino; is that
5 correct?

6 A Yes. That's correct.

7 Q And one of your responsibilities while in that
8 role was to train service provider staff?

9 A Yes.

10 Q And your training of those staff was how to
11 complete reporting to BCLC on transactions that
12 might be suspicious?

13 A Yes.

14 Q And another of your tasks was to review the
15 FINTRAC reporting that was done at River Rock to
16 BCLC?

17 A Yes.

18 Q And you reviewed those on a daily basis; is that
19 right?

20 A That's correct.

21 Q And so if there was any concerns with the
22 reporting that River Rock staff were doing, you
23 would be aware of that immediately?

24 A Pretty well.

25 Q Or at the very least the next day?

1 A Or within -- well, it depends if it's a long
2 weekend too. I mean depending on circumstances.
3 It wouldn't take long till we were -- we would
4 be aware of reporting by River Rock.

5 Q So it's fair to say within a short period of
6 time you would be aware if there were --

7 A Yes.

8 Q -- problems in the reporting?

9 A Yes.

10 Q As because it was your job to train those staff,
11 you would correct the training you were
12 providing them if there was any concerns?

13 A I would. Or the investigator who was
14 responsible for training them I'm sure would
15 have a hand in that as well.

16 Q Yes, of course. That makes sense.

17 So the evidence that you gave earlier today
18 was that Great Canadian was generally happy to
19 have investigators on site at River Rock. Is
20 that correct?

21 A Yes.

22 Q And you gave evidence that you worked in a
23 cooperative and collaborative fashion with the
24 River Rock staff?

25 A Yes.

1 Q And you also described working with a group that
2 included the RCMP in a working group with the
3 River Rock staff and some senior members of the
4 River Rock management?

5 A Yes.

6 Q Are you aware of any situations where Great
7 Canadian did not welcome police officers at the
8 River Rock Casino?

9 A No.

10 Q Your evidence earlier today was that you saw a
11 number of casino patrons buy in with large
12 amounts of cash and that that seemed suspicious
13 to you; is that right?

14 A Yes.

15 Q But that Great Canadian and other service
16 providers reported this cash to BCLC as they're
17 required?

18 A Yes.

19 Q And they filed large cash transactions, and what
20 were various call -- variously called at
21 different times by different acronyms, but
22 generally UFTs?

23 A Yes.

24 Q You gave evidence that BCLC didn't have enough
25 information to know whether this cash was

1 actually the proceeds of crime?

2 A Correct.

3 Q And you talked about your experience of 34 years
4 in the RCMP?

5 A Yes.

6 Q And your evidence was to the effect that you had
7 concerns about these large cash buy-ins being
8 reported by service providers but that you
9 yourself made no determination that they were
10 illicit?

11 A Correct.

12 Q You didn't have sufficient information from GPEB
13 or police to know this money was the proceeds of
14 crime?

15 A Yes.

16 Q And it's fair to say that if you as an
17 investigator with BCLC and later in a management
18 role with BCLC and extensive law enforcement
19 history, if you didn't have enough information
20 to determine this cash was illicit that service
21 providers similarly didn't have enough
22 information?

23 A Correct.

24 Q To the best of your knowledge, during your time
25 at BCLC did GPEB or BCLC ever direct Great

1 Canadian to refuse large cash buy-ins?

2 A Not that I'm aware of.

3 MS. HARMER: That's all the questions I have, Mr.

4 Friesen. Thank you.

5 THE WITNESS: Thank you.

6 THE COMMISSIONER: Thank you, Ms. Harmer.

7 Mr. McFee for Mr. Lightbody.

8 MR. MCFEE: Thank you.

9 **EXAMINATION BY MR. MCFEE:**

10 Q Mr. Friesen, are you able to hear me fine?

11 A Yes, thank you.

12 Q We heard in your evidence that before you joined
13 BCLC you'd served as an RCMP member for 34
14 years?

15 A Yes, sir.

16 Q And when you joined BCLC as an investigator, did
17 you understand that in that role you had no law
18 enforcement powers?

19 A Correct.

20 Q And as a result did you understand that as a
21 BCLC investigator your role was to observe,
22 record and report?

23 A Yes, sir.

24 Q And you, as you told Mr. McGowan, did report to
25 the appropriate agencies, including GPEB and

1 FINTRAC?

2 A Yes, sir.

3 Q And I take it from your evidence you also, where
4 you felt it was warranted, reported it to the
5 appropriate policing units, including the
6 integrated proceeds of crime unit?

