

IN THE MATTER OF THE COMMISSION OF INQUIRY INTO MONEY LAUNDERING IN
BRITISH COLUMBIA (THE "CULLEN COMMISSION") ESTABLISHED ON MAY 5, 2019,
UNDER THE *PUBLIC INQUIRY ACT*, SBC 2007 c.9, SS. 2 & 5 BY ORDER IN COUNCIL NO:
238/2019

The Honourable Mr. Austin F. Cullen, Commissioner

AFFIDAVIT No. 1 of DEREK STURKO

1. I, Derek Sturko, of [REDACTED] was in the British Columbia public service from December 1984 to July 2017 and as such I have personal knowledge of the facts and matters hereinafter deposed to, save and except where stated to be on information and belief and where so stated I verily believe them to be true.
2. I swear this affidavit to provide evidence to the Cullen Commission pursuant to a summons issued to me under the *Public Inquiry Act*, SBC 2007, c. 9.

Career overview

3. I joined the British Columbia public service in December 1984 with the Ministry of Education.
4. I remained with the Ministry of Education, where I served in several different portfolios, until December 1999 when I became the Executive Director of the Gaming Policy Secretariat.
5. In or about September 2001, I became the first General Manager of the Gaming Policy and Enforcement Branch ("GPEB").
6. I left GPEB in December 2010 to join the Ministry of Children and Family Development and later served in the Environmental Assessment Office (Ministry of Environment), and the Ministry of Agriculture.

Experience with the Gaming Policy Secretariat

7. The Gaming Policy Secretariat was one of several agencies with responsibilities for the gaming industry in British Columbia prior to the enactment of the current *Gaming Control Act*. Others included the Gaming Audit and Investigation Office, the BC Racing Commission, the BC Gaming Commission, and the Ministry of Health, which was responsible for policies and programs to address problem gambling.

8. The Gaming Policy Secretariat was a branch of government, and the Province's policy arm for the gambling industry. It was responsible for policy development and its coordination and, at that time, oversaw some gaming industry programs for government.
9. I arrived at the Gaming Policy Secretariat in December 1999, which was a difficult time for the agency. The Secretariat had been a lead agency involved in supporting the investigation into the Nanaimo Commonwealth Holding Society matter. I understand this matter involved the Society's use of funds acquired from bingo charities and included extensive auditing, police investigation, and the appointment of a special prosecutor. It is my understanding the Secretariat was actively engaged in supporting that work through the provision of documents, etc. These activities all occurred prior to my time at the Secretariat.
10. One of my key jobs after arriving at the Secretariat was to get the office functioning again, improve the state of their records and try to understand the role of the Secretariat.
11. I do not recall money laundering being on the radar of the Gaming Policy Secretariat at the time. During this period, the Province had a charitable gaming model in which charities were responsible for the conduct and management of casinos.

Development of the Gaming Control Act

12. Prior to the 2001 provincial election, there was an expectation that there would be a change in government.
13. In anticipation of this change, the Gaming Policy Secretariat began to plan for this transition, including by considering the anticipated new government's plan for a core review of government.
14. The core review involved consideration of two questions regarding government functions, namely: is it necessary for government to continue to manage a particular function or program? If so, is it being done as efficiently and effectively as possible?
15. In this context, the Gaming Policy Secretariat began to prepare options for consideration by a new government, based in part on a recently developed White Paper (Report on Gaming Legislation and Regulation in British Columbia, January 1999), and produced its own proposal for reorganizing the gaming industry. To the best of my recollection, while the Secretariat developed a few options, the Secretariat proposed and recommended the model that was adopted by government.
16. After the change in government, this proposal went into the core review process and in September 2001, government decided to move forward with the recommended approach, including the creation of GPEB and a change in the role of the British Columbia Lottery Corporation ("BCLC").
17. One of the considerations in the development of the new model was the role of charities. The white paper made clear the risk charities took in their involvement with the gaming industry.

18. Charities had full responsibility for the conduct and management of casino gaming but had no real involvement in how the games were run.
19. The involvement of so many different agencies in the industry in the absence of any real coordination was also an issue.
20. To the best of my knowledge, revenue was not a factor in the development of the new model for regulating gaming.

Creation of GPEB

21. I initially joined GPEB as the acting General Manager. The appointment later became permanent and the position was formalized as an Assistant Deputy Minister.
22. I do not know how I was selected to become the acting General Manager. The decision would have been made by the Deputy Minister at the time.

GPEB's Role and the Development of GPEB

23. GPEB was created to have overall responsibility for the integrity of legal gaming in British Columbia, including horse racing and casino gaming.
24. GPEB was not created overnight. Once the new *Gaming Control Act* was introduced, there was a staged implementation over a few years to fully implement the GPEB model.
25. A key task initially was getting the industry to understand GPEB's presence and authority.
26. Based on this mandate, others and I conducted a functional analysis of GPEB's role and the functions it was required to perform to fulfill its mandate.
27. This analysis led to the design of an organization with different streams of business (divisions) including:
 - a. Policy and legislative work including responsible gambling and support services (e.g.: financial services),
 - b. Licensing and Grants,
 - c. Racing,
 - d. Registration and Certification,
 - e. Audit and Compliance, and
 - f. Investigations.
28. GPEB employed a decentralized decision-making model, particularly with respect to its audit, registration, and investigation functions. The leadership of the units responsible for those streams of business were responsible for making decisions about the specific actions their division would take (e.g. which companies to register, which complaints or allegations of wrongdoing to investigate, etc.) for the division to fulfill its mandate.

29. In late 2007 or early 2008, an additional division was added - Internal Compliance and Risk Management. The need for this function was recommended as a result of work conducted by Deloitte in 2007 for the Minister of Public Safety and Solicitor General.
30. I do not recall what specific factors led to the increased workload in legal gaming referred to in an email dated November 24, 2004 from Larry Vander Graaf, but the email does refer to slot machines at horse racing tracks, the Integrated Illegal Gaming Enforcement Team ("IIGET"), etc. as contributing factors. Now shown to me and marked Exhibit "A" to this, my Affidavit is document GPEB0511.
31. I recall the Investigations Division's staffing complement being increased (I believe twice) during my tenure with GPEB, but I cannot recall if an increase occurred in response to this particular request.

GPEB's Authority over BCLC

32. Under the *Gaming Control Act*, BCLC was responsible for the conduct and management of gaming.
33. BCLC fulfilled its function primarily by contracting with service providers.
34. There were certain matters within which GPEB could set standards for operation. The investigations division, for example, could request records, which BCLC was obliged to produce.
35. GPEB could not tell BCLC how to conduct and manage casino games but did have authority for programs and functions that had a direct impact on them (e.g. by certifying the companies, people, and equipment that BCLC could use).

Relationship Between GPEB Investigations Division and Other Divisions of GPEB

36. There were some challenges in the relationship between the GPEB Investigations Division and other divisions of GPEB.
37. The Investigations Division was composed of former law enforcement officers with particular backgrounds and experiences.
38. The different approach and style of the Investigations Division could cause some challenges, but ultimately everyone was working towards the same objectives.

Lottery Retailer Investigation

39. In 2006, there was public media discussion related to lottery retailers in Ontario winning prizes.
40. This concern spread across the country, including to British Columbia, where the BC Ombudsperson produced a report on this issue in 2007.
41. The Ombudsperson's report assessed BCLC and GPEB's management of the lottery retailer relationship (including GPEB's initial report on BCLC's management of lottery retailers) and made recommendations for improving both BCLC's and GPEB's roles.
42. I do not explicitly recall directing the GPEB Investigations Division to seize files from BCLC but know that GPEB did seize BCLC files related to this issue.

43. I do not recall if this specific issue led to the expansion of the GPEB Investigations Division.

Integrated Illegal Gaming Enforcement Team

Creation of IIGET

44. IIGET was created in response to concerns about the presence of some illegal gambling activities in the province (e.g. the prevalence of video lottery terminals in northern British Columbia).
45. IIGET was established through a Memorandum of Understanding between the Police Services Division and the RCMP, who provided officers to staff IIGET.
46. IIGET was created to look into matters tied to illegal gambling, specifically unsanctioned gambling happening outside of legal gambling venues.
47. My understanding is that IIGET 's mandate did not include illegal activity in legal venues.

Oversight and Operation of IIGET

48. I was a member of the IIGET consultative board. The Board included three persons representing law enforcement (ADM Police Services, a senior RCMP official, and a representative of BC Association of Chiefs of Police) and me, as a representative of the gaming sector. The CEO and President of BCLC was also involved in the IIGET consultative board in a limited capacity.
49. IIGET was created as an integrated, coordinated unit.
50. IIGET was initially co-located with GPEB, with some IIGET members in each GPEB office. The largest complement of IIGET officers was in the GPEB Burnaby office.
51. There was constant turnover of IIGET officers as they were reassigned to other priorities. One impact was IIGET members would frequently be reassigned shortly after they had been trained and new members would have to be trained. IIGET often operated without its full complement of officers.

Tension Between IIGET and GPEB

52. I recall hearing from the GPEB Investigations Division that there was some tension between GPEB and the RCMP officers assigned to IIGET.
53. I recall that at one point the RCMP officers left the GPEB office for another location.
54. I do not have a strong recollection of receiving document CAN-000077 (which is now shown to me and marked Exhibit "B" to this my Affidavit) during my tenure with GPEB.
55. The creation of a new unit to investigate money laundering in casinos, the expansion of IIGET's mandate, or an increase in the size of IIGET were not decisions the consultative board had the authority to make. There were other processes and authorities (which I understood involved the Police Services Division, Ministry of Public Safety and Solicitor General and law enforcement agencies directly) for the consideration of such proposals.

56. The suggestion in Exhibit "B" that money laundering and loan sharking were significant concerns in legal gaming venues would have come as a surprise to me at the time as I do not remember these being prominent issues at that time.
57. I do not recall the nature of the discussions within GPEB that followed receipt of Exhibit "B".