7 A Yes, sir.

8 Q Was that an ongoing process?

9 A It was.

10 Q And was it your understanding that it wasn't for
11 you or BCLC to conduct investigations into
12 suspected criminal activity?

13 A With respect to proceeds of crime, we had no
14 authority to investigate that.

15 Q And rather, as you understand it, that -- or
16 understood at the time that responsibility and
17 role lay with the law enforcement agencies that
18 had policing powers?

19 A Yes.

20 Q And at the time did you understand that GPEB
21 investigators were sworn as special constables
22 under the Police Act?

23 A Yes.

24 Q And did you have any understanding as to the law
25 enforcement powers that granted?

1 A Well, they had the law enforcement powers to
2 investigate criminal activity, so the proceeds
3 of crime possibly captured -- could be captured
4 with that as well.

5 Q And in response to Mr. McGowan's questions,
6 during your tenure at BCLC you observed an
7 increase in the transactions that were occurring
8 in the BC casinos at a fairly rapid basis?

9 A Yes.

10 Q And I take it there was a corresponding increase
11 in BCLC's reporting to GPEB and FINTRAC in the
12 law enforcement agencies?

13 A Yes.

14 Q Just to give that context, as I understand --
15 correct me if I'm wrong -- when you commenced
16 your employment with BCLC in 2005, were you the
17 sole individual that did all of the GPEB and
18 FINTRAC reporting?

19 A Yes.

20 Q And when you retired in 2014 to the best of your
21 recollection, how many BCLC personnel were
22 engaged in preparing reports to and sending them
23 to GPEB and FINTRAC?

24 A 14 investigators and another two AML personnel.

25 Q So in terms of the relative numbers, does that

1 give the commission a bit of an insight from
2 your perspective into how the reports
3 requirements had escalated?

4 A Yes.

5 Q And with all of those reports that were going in
6 up to the time you left in 2014, did you observe
7 GPEB taking any actions on any of the
8 transactions that were reported?

9 A No.

10 Q And did you observe the integrated proceeds of
11 crime unit of the RCMP take any direct action on
12 the reports you were submitting?

13 A No.

14 Q But as I understood your evidence with Mr. --
15 from -- that you gave in response to
16 Mr. McGowan's questions, you did have
17 interactions with the integrated proceeds of
18 crime unit and its members?

19 A Yes.

20 Q And was the purpose of those interactions to try
21 and encourage them to take action?

22 A If we could. We had target lists that we
23 provided them.

24 Q Now, in response to Mr. McGowan's questions, you
25 told us that you were the -- appointed as BCLC's

1 manager of investigations in August of 2010 and
2 you continued that until you retired in -- I
3 take it that was mid-2014.

4 A Yes, sir.

5 MS. HARLINGTON: Mr. Commissioner, I hate to
6 interrupt my friend. I do have an objection
7 with respect to the scope of Mr. Lightbody's
8 standing. I know this was discussed yesterday;
9 however, we'd like to point out that it's not
10 simply overlap with counsel for BCLC, but rather
11 they're that supposed to be a divergence.
12 Pardon me. Carry on.

13 But there must be a divergence next two
14 witness positions between Mr. Lightbody and
15 BCLC.

16 MR. McFEE: I don't expect that Mr. Smart will go
17 over anything that I am going over, but I'll
18 leave that to him, however. I'm trying to paint
19 some background for context with respect to the
20 events that occurred once my client became the
21 VP and subsequently the president.

22 THE COMMISSIONER: That's fine. You carry on,
23 Mr. McFee, bearing in mind you've been allocated
24 10 minutes.

25 MR. McFEE: Yes. Thank you.

1 Q And as the manager of investigations, how large
2 was your staff that you oversaw?

3 A When I commenced as manager my staff was
4 14 investigators and two support staff. When I
5 left it was 17 -- or 19 individuals.

6 Q And when you commenced were any of your
7 investigators directly dedicated to anti-money
8 laundering?

9 A No.

10 Q And do you recall that my client, Mr. Lightbody,
11 was appointed as BCLC's vice president of
12 casinos and gaming in 2011?

13 A Yes.

14 Q And do you recall that in 2013 a dedicated AML
15 unit was created within BCLC?

16 A Yes.

17 Q And did that unit report to you?

18 A Yes.

19 Q And how many investigators were in that unit
20 when it was commenced in 2013?

21 A Two investigators and one analysis resource.

22 Q And from your perspective as the manager, did
23 that indicate to you that the BCLC executive at
24 the time were taking steps to address and
25 respond to concerns about money laundering?

1 A Yes.

2 Q And in addition to the creation of the dedicated
3 AML investigators' positions in the unit, did
4 BCLC in 2013, 2014 on your -- while you were
5 still there make the decision to ensure that all
6 its investigators receive AML training?

7 A That's correct.

8 Q And did you oversee that to ensure all of your
9 investigators in fact received that training?

10 A To the point until such time as I departed the
11 corporation.

12 Q And up to the time you left BCLC in retirement
13 in 2014 did you ever witness either directly or
14 on surveillance a patron buying in with a large
15 amount of cash, playing notionally or not at all
16 and then cashing out for a casino cheque?

17 A Did I personally witness that?

18 Q Yes.

19 A No.

20 Q Were you ever informed of something like that
21 happening by your investigators?

22 A Absolutely.

23 Q And would that be convenience cheques they'd
24 receive?

25 A No, absolutely not.

1 Q So if you came in with cash and played a little
2 or not at all, were you -- was a patron able to
3 leave with a casino cheque?

4 A No.

5 Q Now, Mr. McGowan questioned you quite
6 extensively about the increase in large cash
7 buy-outs that were occurring in the BC casinos
8 in your tenure as manager up to 2014?

9 A Sorry, large cash buy-outs?

10 Q Buy-ins, I'm sorry.

11 A Okay. So repeat that. I'm sorry.

12 Q So you recall Mr. McGowan questioning you about
13 this increase in large cash buy-ins that were
14 observed in the time that you were the manager
15 of investigations at BCLC?

16 A Yes.

17 Q And as I understood your evidence, you and the
18 other BCLC investigators to your knowledge had
19 suspicions respecting source of funds?

20 A Yes.

21 Q But you had no proof?

22 A No.

23 Q Had no proof that these proceeds -- these
24 buy-ins were sourced from illicit means?

25 A Correct.

1 Q Now, in your many years serving as an RCMP
2 officer were you trained that to take action
3 against an individual or an entity suspicion is
4 insufficient; rather, proof was required?

5 A What? I'm sorry, say that again.

6 Q That suspicion was insufficient to take action;
7 rather, proof was required?

8 A If you're going to charge somebody or accuse
9 them of something, especially a criminal
10 offence, you need evidence that supports proof
11 of a suspicion.

12 Q And when you were an RCMP officer was it drummed
13 into you as it was often with young lawyers,
14 criminal lawyers like me that suspicion built
15 upon suspicion amounts to nothing more than
16 suspicion?

17 A Correct.

18 MR. McFEE: Those are my questions. Thank you,
19 Mr. Friesen.

20 THE COMMISSIONER: Thank you Mr. McFee.

21 Mr. Mainville for Mr. Kroeker, who has been
22 allocated 20 minutes.

23 MR. SMART: Mr. Commissioner?

24 THE COMMISSIONER: Yes, Mr. Smart.

25 MR. SMART: Mr. Friesen has a medical appointment

1 this afternoon in White Rock that's very
2 important that he attend, so I wonder if we
3 could break and continue tomorrow morning.

4 THE COMMISSIONER: Yes. We're very close to the
5 break time in any event, so I thank you for
6 bringing that to my attention.

7 MR. SMART: Yes.

8 THE COMMISSIONER: We will break and resume tomorrow
9 morning at 9:30.

10 Is there anything further that needs to be
11 done today, Mr. McGowan, as far as you're
12 concerned?

13 MR. MCGOWAN: Not from my perspective, Mr. Commissioner.

14 THE COMMISSIONER: All right. Thank you.

15 THE REGISTRAR: This hearing is adjourned until
16 9:30 a.m. on October 29th, 2020. Thank you.

17 **(WITNESS STOOD DOWN)**

18 **(PROCEEDINGS ADJOURNED AT 1:29 P.M. TO**
19 **OCTOBER 29, 2020)**

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