Disbanding of IIGET

58. Prior to the scheduled termination of the IIGET MOU on March 31, 2008, and consistent with the MOU, Catherine Tait was retained to conduct a review and analysis of IIGET. Ms. Tait recommended that IIGET be continued for another year. That recommendation was accepted and IIGET continued to operate for one more year. IIGET was disbanded after that additional year of operation had concluded.
59. The decision to disband IIGET was made by the Minister responsible for gaming, Rich Coleman, likely in consultation with myself and Kevin Begg (the Assistant Deputy Minister, Police Services) as the two government representatives on the consultative board.
60. While I do not know the specific reasons why Minister Coleman decided to disband IIGET, I supported and recommended it being disbanded.
61. The consultative board was not satisfied with what IIGET had accomplished, or the level of staff turnover within IIGET.
62. Catherine Tait's review did not provide a glowing endorsement of IIGET's performance.
63. I do not know if there was a specific reason why document GPEB0200 (which is now shown to me and marked Exhibit "C" to this my Affidavit) was prepared, but it appears to have been shared with me for information and includes a number of documents prepared by the RCMP concerning the consolidation of the RCMP officers assigned to IIGET in Burnaby.
64. I would not have authored document GPEB0568 (which is now shown to me and marked Exhibit "D" to this my Affidavit). I do not recall if there was a specific purpose for which it was prepared, other than it is an Issues Note prepared for Minister Coleman concerning the effectiveness review of IIGET approximately one-year after IIGET was disbanded.
65. The purpose of this type of document was to provide the Minister and Deputy Minister with background information on a specific matter or issue.

Evolution of Large and Suspicious Cash Transactions

66. The topic of money laundering and loan sharking was something of which GPEB had always been aware. They were among several types of potential incidents, which might impact the integrity of gaming that were to be reported to GPEB.

67. I cannot be certain when it was first raised as a concern in BC casinos, but I recall it became something that GPEB was more aware of sometime during 2010 and towards the end of my tenure at GPEB (December 2010).
68. The closer I got to the end of my tenure, the more aware I became.
69. BCLC and GPEB both had their views on this issue and were trying to approach the issue in a more coordinated way. This reflected the coordinated and cooperative approach to be taken by GPEB and BCLC that Deloitte recommended, and government accepted, in late 2007.
70. The focus was on finding an alternative to cash to allow customers to bring money into the casinos through appropriately certified financial institutions.
71. Based on communications with BCLC, I believed that BCLC appeared to be taking this issue seriously.

Communication with Senior Government Officials and Elected Officials

72. I spoke with my Deputy Ministers (David Morhart, Cairine MacDonald, and possibly Lori Wanamaker) and Minister Rich Coleman about a variety of issues (e.g.: concerns about large and suspicious cash buy ins in casinos, BCLC's reporting of large and suspicious cash transactions to FINTRAC, etc.).
73. Mr. Morhart and Ms. MacDonald expected GPEB to work with BCLC to find solutions to these matters.
74. Ms. Wanamaker became Deputy Minister very shortly before the end of my tenure at GPEB.
75. My communications with the Deputy Ministers were primarily oral, which included briefings and updates; however, each Minister and Deputy Minister would have often received briefing materials on a variety of matters and issues. New and updated briefing materials would have been prepared: any time there was a transition in the responsibility for gaming to a new Minister or Deputy Minister; to support the annual Estimates process; to support the daily oral question period in the Legislative Assembly, in support of communications and/or issues management; etc.
76. Minister's offices and Ministry communications teams maintained current notes on all issues and topics of interest, which program staff were asked to update regularly.
77. I had direct interactions with Minister Coleman. I recall discussing with Minister Coleman the role of FINTRAC, s. 86 reports, the obligations of service providers, enhanced security and surveillance measures and requirements set by BCLC for those receiving cash in casinos.
78. I also discussed the development of Patron Gaming Funds with Minister Coleman.
79. I do not specifically recall how Minister Coleman responded to each of these issues.
80. I was not present for a December 2010 meeting between Larry Vander Graaf, Minister Coleman and Ms. Wanamaker and do not recall being advised of the meeting. It occurred at the very end of my time at GPEB.

81. I do not recall anyone, including any government or elected official asking me to take, or avoid taking, any actions to prevent the loss of gaming revenue.
82. I do not specifically recall receiving document GPEB0577 (Report of Findings) (which is now shown to me and marked Exhibit "E" to this my Affidavit), but apparently it was forwarded to me in November 2010 shortly before my departure from GPEB.
83. I do not recall document GPEB0168 (which is now shown to me and marked Exhibit "F" to this my Affidavit) which is dated November 24, 2010 (shortly before I departed GPEB) but was aware that the GPEB Investigations Division was communicating with BCLC on topics contained in Exhibit "F".
84. I believe this communication was appropriate. One of GPEB's roles was to identify problems in gaming environments and ensure that those responsible and had the authority and resources to act (including BCLC's security and surveillance staff) were aware of them.
85. I do not recall document GPEB0581 (which is now shown to me and marked Exhibit "G" to this my Affidavit) as it is dated immediately prior to my departure from GPEB, and I likely did not receive it.
86. I recall that there was some debate between GPEB and BCLC about the significance of the findings of the GPEB Investigations Division and precisely what they demonstrated.
87. This exchange of letters is reflective of the relationship between GPEB and BCLC on this issue at the time and the perspectives of the GPEB Investigations Division and BCLC.

Police Involvement

88. I was not aware of what law enforcement agencies were doing in response to these matters (e.g. concerns about large and suspicious cash buy ins in BC casinos, alleged loan sharking and money laundering activity in casinos, etc.).

Proposals to Address Suspicious Cash in Casinos

89. Preliminary discussions around specific solutions to the issue of large and suspicious cash buy ins in BC casinos would likely have been internal to GPEB. It is unlikely the details would have been brought to the attention of the Minister or Deputy Minister until it was a well-developed, fully formed idea, although they would probably have been aware we were working on them.
90. The Minister and Deputy Minister were aware of all the other reporting obligations in the industry (e.g.: section 86 reporting, obligations to FINTRAC regarding large or suspicious currency transactions, obligations under BCLC's standard operating procedures, etc.)
91. I do not specifically recall receiving document GPEB0547 (which is now shown to me and marked Exhibit "H" to this my Affidavit).

Proposals to Limit Cash Transactions

92. Concerns about the volume of \$20 bills entering casinos and the prospect of limiting \$20 bills was raised occasionally within GPEB by Larry Vander Graaf.
93. Mr. Vander Graaf's concern was that \$20 bills were the currency of criminal activity.
94. I was not an expert in this area and neither agreed nor disagreed with this perspective.
95. GPEB had internal discussions around these issues, including putting them in the context of other responsibilities or obligations within the industry such as the reporting of large cash transactions to FINTRAC, s. 86 reporting, reporting obligations under BCLC's standard operating procedures, the role of law enforcement agencies, etc.
96. I do not recall why limits to \$20 bills were not adopted. GPEB instead focused on cash alternatives.
97. I do not recall receiving a draft of document GPEB0579 (which is now shown to me and marked Exhibit "I" to this my Affidavit) or a final version of this document. I do not know whether it was ever finalized, nor who prepared it, as it is not attributed to anyone. It is a draft dated just before I departed GPEB.
98. I do not recall any discussion around the creation of a CFSEU task force, which I believe all happened after I left GPEB.
99. I do not recall having an opinion as to whether a unit such as the one proposed was needed, but I did feel generally that the issue of large and suspicious cash buy ins in BC casinos needed to be addressed.

Development of PGF Accounts

100. My involvement in the development of PGF accounts would have been at a higher level (e.g. monitoring progress). I had no expertise in the specifics of how the accounts work.
101. The gaming industry in BC at that time was a cash-based business and the creation of such accounts would have been a significant change for the industry.
102. I did participate in the decision-making that led to these accounts, and it eventually became a pilot project (December 2009) at some of the major casinos to test out the effectiveness of the idea.
103. The pilot project was initially for 6 months and then expanded for an additional 6 months (to December 2010) to respond to initial learnings. To the best of my recollection, the long-term plan was to make accounts mandatory in some circumstances so that it was not solely up to patrons whether they would use the accounts.
104. The development of PGF accounts was motivated partly by concerns about proceeds of crime and money laundering. There were also safety concerns related to customers walking into and out of casinos with large amounts of cash.

Relationship with BCLC

105. I was responsible overall for the creation of document GPEB0533 (which is now shown to me and marked Exhibit “J” to this my Affidavit), but staff would have drafted and refined the initial content prior to its finalization.
106. Following the Ombudsperson’s investigation into lottery retailer wins, the Minister retained Deloitte to make recommendations to enhance the integrity of gaming in BC.
107. The Minister asked Deloitte to examine and recommend what could be done to resolve that issue and improve the relationship between GPEB and BCLC. One of the resulting recommendations was to prepare a document like Exhibit “J” and make it public.

Relationship Between GPEB Investigations Division and BCLC

108. There were certain tensions between the GPEB Investigations Division and BCLC.

Robert Kroeker’s Review

109. I did not participate in the decision to task Mr. Kroeker to review the gaming industry.
110. I did not comment on or provide feedback to Mr. Kroeker and did not participate in any decision-making as to whether Mr. Kroeker’s recommendations should be accepted.

Departure from GPEB

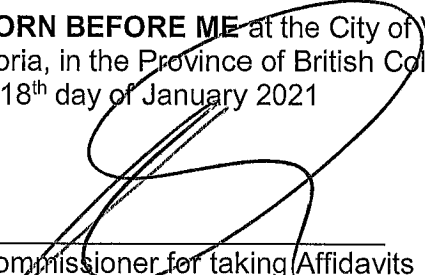
111. I left GPEB in December 2010 after nearly a decade with the organization.
112. I felt it was time for a change in my career after that much time in one portfolio. Because I believed the Ministry of Children and Family Development was one of the most important Ministries in Government, I requested a move to that Ministry.

Engagement with Peter German Review

113. After learning of Peter German’s review, I contacted Richard Fyfe (Deputy Attorney General) and offered to speak with Dr. German to provide context about the development of the gaming industry and the creation of the *Gaming Control Act* and GPEB.
114. Several weeks later, I heard from Dr. German and I met with him for an hour, during which I explained the history to Dr. German.
115. Document PG0130 (which is now show to me and marked Exhibit “K” to this my Affidavit) is feedback that I provided on draft sections of Dr. German’s report.


116. The comments near the bottom of the first page of Exhibit "K" about s. 86 reports refer to concerns that making s. 86 reports subject to freedom of information requests might lead to less detailed reports due to concerns that they would be made public.

SWORN BEFORE ME at the City of Vitoria
Victoria, in the Province of British Columbia
this 18th day of January 2021



A Commissioner for taking Affidavits
Within British Columbia

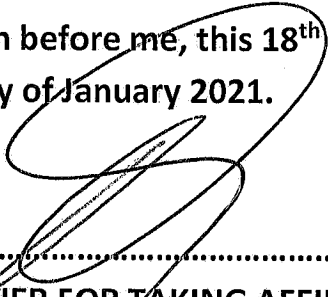
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Derek Sturko

LORENZO G. OSS-CECH
Barrister & Solicitor
#1 - 505 Fisgard Street
Victoria, BC V8W 1R3

This is Exhibit "A" referred to in the
Affidavit of Derek Sturko
Sworn before me, this 18th
day of January 2021.



.....
COMMISSIONER FOR TAKING AFFIDAVITS

LORENZO G. OSS-CECH
Barrister & Solicitor
#1 - 505 Fisgard Street
Victoria, BC V8W 1R3

Vander Graaf, Larry GPEB:EX

001

From: Vander Graaf, Larry GPEB:EX
Sent: Wednesday, November 24, 2004 2:11 PM
To: Sturko, Derek SG:EX
Cc: Perron, Ray A SG:EX
Subject: FTE Allotment LMD Region Investigations....

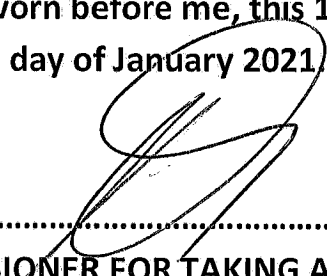
Derek: I would like to talk to you as soon and possible and am requesting considerations for additional FTEs for the Investigation Division for 2005/2006 projections in the LMD Region. The Regions appear to be adequately staffed with investigators at this time. I am of the opinion with the present situation in gaming, including adding slots to the Race Tracks, the IIGET initiative, and generally an increase in work load in legal gaming, I would like to request 3 additional FTEs for the LMD Region. Horse Racing (the Branch) could pay for one or even two. I would like to talk about this in the near future.. I have also had conversation with Ray on this matter as well..

Thanks....

*Larry Vander Graaf, Director
Investigation Division
Gaming Policy and Enforcement Branch
Public Safety and Solicitor General*

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**This is Exhibit "B" referred to in the
Affidavit of Derek Sturko
Sworn before me, this 18th
day of January 2021.**



.....
COMMISSIONER FOR TAKING AFFIDAVITS

LORENZO G. OSS-CECH
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INTEGRATED ILLEGAL GAMING ENFORCEMENT TEAM (IIGET)

Business Case for the formation of

**A PROVINCIAL CASINO
ENFORCEMENT / INTELLIGENCE UNIT**

**Submitted by: S/Sgt Fred Pinnock
NCO i/c IIGET
"E" Division**

2007-06-27

EXECUTIVE SUMMARY

With the arrival and increased popularity of large casinos within British Columbia over the past few years, law enforcement must adapt to the changes created by this business phenomenon. With annual revenues increasing dramatically, this industry has attracted the predicted unsavoury elements. As with other provinces and states which host casinos and racetracks, organized criminal activity is very much part of the fabric at these venues. The increased profile of this criminal activity has attracted considerable media attention of late, causing law enforcement and government to examine what needs to be done to address this trend.

The RCMP Integrated Illegal Gaming Enforcement Team (IIGET) has examined law enforcement approaches to casino and horse racing locations taken by a number of police agencies throughout North America. A number of these agencies have much more experience in the policing of these environments, and it would appear that a variation of the approach taken by the OPP is the most practical solution.

Three resourcing packages have been identified within this document, for the review of the Deputy Criminal Operations Officer (Contract). It is recommended that one of these identified options will be accepted as a model for implementation in the near future, with a view to deployment in 2008.

The attached funding models are based upon current salary levels.

IIGET is currently mandated to investigate illegal gaming activity only. The criminal element operates and moves freely between illegal and legal gaming venues. It is critical that an enforcement / intelligence unit is created in response to criminal activity which occurs in and around legal gaming venues throughout British Columbia. It is recommended that the mandate of IIGET be broadened to include a targeting presence for legal gaming venues as well. IIGET is well positioned to assume responsibility for this initiative upon renewal of the MOU on 08APR01.

1. THE ISSUE.

A significant enforcement gap in our policing operations has been identified, resulting from the absence of an operational targeting / intelligence unit focusing upon legal gaming venues throughout British Columbia.

2. HISTORY OF THIS ISSUE.

Legal gaming venues within British Columbia exist primarily in the form of licenced casinos and horse racing tracks. There is a significant organized crime presence already firmly entrenched within several of these venues. This is manifested in many forms, specifically loansharking, money laundering, counterfeiting, drug trafficking, institutional corruption and frequent acts of violence and intimidation. A major part of the problem lies in the fact that there is little, if any, enforcement effort being initiated by the police at these locations. Police agencies of jurisdiction do respond to calls for service at these locations. These agencies do not, however, operate at resource and training levels which are sufficient to target the criminal element which thrives in these environments.

BC Lottery Corporation operates all legal gaming venues on behalf of the provincial government. There are two main contractors which operate these facilities, *Great Canadian Casinos Ltd* and *Gateway Casinos Ltd*. These companies employ their own on-site security and surveillance departments. The provincial *Gaming Control Act* requires that these casino and racetrack operators report all verifiable or suspected criminal activity to a provincial government enforcement body, Gaming Policy Enforcement Branch (GPEB). GPEB is mandated under a directive from the Solicitor General to act in an enforcement role within casinos and racetracks. There are in excess of twenty GPEB investigators positioned throughout the province. While a few of these investigators will continue to be mandated to look after these legal venues, the majority must respond to other investigative priorities such as the recent lottery retailer scandal. These retired police officers do not possess traditional policing authority. Upon receiving a paper report from a casino employee, the GPEB member reviews the document, disseminates where appropriate, and files it in his office. Typically, when a complaint is received by the police in relation to a serious incident originating in a casino or racetrack, a major crime investigator from the police agency of jurisdiction meets with the GPEB investigator to examine any relevant materials which may be archived in the GPEB office. There is no electronic retention of this information, and no tactical or strategic analysis is conducted due to limited resources. The enforcement resulting from this existing protocol has been quite limited.

The Integrated Illegal Gaming Enforcement Team (IIGET) was officially formed in 2003 to address illegal gaming activity in the province of British Columbia. The RCMP and GPEB are partner agencies within this model. No provision is made within the existing MOU for actual

enforcement or targeting within legal venues, other than the police agencies of jurisdiction responding to calls for service. The current IIGET MOU expires on 08MAR31.

This existing reality does not meet the expectations or the needs of our citizens.

3. DESCRIPTION OF CURRENT POLICING RESPONSE

The experience of other North American jurisdictions is relied upon when concluding that casinos and racetracks attract the criminal element - both organized and otherwise.

There are currently twenty-four licenced casinos (including community gaming centres) and two licenced racetracks throughout the province of British Columbia. While GPEB investigators are mandated to monitor low level criminal activity within these environments, no proactive law enforcement presence exists. The lone exception to this will be Richmond Detachment, which has recently had funding for two positions approved by their municipal government. Two additional positions from within the detachment will be reassigned with a view to the formation of an investigative unit consisting of four police officers. This unit will investigate both illegal gaming activity and criminal activity stemming from legal gaming venues within the City of Richmond. The targeting capability of this unit will be extremely limited, unless it is aligned with a provincial targeting unit as identified within this proposal.

Generally, however, Police agencies of jurisdiction respond to calls for service when they are received. The bulk of the criminal activity occurring in casinos and racetracks goes unreported, simply due to the nature of these activities. As a result of this, current statistical analyses are unreliable. The police of jurisdiction are made aware of activities such as kidnapping, extortion, counterfeiting and various forms of violent crime when a complaint is received. Anecdotal accounts from Administrative Crown Counsel(s) in the Vancouver and Fraser Regions identify an increase in robberies as a result of casino patrons being followed home from these venues. There is currently no police targeting presence focused upon these venues within British Columbia. The absence of a proactive enforcement / intelligence unit to be responsible for this category of criminal activity throughout the province represents a disturbing gap in our delivery of police services.

IIGET does not currently possess the mandate to target criminal activity within legal gaming venues. It would seem appropriate to broaden the mandate to permit this to happen or, alternatively, to create a casino / racetrack unit to report to NCO i/c IIGET under OIC Major Crime Section (outside of the IIGET structure). As the majority of targets operate freely between legal and illegal gaming environments, it would be unwise to create an artificial firewall between separate units. For optimal effectiveness, constant communication must be fostered under one central command. IIGET with a broadened mandate is the recommended vehicle to ensure that this occurs.

4. PROJECTED OUTCOME IF CURRENT SITUATION CONTINUES

If this enforcement / intelligence gap in legal gaming venues continues to exist, the cycle of organized criminal activity will continue to escalate. A number of human sources and industry insiders have come forward, identifying that institutional corruption has penetrated these environments, and that some security and surveillance employees have been corrupted so as to turn a blind eye at strategic times. Notwithstanding their considerable efforts, it is a certainty that the GPEB presence is not an adequate law enforcement response to these pressures. In the absence of a properly resourced enforcement / intelligence body focusing upon this industry, the criminal element will continue to acquire a stronger foothold, making these environments less safe for law abiding citizens and honest employees. This said, it is intended to have the proposed unit work closely with police agencies of jurisdiction, GPEB, BCLC and security personnel at these locations, to ensure that appropriate communication between departments is maintained.

Media scrutiny of this issue has intensified as of late, focusing upon a recent homicide in Richmond, B.C. It has been widely reported that not one loansharking (*Criminal Interest Rate* - Section 347 C.C.C.) charge has been laid in response to the obvious increase in this criminal activity created specifically by the arrival of casinos in British Columbia. Casino operators, obviously driven by the bottom line, have expressed displeasure with this recent wave of publicity, citing a reduction in Asian customers at the River Rock Casino in Richmond that has resulted from this unfavourable news coverage.

It is reasonable to assume that, upon completion of the RAV Line to Richmond's River Rock Casino Station in 2009, the volume and intensity of criminal activity will escalate dramatically at that location. This anticipated increase has resulted in Translink committing to build a substantial policing facility to house its officers adjacent to the casino. It will be necessary for a portion of that facility to be dedicated to office space for this proposed unit, along with GPEB personnel assigned to this location..

Discussions have been held before the IIGET Consultative Board pertaining to this gap in policing services. There is a consensus that the pressures are almost exclusively based out of the Lower Mainland at this time. Accepting this current perception as accurate, it is recommended that this proposed unit be based completely out of Burnaby, to be housed in the same building where IIGET is currently located. As with the current IIGET office space, workstations for a number of GPEB investigators will also be provided. As with IIGET, this proposed unit will be extremely mobile, and able to deploy anywhere in the province without difficulty. There are numerous casinos and one racetrack outside the Lower Mainland. The possibility exists that a need will be identified for permanent positions in all Districts within British Columbia in future, however, this does not reflect the current reality.

As identified above, OIC Richmond Detachment has succeeded in the formation of a unit mandated to address gaming related pressures within his jurisdiction. It is not realistic, however, to expect this detachment unit to operate at a strategic and tactical level which is necessary to disrupt the organized criminal activity which occurs at River Rock Casino. The unit proposed within this submission will work closely with, and in support of this Richmond Detachment unit.

5. INTEGRATED MODEL - INCORPORATION OF MUNICIPAL COMPONENT

007

Three major casinos (Edgewater in Vancouver, Queensborough in New Westminster and GCC in Greater Victoria) and one major horse racing facility (Hastings Park in Vancouver) are located in municipal policing jurisdictions. If a targeting / intelligence unit mandated to focus upon legal gaming environments is supported by the Solicitor General, it would seem appropriate to including a municipal component when developing such a unit.

A minimum of two municipal police officers at the constable rank, directly integrated into the fabric of this proposed unit, will be necessary to achieve this. This will ensure that these legal gaming venues referred to above are given the appropriate amount of attention by this proposed unit. A municipal policing presence will also ensure greater effectiveness in accessing a myriad of municipal resources when required.

It is proposed that these two positions be staffed by way of secondments, with the contributing municipalities to be reimbursed by the provincial government..

6. FUNDING OPTIONS TO ADDRESS GAP IN SERVICE DELIVERY

a) Consult with IIGET Consultative Board to identify funding alternatives.

b) Approach Police Services Division directly for increased funding.

c) Through a prior agreement between the provincial government and the municipalities hosting casinos and racetracks throughout the province, a percentage of revenues generated at these legal gaming venues is redistributed back to the municipal governments where these venues are situated. \$65,013,695 was returned to the municipalities from legal gaming revenues in 2005. \$76,112,473 was returned in 2006. If the same 17% increase were to occur in 2007, it is reasonable to expect that over 87 million dollars will be returned next year. These redistributed funds had been intended in part to address increased policing pressures created in municipalities which host casinos and racetracks. Very little of this funding has been utilized for the purpose for which it was intended. The most costly option identified within this business case is 6.5% of the amount projected to be returned to the municipal governments from profits accrued in 2007.

d) Status Quo - not an option

The most practical option to consider is (c) to request that the provincial government approach the municipalities which receive this funding for a small percentage of the redistributed money to fund the creation of a proactive policing unit to address the organized criminal activity within casinos and racetracks. It is appropriate to communicate with the IIGET Consultative Board and Police Services Division as part of this process. A variety of resourcing models have been examined. As with other proposals which endorse an integrated policing response, this unit must not be staffed exclusively by RCMP personnel. An integrated unit consisting of both municipal and RCMP officers will be the optimal arrangement.

Six principles are paramount.

i) As recently articulated by the Commanding Officer, "E" Division, one of the most common mistakes in Major Case Management is to approach large operational policing initiatives with inadequate resources, including admin support.. This will invariably be reflected in the outcome.

ii) An intelligence probe team must form a significant component of such a unit. With the sophistication and complexity of many of the criminal organizations to be targeted, a well supervised and managed intelligence component is mandatory if we are to be effective. This intelligence component must be imbedded within this unit with strong analytical support..

iii) An imbedded Offence Related Property component. Notwithstanding an infusion of new provincial positions expected for IPOC, an effective interdiction of casino / racetrack targets will require an ORP dimension for each file investigated. Rather than plead for resources from IPOC on a file by file basis, permanent, on site ORP resources are crucial to a successful initiative. This ORP component would, in all likelihood, be cost neutral as a result of forfeitures to the provincial government.

iv) One imbedded ITCU position. (See attached Business Case provided by NCO i/c ITCU). The broad range of investigative services offered by ITCU is necessary to properly target the sophisticated criminal element which will be encountered in these environments.

v) Adequate supervisory positions for these high risk duties, within both the enforcement and intelligence components, with proper attention paid to officer safety at all times.

vi) A failure to adhere to direction from the Solicitor General to integrate the delivery of policing services wherever possible is ill-advised. There are no municipal police departments within the province of British Columbia which have units dedicated to legal gaming environments. Given the number of target locations within municipal jurisdictions throughout the province, it is appropriate to incorporate a municipal police component within this model.

The model employed by the Ontario Provincial Police is recognized as the national Best Practice in dealing with both illegal gaming investigations and the policing of legal gaming venues. This model was developed after exhaustive research and analysis of other North American jurisdictions where legal gaming venues have operated for decades, most specifically Las Vegas and Atlantic City.

The OPP has created full detachments within each commercial and charitable casino in Ontario. Racetracks are similarly resourced. Each has an off-site intelligence unit. They also utilize a centralized registration arm, responsible for the background checks and licencing of all industry employees. They research all companies who conduct business with the casinos and racetracks, to minimize the likelihood of organized crime becoming associated. Financial investigations and interviews are conducted in each case. Finally, each municipality which hosts a casino has an outside unit resourced by the police agency of jurisdiction, responsible for patrolling the exterior for a 4-5 block radius. This serves to reduce the incidence of street crimes associated to these

locations, and to provide the message to residents and patrons that they can feel safe. To apply this model to British Columbia makes considerable long term sense, however, this approach would cost between \$20-\$25 million to implement. It is strongly recommended that this model be adopted in the longer term, however, examples of more immediate options are set out below.

These resourcing models are identified as Options A - C, in descending order of cost and scope of service delivery. The applicable spreadsheets are appended to this document.

Option A:

Casino Enforcement Team: Sgt i/c, with a total of 12 RMs (4 Cpls / 7 Csts for the Division (incl 1 ITCU RM). One working level Disclosure Analyst. One Information Analyst.

Casino Intel Probe Team: Sgt i/c, with a total of 12 RMs (4 Cpls / 7 Csts for the Division. (+ 1 CM Analyst).

Horse Racing Team: Cpl i/c with 1 Cst. 1 Cpl for Intel

ORP: Cpl i/c with 2 Csts

Admin NCO (Sgt) and Clerical Support (Four CR 04s)

Total Cost (including Direct, Indirect and one time Start up): \$5,851,352

Option B:

As Above, minus Horse Racing Unit.

Total Cost (including Direct, Indirect and one time Start Up): \$5,371,010

Option C:

Casino Enforcement Team: Sgt i/c with a total of 12 RMs for the Division (incl 1 ITCU RM)

Casino Intel Probe Team: Sgt i/c, with a total of 8 RMs for the Division. (+ 1 CM Analyst)

ORP: Cpl i/c with 1 Cst

Admin NCO (Sgt) and Clerical Support (Three CR 04s)

Total Cost (including Direct, Indirect and one time Start Up): \$4,505,829

7. IMPLEMENTATION FRAMEWORK

- If this Business Case is supported, seek the concurrence of the Director of Police Services Division to address the gap in policing services which clearly exists.
- Discuss the various approaches to resourcing an enforcement / intelligence unit to meet these challenges. Select one of Options A, B or C.
- Confirm that the appropriate unit to oversee such an initiative is IIGET, notwithstanding the fact that the present IIGET MOU makes no provision for this.
- Present the proposal to the IIGET Consultative Board once a corporate position is taken. Seek the endorsement of the Consultative Board. Consider the matter of the present mandate and examine options for broadening same. Consider a name change which more accurately reflects the scope of service delivery.
- Through PSD, notify membership of BCACP of the proposal. Seek BCACP concurrence. A presentation may be necessary at next meeting.
- Communicate with and secure cooperation of key stakeholders (BCLC, GPEB, casino licencees, and relevant Chiefs of Police) Identify concerns and discuss solutions.
- Ensure proper drafting of Sponsoring Agreement and MOU, with assistance from PSD Analysts and Ops Secretariat.
- Have documents reviewed by Legal Services Unit and Civil Litigation Unit.
- Upon ratification, obtain signatures of the Commanding Officer and officials from the Ministry of Public Safety and Solicitor General.
- Confirm fund transfer.
- Secure office space at 4603 Kingsway, Burnaby, B.C., proximate to the existing IIGET office.
- Secure space for a sub office at the planned Translink police facility adjacent to River Rock Casino.
- Confirm with internal and external clients that this unit has been officially created.
- Make announcement division-wide pertaining to the formation of this unit.
- With assistance from Strategic Communications Unit, prepare media release.
- Liaise with Career Development & Resourcing Services to assist with HR considerations.

8. RECOMMENDATIONS**Option A:** \$5,851,352

Most desirable, and most costly. Optimal model if horse racing venues are to be included. Closest to OPP model of any of these proposed approaches.

Option B: \$5,371,010

Appropriate level of policing response, with the exception of addressing horse racing concerns. Adheres to fundamental principles set out within paragraph five.

Option C \$4,505,829 **Not Recommended.**

Appropriate enforcement response. Weakened resourcing of intelligence unit is problematic, given the rapid growth in this industry and the volume of targets at each venue. Reduced resourcing of ORP unit is also a considerable concern.

Recommendation of Submitting Member:

If horse racing venues are viewed as justifying this level of policing response, select Option "A".

If horse racing venues are not viewed as justifying this level of policing response, select Option "B".

**Estimate Cost for Casino/Racetrack Unit of IIGET
For the period from April 1, 2007 to March 31, 2008**

012

	OPTION A	OPTION B	OPTION C
	<u>April 1 to March 31</u>	<u>April 1 to March 31</u>	<u>April 1 to March 31</u>
RM	34	31	26
PS	4	4	3
	38	35	29
Salary - Pay			
- RMs	2,747,988	2,511,911	2,121,602
- PS	175,838	175,838	131,879
Pay Total	2,923,827	2,687,749	2,253,480
Operating			
Other operating (dependant on operational need)	340,000	310,000	260,000
Overtime	748,000	682,000	572,000
O & M Total	1,088,000	992,000	832,000
Capital **			
Vehicles	15	14	12
Vehicles (Grand Am, Chevy Malibu, Buick Allure)	390,000	364,000	312,000
Capital Total	390,000	364,000	312,000
DIRECT COSTS	4,401,827	4,043,749	3,397,480
Indirect Costs			
Members & TCE Pensions	222,672	202,204	168,364
Public Service Pensions	22,033	22,033	16,524
Employers E.I. contributions			
- RM	30,571	27,875	23,380
- PS	4,677	4,677	3,508
Divisional Administration	561,136	511,636	429,136
Recruit Training	119,029	108,529	91,029
E.R.C./P.C.C.	13,603	12,403	10,403
Block Training	17,004	15,504	13,004
INDIRECT COSTS	990,725	904,860	755,348
DIRECT & INDIRECT COSTS	5,392,552	4,948,610	4,152,829
One time Start Up			
Laptop	102,000	93,000	78,000
Desktop for PS	8,000	8,000	6,000
Lan drop	7,600	7,000	5,800
Telephone	6,800	6,200	5,200
Telephone line	7,600	7,000	5,800
Cell phone	6,800	6,200	5,200
Printer	10,000	8,000	6,000
Workstation (furniture & installation)	190,000	175,000	145,000
Fit up cost for vehicle	120,000	112,000	96,000
ONE TIME START UP COSTS	458,800	422,400	353,000
GRAND TOTAL (Direct, Indirect & One time Start Up)	5,851,352	5,371,010	4,505,829

Integrated Illegal Gaming Enforcement Team
Estimate Cost for Casino/Racetrack Unit of IGET - Option B
For the period from April 1, 2007 to March 31, 2008

014

	Starting Date	End Date	Position Number	FTE	06/07 Base Salary (incl. raise)	Pay Pro-Rated	Service Pay	Service Pay Pro-Rated	Plain Clothes Allowance	Plain Clothes Allowance Pro-Rated	Sr Gal Allowance	Sr Gal Allowance Pro-Rated	06/07 Salary Forecast	Salary Pro-Rated	
Casino Enforcement Team	Spl	01/01/2007	12/31/2007	0.25	88,884	64,888	2,183	1,621	2,042	1,538	-	-	90,278	68,019	OK
	Spl	01/01/2008	03/31/2008	0.25	89,097	21,999	-	-	2,042	509	-	-	93,358	23,922	OK
	Spl	04/01/2007	12/31/2007	0.75	88,884	64,888	2,183	1,621	2,042	1,538	-	-	90,278	68,019	OK
	Spl	01/01/2008	03/31/2008	0.25	89,097	21,999	-	-	2,042	509	-	-	93,358	23,922	OK
	Cst - 1	01/01/2007	12/31/2007	0.25	81,744	20,158	817	202	2,042	1,538	-	-	81,812	20,620	OK
	Cst - 1	01/01/2008	03/31/2008	0.25	81,744	20,158	817	202	2,042	1,538	-	-	81,812	20,620	OK
	Cst - 2	04/01/2007	12/31/2007	0.75	78,950	80,505	700	699	2,042	1,538	-	-	81,812	20,620	OK
	Cst - 2	01/01/2008	03/31/2008	0.25	81,744	20,158	817	202	2,042	1,538	-	-	81,812	20,620	OK
	Cst - 3	04/01/2007	12/31/2007	0.75	78,950	80,505	700	699	2,042	1,538	-	-	81,812	20,620	OK
	Cst - 3	01/01/2008	03/31/2008	0.25	81,744	20,158	817	202	2,042	1,538	-	-	81,812	20,620	OK
	Cst - 4	04/01/2007	12/31/2007	0.75	78,950	80,505	700	699	2,042	1,538	-	-	81,812	20,620	OK
	Cst - 4	01/01/2008	03/31/2008	0.25	81,744	20,158	817	202	2,042	1,538	-	-	81,812	20,620	OK
	Cst - 5	04/01/2007	12/31/2007	0.75	78,950	80,505	700	699	2,042	1,538	-	-	81,812	20,620	OK
	Cst - 5	01/01/2008	03/31/2008	0.25	81,744	20,158	817	202	2,042	1,538	-	-	81,812	20,620	OK
	Cst - 6	04/01/2007	12/31/2007	0.75	78,950	80,505	700	699	2,042	1,538	-	-	81,812	20,620	OK
	Cst - 6	01/01/2008	03/31/2008	0.25	81,744	20,158	817	202	2,042	1,538	-	-	81,812	20,620	OK
Cst - 7	04/01/2007	12/31/2007	0.75	78,950	80,505	700	699	2,042	1,538	-	-	81,812	20,620	OK	
Cst - 7	01/01/2008	03/31/2008	0.25	81,744	20,158	817	202	2,042	1,538	-	-	81,812	20,620	OK	
Disclosure Analyst	ADM-05	04/01/2007	12/31/2007	0.75	74,377	60,027	-	-	-	-	-	-	74,377	60,027	OK
Disclosure Analyst	ADM-05	01/01/2008	03/31/2008	0.25	74,377	18,543	-	-	-	-	-	-	74,377	18,543	OK
Information Analyst	ADM-05	04/01/2007	12/31/2007	0.75	74,377	60,027	-	-	-	-	-	-	74,377	60,027	OK
Information Analyst	ADM-05	01/01/2008	03/31/2008	0.25	74,377	18,543	-	-	-	-	-	-	74,377	18,543	OK
Subtotal - RM															
				31.01	31.01	2,365,119	14,774	92,690	92,690	74,828	3,881,893	3,811,811	OK		
Casino Enforcement Team	CRN4	04/01/2007	03/31/2007	0.22	43,286	6,606	-	-	-	-	-	-	9,606	9,606	
	CRN4	04/01/2007	03/31/2008	0.78	43,286	34,264	-	-	-	-	-	-	34,264	34,264	
	CRN4	04/01/2007	03/31/2007	0.22	43,286	6,606	-	-	-	-	-	-	9,606	9,606	
	CRN4	04/01/2007	03/31/2008	0.78	43,286	34,264	-	-	-	-	-	-	34,264	34,264	
Casino Intelligence Probe Team	CRN4	04/01/2007	03/31/2007	0.22	43,286	6,606	-	-	-	-	-	-	9,606	9,606	
	CRN4	04/01/2007	03/31/2008	0.78	43,286	34,264	-	-	-	-	-	-	34,264	34,264	
	CRN4	04/01/2007	03/31/2007	0.22	43,286	6,606	-	-	-	-	-	-	9,606	9,606	
	CRN4	04/01/2007	03/31/2008	0.78	43,286	34,264	-	-	-	-	-	-	34,264	34,264	
Subtotal - PS				4.00	4.00	178,438							178,438		
Totals				35.01	35.01								3,887,749		

	07/08 Per Capita Rate	07/08 Indirect
Indirect Costs		
PS - Pension	12.53%	22,033
RM - Pension	8.87%	302,204
PS - PI	3.88%	4,677
RM - PI		87,878
DW Admin	18,309	511,636
Cost of Personal Training	3,500	109,520
ERIC/POC	400	12,403
BLOCK TRAINING	800	15,801
Totals		958,883

RM Salary includes a quantified 2.5% increase in 2007 and budgeted 3.5% yearly increases in 2008
 CA Salary includes a budgeted 2% yearly increases from April 1, 2007 to March 31, 2008
 PSE salary includes a budgeted 2% yearly increases from April 1, 2007 to March 31, 2008

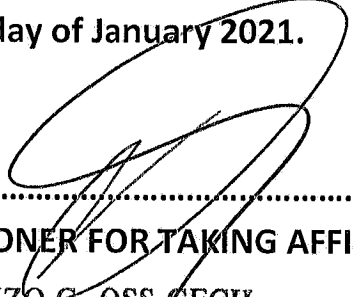
	07/08
Both in Nassau's Budget	
PSCA Salary	3.0%
RM Salary	3.5%
OM	0.0%
PS PTE	4.00
RM PTE	31.01
Total	35.01
Budget Cap	
PS Salary	178,438
RM Salary Incl. on Municipal Assistance	2,332,237
Pay - Other	178,653
TOTAL PAY	2,689,328
OM	
Total Pay & OM	2,689,328
Capital	
TOTAL DIRECT	2,689,328
Indirect Costs	958,883
Total Estimated Costs	3,648,211
Balance	(3,582,510)

**Estimate Cost for Casino/Racetrack Unit of IIGET
For the period from April 1, 2007 to March 31, 2008**

	<u>Option A</u>	<u>Option B</u>	<u>Option C</u>	<u>Assumption</u>
RM	34	31	26	
PS	4	4	3	
	<u>38</u>	<u>35</u>	<u>29</u>	
Salary - Pay				
- RMs	2,747,996	2,511,911	2,121,602	(Annual Pay included 2.5% or budgeted 2% p
- PS	175,838	175,838	131,879	@top of increment
Pay Total	<u>2,923,827</u>	<u>2,687,749</u>	<u>2,253,480</u>	Top level ranking
Operating				
Other operating (dependant on operational need)	340,000	310,000	260,000	10,000 Per Member
Overtime	748,000	682,000	572,000	22,000 Per Member
O & M Total	<u>1,088,000</u>	<u>992,000</u>	<u>832,000</u>	
Capital **				
Vehicles	15	14	12	
Vehicles (Grand Am, Chevy Malibu, Buick Altura)	390,000	364,000	312,000	26,000 (based on unmarked car)
Capital Total	<u>390,000</u>	<u>364,000</u>	<u>312,000</u>	2 Members = 1 Vehicle Over 20 members then its 3 Members = 1 Vehicle
** Types of Vehicle dependant on operation need				
	For your information only			
				Average Van \$21,500
				SUVS \$34,000
				Pickup Trucks \$28000 - \$35000
DIRECT COSTS	<u>4,401,827</u>	<u>4,043,749</u>	<u>3,397,480</u>	
INDIRECT COSTS				
Members & TCE Pensions	222,672	202,204	168,364	8.67%
Public Service Pensions	22,033	22,033	16,524	12.53%
Employers E.I. contributions				
- RM	30,571	27,875	23,380	927
- PS	4,677	4,677	3,508	2.70%
Divisional Administration	561,136	511,636	429,136	17,220 Per Member
Recruit Training	119,029	108,529	91,029	3,500 Per Member
E.R.C./P.C.C.	13,603	12,403	10,403	400 Per Member
Block Training	17,004	15,504	13,004	228 Per Member
	<u>990,725</u>	<u>904,860</u>	<u>755,348</u>	
DIRECT & INDIRECT COSTS	<u>5,392,552</u>	<u>4,948,610</u>	<u>4,152,829</u>	
One time Start Up				
Laptop	102,000	93,000	78,000	3000 Per Member
Desktop for PS	8,000	8,000	6,000	2000 Per Member
Lan drop	7,600	7,000	5,800	200 Per FTE
Telephone	6,800	6,200	5,200	200 Per Member
Telephone line	7,600	7,000	5,800	200 Per FTE
Cell phone	6,800	6,200	5,200	200 Per Member
Printer	10,000	8,000	6,000	2000 Ratio 1:8
Workstation (furniture & installation)	190,000	175,000	145,000	5000 Per FTE
Fit up cost for vehicle	120,000	112,000	96,000	8000 Per Vehicle
ONE TIME START UP COSTS	<u>458,800</u>	<u>422,400</u>	<u>353,000</u>	
GRAND TOTAL (Direct, indirect & One time Start Up)	<u>5,851,352</u>	<u>5,371,010</u>	<u>4,505,829</u>	

016

**This is Exhibit "C" referred to in the
Affidavit of Derek Sturko
Sworn before me, this 18th
day of January 2021.**



.....
COMMISSIONER FOR TAKING AFFIDAVITS

LORENZO G. OSS-CECH
Barrister & Solicitor
#1 - 505 Fisgard Street
Victoria, BC V8W 1R3

MEMORANDUM

Know your limit, play within it.

MAY 26, 2008

TO: DEREK STURKO
FROM: LARRY VANDER GRAAF

Please find the following documents that relate to IIGET attached:

1. March 10, 2008 IIGET Action Plan for the Accomplishment of the Recommendations of the IIGET Effectiveness Review.
2. May 16, 2008 Dick Bent Memo on Centralization of IIGET Positions.
3. May 16, 2008 Wayne Holland Memo on Centralization of IIGET Positions.
4. March 27, 2008 Memo on Follow-up to the Memo of Supt. Nash March 12, 2008.
5. May 2008 IIGET Operations report.



Integrated Illegal Gaming Enforcement Team Consultative Board

SECURITY - CLASSIFICATION - DE SÉCURITÉ
Nonsensitive
OUR FILE - NOTRE RÉFÉRENCE
YOUR FILE - VOTRE RÉFÉRENCE
DATE
2008-05-16

Chief Superintendent Richard (Dick) Bent - RCMP "E" Division
Deputy Criminal Operations Officer - Contract

FROM
DE

SUBJECT
OBJET

Centralization of Integrated Illegal Gaming Enforcement Team Positions

Two items of correspondence from Superintendent Russ Nash (March 12th 2008) and Inspector Wayne Holland (March 27th 2008) advised the Consultative Board of the necessity to transfer the two Victoria IIGET positions to the Burnaby office.

In addition, those documents advised of a consultative process that had been commenced with regard to the utility of maintaining the two Prince George IIGET positions.

At the time of the issuance of the memorandums, no date was set for a meeting of the IIGET Consultative Board, hence the reliance on written correspondence to inform the Board of the proposed restructuring.

Consultation with RCMP North District stakeholders resulted in a consensus amongst RCMP management to begin the administrative processes for repositioning the two Prince George IIGET positions within the Burnaby office.

Consideration is also being given, pending input from the Consultative Board, to transfer the two IIGET positions in Kelowna to IIGET's Burnaby office. This proposed restructuring would centralize IIGET's personnel within the lower mainland work site.

Attached are two documents which summarize the rationale for the centralization of IIGET personnel within the lower mainland.

I look forward to having a discussion with you all on this matter at the IIGET Consultative Board meeting on Thursday May 22nd 2008.

Regards,

Richard (Dick) Bent, Chief Superintendent
Deputy Criminal Operations Officer - Contract

CENTRALIZATION OF IIGET POSITIONS

Please be advised that due to operational needs the "E" Division Major Crime Unit of which IIGET is a part of has seen the need to centralize the IIGET positions. When created the unit was allocated 12 positions to be located in four offices throughout the Province. As you are aware in March, 2008 the two Victoria IIGET positions were moved to the Burnaby office and the Staffing process of these positions has begun. The same compelling issues that surrounded the Victoria office also have a bearing in Prince George and Kelowna which I will reiterate.

I have had the opportunity to review the existing MOU and discuss the history with Larry Vander Graaf and Joe Schalk both managers of GPEB. At that time it was learned that it was GPEB wish's and understanding that all the RCMP IIGET positions would be located in the BBY office as it was felt that the majority of the workload would be in the LMD. It was also believed that when required members from the LMD would be able to travel to other areas of the Province to carry out any required investigations assisted by GPEB members stationed in the outlying areas. Once the positions were staffed GPEB was surprised to see that two positions were placed in Victoria, Prince George & Kelowna. GPEB saw this was an RCMP decision and as such was an RCMP decision.

At present RCMP IIGET in the out lying offices are experiencing the frustration with PRIME as they do not have full capacity within any office and Victoria had the added frustration in that it's RCMP computer system is limited due to it's dial up requirements. These issues have been looked into and to fully overcome, would require a significant amount of funds to upgrade building security to meet standards in order to improve LAN requirements.

The overall effectiveness of a two member office is limited to vacation time, courses, sick time, etc, all of which drops the staffing level to a 1 member location which is of little to no value. This situation has been on going in the outlying offices for sometime now and is apparent in the level/number of investigations conducted at these locations. It is also noteworthy that recent investigations / takedowns in the LMD have resulted in bringing members from the outlying offices to the LMD so that an effective team could be put together here as well as giving those other members experience.

With the direction RCMP IIGET is moving and the analytical assessment into illegal gaming that is being undertake by the unit, these positions would be best utilized within the BBY office to work on the review and other gaming investigations. While it is anticipate that investigations will be conducted throughout the Province they can be done with the assistance of GPEB members already in position and the deployment of RCMP IIGET from the BBY office.

After a review of the Prince George RCMP IIGET positions which included the file load of the two RCMP members and the number of complaints directed to them as well as consulting with a number of stake holders in the North District it has been decided to move these positions to the Burnaby office as well. Simply put the calls for service do not warrant two RCMP members dedicated solely to gaming issues within the North District. Although there has been a limited concern with reference to gaming on First Nations lands, mainly bingo, it is felt that this issue would be best addressed first by the local RCMP detachment of jurisdiction and education rather than full enforcement.

It is now proposed that the two RCMP IIGET positions in Kelowna also be moved to the Burnaby office for a complete centralization. Kelowna as mentioned has the same challenges in that it is a two person office with PRIME issues and does not have the calls for service to warrant two RCMP members dedicated solely to gaming issues.

As a result it is strongly recommended that the twelve (12) RCMP IIGET positions be staffed out of the Burnaby office which is capable of housing this number as well as being fully supported by PRIME. It is evident that the majority of investigations and complaints are within the LMD and any gaming investigations in other areas can be undertaken by deploying resources from the Burnaby office. This proposal if accepted would among other things also negate the cost of upgrading the outlying offices to support PRIME.

For your consideration.

Sgt Andrew MARTIN
OPS NCO
Integrated Illegal Gaming Enforcement Team (IIGET)
"E" Division
408-4603 Kingsway, Burnaby, B.C.
V5H 4M4
Office: [REDACTED]
Cell: [REDACTED]
Fax: [REDACTED]
e-mail: [REDACTED]



021

A.

Chief Superintendent Richard (Dick) Bent
Deputy Criminal Operations Officer - Contract

Superintendent Russ Nash
OIC - Major Crime Section

FROM
DE

Inspector Wayne Holland
OIC - IIGET-IMPACT

SECURITY - CLASSIFICATION - DE SÉCURITÉ
Nonsensitive
OUR FILE - NOTRE RÉFÉRENCE
YOUR FILE - VOTRE RÉFÉRENCE
DATE
2008-05-16

SUBJECT
OBJET

Centralization of IIGET Positions

This memorandum provides the rationale for a recent reallocation of two (2) Victoria and two (2) Prince George IIGET positions to the Burnaby work site, as well as the rationale for a further redeployment of two Kelowna IIGET personnel to the Burnaby venue.

A comprehensive reallocation initiative could eventually result in a centralized, twelve (12) person IIGET capacity for the province, housed within the Burnaby IIGET office.

In summary:

Re Victoria:

1. The reallocation of the two Island District personnel was undertaken due to exigent circumstances. The corporal position was vacant, due to the unanticipated retirement of the incumbent. In addition, the recently arrived constable had little or no illegal gaming training and had no one to mentor and/or train her. As well, the workflow and statistical data confirmed that there was not enough work to justify the retention of either or both positions.
2. Burnaby IIGET personnel are available to attend to any matters on Vancouver Island, within a few hours of a request being received.
3. GPEB management and Chief Superintendent Rick Betker have been consulted and have supported the proposed reallocation of human resources.

Re Prince George:

1. The incumbent personnel have advised that, in their opinion, there is insufficient work to occupy either or both of them on a full or even part-time basis. If returned to General Investigation or General Duty assignments, both members could serve as "liaisons" on behalf of IIGET, given their expertise in illegal gaming matters. As well, IIGET personnel from the lower mainland would be available to deploy to North District as required.
2. A thorough consultative process with the District Officer and his advisory NCO Team was undertaken by Superintendent Nash and Acting Staff Sergeant Martin. As a result, GPEB management and Chief Superintendent Barry Clark have agreed to the proposed reallocation.

As the "police of jurisdiction" the Prince George RCMP are prepared to act on preliminary illegal gaming matters arising and would contact the lower mainland IIGET office should a need arise for specialized resources.

Re Kelowna:

1. The corporal position is presently vacant due to the promotion of the incumbent. The constable position is occupied by a member who has exceeded his tenure within IIGET and is also actively seeking promotional and/or transfer opportunities.
2. Superintendent Nash is presently involved in discussions with the District Officer, Chief Superintendent Don Harrison, as regards the realignment of the two Kelowna IIGET positions within the lower mainland office.
3. Burnaby IIGET personnel are available to attend to any illegal gaming matters in the South East District, within a few hours of a request being received.

Re "Centralization":

1. With regard to the existing "partnership with GPEB" - Centralization has not been opposed by Gaming Policy Enforcement Branch (GPEB) management. Co-location of GPEB and IIGET has always been a "preferred" option, however such a deployment may not be, under present circumstances, either the best use of scarce human resources or a best practice based on caseload and/or statistical data available to IIGET management at this time.

Under a centralized model, lower mainland GPEB personnel would still interact and work with IIGET personnel on a daily basis. Our GPEB colleagues in Prince George, Kelowna and Victoria would remain in their present locations and could be in contact with IIGET personnel as required. In effect, they would be our "eyes and ears" in the various Districts and we could deploy any or all IIGET personnel to assist them if and as required.

2. Given past and pending transfers and promotions within IIGET, there is a lack of expertise and experience within the global IIGET cadre. Due to training, sickness or annual leave necessities, the satellite offices have historically been understaffed and were, as a result, often rendered ineffective. It is our opinion that, for the foreseeable future, it may be prudent to house the relatively new and inexperienced IIGET personnel within one central facility. This would allow the finite personnel who do have expertise to train incoming investigators on an on-going basis.

3. Should centralization occur, this would not preclude IIGET investigators from training liaison officers within the various districts to be self-sufficient, to a certain extent, as regards illegal gaming activity in their jurisdictions.

4. Aside from reasons of practicality as well efficiency of deployment, there could well be some financial savings achieved with the centralization of IIGET personnel. For example, it is estimated that costs for PRIME installation in North and South East Districts could approach \$400,000 collectively. As well, future costs associated with work sites in the three districts would be eliminated or mitigated, as the lower mainland IIGET offices are fully capable of accommodating all of the twelve (12) sworn personnel presently assigned to illegal gaming investigations provincially.

5. Centralization would not relieve IIGET of any of the existing duties and/or responsibilities presently assumed by the Team. All educational, provincial liaison, enforcement and crime prevention obligations would continue to be met by the centralized unit.

6. The authorized strength of IIGET is twelve (12) sworn members. At present, only seven (7) of those positions are filled, with the possibility of a further retirement and promotion in the next few months. It is arguable that staffing for the existing and/or future vacancies for IIGET could be best achieved by means of the larger availability "pool" of personnel currently assigned to the lower mainland.

Current anecdotal, demographic and statistical data suggests, logically, that the majority of the illegal gaming phenomenon is contained within the lower mainland district. Illegal gaming is indeed in existence in other areas of the province, but the scope, nature and extent of such illicit activity is less significant in the outer regions than in the most populous region of the province.

The report arising from the "Tait Effectiveness Review" pointed this fact out and commented that it would be advisable to maintain a constant, expert cadre of illegal gaming investigators to monitor, interdict and manage illegal gaming in the province, optimally in areas containing the highest concentration of criminal activity.

The results of the pending illegal gaming threat assessment could justify an increase in the authorized strength of IIGET and/or a re-deployment of the human resources outside of the lower mainland district. If that were to occur, and should there be a recommendation to re-staff one or all of the three District satellite offices, it could be done at that time, as opposed to staffing existing vacancies with personnel that would not, apparently, be fully occupied with worthwhile and/or relevant investigations at this time.

7. A centralized group of investigators could undertake the pending threat assessment data collection plan in a more efficient manner, were they to be housed under "one roof", engaging in such activity collectively, and on a daily basis.

8. It is arguable that, given staffing pressures associated with the 2010 Olympics, it would be a challenge to fully staff IIGET with even twelve (12) personnel, in accordance with our authorized strength. Therefore, it would be logical to place the existing seven (7) IIGET resources within the Burnaby office, where they would be best able, in a unified fashion, to apply education, enforcement and crime prevention strategies in the geographical area most impacted by such a criminal enterprise.

9. Should there be an appetite to invite municipal police agencies to second member to IIGET for specialized training within an integrated team, it would be most likely that the lower mainland agencies would be of sufficient size to participate in an on-going fashion. This would justify and facilitate our maintaining a twelve-person unit within the Burnaby office.

10. The Integrated Municipal Provincial Auto Crime Team (IMPACT) program operates and functions in a centralized fashion, similar to that proposed for IIGET. The success of that program could be taken into consideration when the IIGET Consultative Board discusses the proposed centralization strategy.



Consultative Board
Integrated Illegal Gaming Enforcement Team (IIGET)

SECURITY - CLASSIFICATION - DE SÉCURITÉ
Nonsensitive
OUR FILE - NOTRE RÉFÉRENCE
YOUR FILE - VOTRE RÉFÉRENCE
DATE
March 27, 2008

A

Officer in Charge
Integrated Illegal Gaming Enforcement Team (IIGET)

FROM
DE

SUBJECT
OBJET

Follow-up to the memorandum of Superintendent R. Nash dated March 12, 2008

This memorandum is disseminated to advise of the results of our canvassing for IIGET Consultative Board member input on the proposed redeployment of two Victoria (RCMP Island District) and two Prince George (RCMP North District) IIGET personnel to our Lower Mainland office.

Superintendent Nash's summary report to you clearly and succinctly stated our reasons for this intended repositioning.

The justification for re-situating the personnel from both District's is identical, with the primary driver for this deployment tactic being the accomplishment of the recommendations contained in the 2007 IIGET effectiveness review. To date, the Island District Officer, Chief Superintendent Rick Betker, has confirmed his support of this restructuring, as have the GPEB management team and the impacted IIGET personnel themselves.

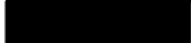
Discussions are on-going with RCMP North District Officer, Chief Superintendent Barry Clark, as regards the two Prince George IIGET positions.

Given the timeline required to accomplish the administrative as well as the human resource processes required to make this enhanced, more centralized staffing proposal a reality, I am desirous of confirming the Board's knowledge of, and continued support for, the proposed reorganization. To date, I have not received any comments or feedback from the Board that would indicate opposition to this streamlining of our investigative efforts. I continue to be available at any time to respond to any questions you may have of me.

As there is no pending date for an IIGET Consultative Board meeting, this memorandum will serve as notice of our intention to move ahead, as regards the two Island positions, and to conclude discussions with Chief Superintendent Clark within the next two weeks. In the event that those secondary discussions are successful, the Board will be so advised by means of a subsequent memorandum.

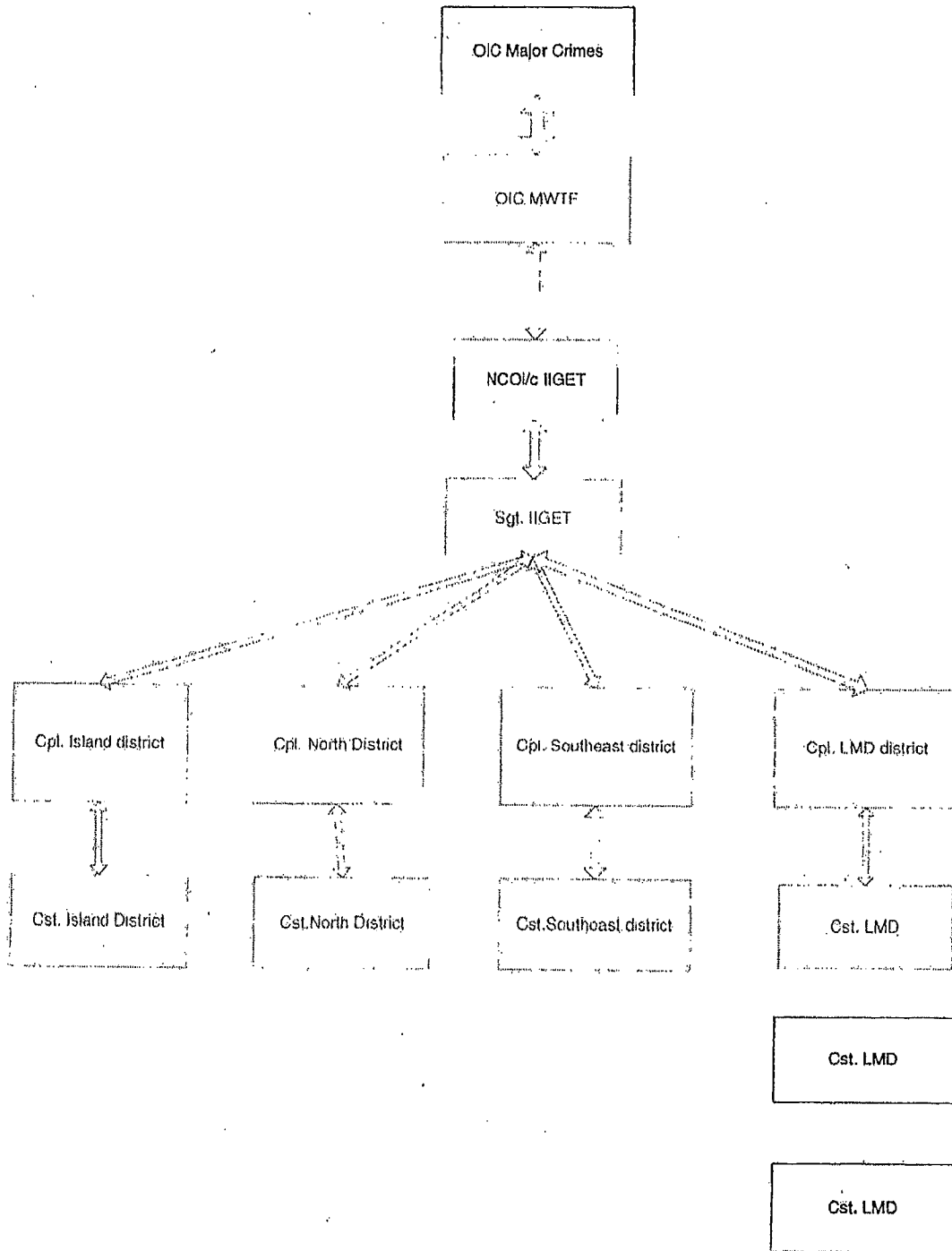
I thank you for your time and consideration of this matter and I look forward to meeting all of you in the near future, in my new role as OIC of IIGET.

Wayne Holland, OIC - IIGET



Integrated Illegal Gaming Enforcement Team
Organizational Chart

025



This is Exhibit "D" referred to in the
Affidavit of Derek Sturko
Sworn before me, this 18th
day of January, 2021.



.....
COMMISSIONER FOR TAKING AFFIDAVITS

LORENZO G. OSS-CECH
Barrister & Solicitor
#1 - 505 Fisgard Street
Victoria, BC V8W 1R3

ADVICE TO MINISTER

CONFIDENTIAL
ISSUES NOTE

026

Ministry of Housing and Social Development
Date: March 24, 2010

Minister Responsible: Hon. Rich Coleman

Effectiveness Review of IIGET

KEY FACTS REGARDING THE ISSUE:

- On November 16, 2007, an independent consultant submitted the draft report *Effectiveness Review of the Integrated Illegal Gaming Enforcement Team (IIGET)*. The report was prepared for the Police Services Division and the Ministry of Public Safety and Solicitor General.
- The report provides an assessment of the extent to which IIGET had achieved its objectives to date, as well as recommendations to improve the operation and performance of IIGET.
- The report makes three key recommendations for the IIGET Consultative Board:
 - Extend the term of the current MOU by one year to allow for the development of information needed by the Consultative Board to make decisions regarding resource levels.
 - Direct that a comprehensive business plan for the future of IIGET be developed for the fall of 2008. (The business plan was not created.)
 - If continued, restructure the funding for IIGET by removing BCLC as a funder.
- The report states that discontinuing IIGET at that point seemed inappropriate. Discontinuing IIGET "would likely see enforcement by GPEB staff continue (as they are not funded through the IIGET MOU), but an end to the RCMP investigation of mid-level and (potentially) high level targets." (pg. 28).
- The report notes the potential for local police departments and detachments to take on mid-level targets, as was done prior to the establishment of IIGET, although these groups would not have the same specialised training. The report also notes the Co-ordinated Special Forces Enforcement Unit may target some of the same individuals that IIGET would target in high level investigations.
- IIGET remained active for more than a year after the report was produced. In February 2009, given funding pressures and other operational and investigative priorities, a decision was made to not seek a renewal of the IIGET Memorandum of Understanding. On April 1, 2009, IIGET ceased its operations.
- The B.C. Lottery Corporation was funding IIGET to a maximum of \$1.66 million per year.

ADVICE AND RECOMMENDED RESPONSE:

- **The Government takes all reports seriously – which is why we followed the recommendation to extend IIGET for one more year.**
- **We found that many of the matters IIGET investigated overlapped with matters investigated by local police.**
- **Therefore, in February 2009, a decision was made not to seek a renewal of the IIGET Memorandum of Understanding. On April 1, IIGET ceased its operations.**
- **The Province is ensuring resources remain available for the most effective programs serving British Columbians.**
- **Investigators from the Gaming Policy and Enforcement Branch continue to work with RCMP and local police on matters related to illegal gambling.**

Communications Contact: Paul Woolley



Program Area Contact: Derek Sturko
File Created: March 24, 2010

File Updated:

File Location:

J:\OPERATIONS\Issues Notes 2009\Gaming
Policy and Enforcement\in_HSD_IIGET
Effectiveness Review 2007_Oct 26
2009_DRAFT.doc.

Minister's Office	Program Area	Deputy	Comm. Dir

DRAFT

**This is Exhibit "E" referred to in the
Affidavit of Derek Sturko
Sworn before me, this 18th
day of January 2021.**

.....
COMMISSIONER FOR TAKING AFFIDAVITS

LORENZO G. OSS-CECH
Barrister & Solicitor
#1 - 505 Fisgard Street
Victoria, BC V8W 1R3

Ministry of Housing and Social Development
Investigations and Regional Operations
Gaming Enforcement
Gaming Policy and Enforcement Branch

028

REPORT OF FINDINGS

DATED: 2010 October 1st

CONFIDENTIAL

This document is the property of the Investigations and Regional Operations Division, Gaming Enforcement. It is confidential and shall not be disclosed or divulged, in whole or in part, without prior consent of the writer.

Complaint (of) Money Laundering by Patron Li Lin SHA

BACKGROUND:

- During the month of September SHA has bought in at the Starlight Casino for \$3,111,040 He bought in with \$2,657,940 all in twenty dollar bills.

SCOPE OF INVESTIGATION:

Li Lin SHA has been involved in numerous large value buy-ins which range from \$1000 to \$250,000. The majority of the buy-ins consisted of twenty dollar bills. The buy ins all occurred at the Star Light Casino in the City of New Westminster

The frequency of the suspicious currency exchanges and the likelihood that SHA is laundering money and often times is believed to be using the services of loan sharks requires the reporting be done on a Report of Findings. This is done so that the gravity of the situation and the potential threat to the integrity of legalized gaming in the province can be appreciated.

The suspicious currency exchanges are reported in chronological order and include a running total of the buy ins as well as a running total of the buy-ins in small denomination bills.

PII FINTRAC

The history of suspicious buy ins are as follows:

- 1) On August 31st at approximately 2244 hours SHA presented a "Babies R Us" plastic bag to the cash cage. The bag consisted of \$200,000 of which \$198,000 were twenty dollar bills the remaining \$2000 consisted of fifty dollar bills. A form 86 was forwarded to GPEB and incident 34425 created.
- 2) At 0035 hours September 1st 2010 SHA had lost all his bankroll and left the VIP room, at approximately 0037 hours SHA exited the casino via the front entrance. A white Lexus BC license plate 359 RAK pulled up to the front doors. SHA got into the passenger side and the vehicle drove off site. The vehicle is associated to [REDACTED] and has been associated to two previous incidents of suspected loan sharking.

Ministry of Housing and Social Development
Investigations and Regional Operations
Gaming Enforcement
Gaming Policy and Enforcement Branch

029

REPORT OF FINDINGS

The vehicle returned 4 minutes later and SHA was observed to exit the vehicle with a large bulge under his jacket. SHA approached the cash cage and presented a large red bag which contained \$100,000.

The buy in consisted of \$94,000 in twenty dollar bills the remainder was all in one hundred dollar bills.

A form 86 was forwarded to GPEB and incident 34428 created.

The total buy in was \$300,000. The total buy -in consisted of \$292,000 in twenty dollar bills.

3) On September 1st 2010 at 0143 hours SHA arrived in a Black Audi BC plate 006RKC. He was observed to remove an H&M plastic bag from the trunk. The bag was presented to the cash cage and was found to contain \$190,000 all in twenty dollar bills.

The total buy in up to that point was \$490,000. The total buy-ins consisted of \$482,000 in twenty dollar bills.

4) On September 1st 2010 at 2235 hours SHA arrived at the Starlight Casino in the Black Audi BC Plate #006RKC. SHA was observed to remove a Holt Renfrew bag from the trunk.

SHA present the bag to the satellite cage for a buy-in. The bag contained \$200,000 all in twenty dollar bills.

The total buy in for the previous 24 hours was \$690,000 of which \$682,000 consisted of twenty dollar bills.

A form 86 was forwarded to GPEB and incident 34442 created.

5) On September 2nd 2010 at 0023 hours SHA was observed enter the passenger side of the White Lexus and leave the Starlight Casino property.

He returned two minutes later and was observed to be in possession of a Red Kirin Restaurant bag. SHA presented the bag to the cash cage and it was found to contain \$100,000 all in twenty dollar bills.

A form 86 was forwarded to GPEB and incident 34443 created.

The total buy -ins are \$790,000 of which \$782,000 were twenty dollar bills.

6) On September 3rd 2010 at 0120 SHA arrived in the same black Audi as in the previous incidents. SHA presented a shopping bag containing \$150,000 in twenty dollar bills.

Ministry of Housing and Social Development
Investigations and Regional Operations
Gaming Enforcement
Gaming Policy and Enforcement Branch

030

REPORT OF FINDINGS

The grand total for September the buy-ins is \$940,000 of which \$932,000 were twenty dollar bills.

A form 86 was forwarded to GPEB I incident 34463 was created.

7) On September 3rd 2010 at 2135 hours. SHA presented \$250,020 for a buy in. It consisted of \$227,020 in twenty dollar bills and \$23,000 was one hundred dollar bills. The incident was reported to GPEB incident #34532.

The total buy –ins for September are \$1,190,020 of which \$1,159,020 are twenty dollar bills

8) On September 4th 2010 SHA bought in for \$100,000 all in twenty dollar bills. A form 86 was forwarded to GPEB I incident 34533 was created.

The total buy –ins for September are \$1,290,020 of which \$ 1,259,020 are twenty dollar bills.

9) On September 6th 2010 SHA presented \$200,000 the buy-in consisted of not known denominations of \$100 and \$50 dollar bills. A form 86 was forwarded to GPEB incident 34548 was created.

The total buy –ins for September are \$1,490,020 of which \$1,259,020 are twenty dollar bills.

10) On September 8th 2010 at 0053 hours SHA bought in for \$158,000 all in twenty dollar bills. A form 86 was forwarded to GPEB I incident 34551 was created.

The total buy –ins for September are \$1,648,020 of which \$1,417,020 are twenty dollar bills.

11) On September 9th 2010 at 0059 hours SHA bought in for \$200,000 all in twenty dollar bills.

A form 86 was forwarded to GPEB I incident 34598 was created.

The total buy –ins for September are \$1,848,020 of which \$1,617,020 are twenty dollar bills.

12) On September 10th 2010 hours SHA bought in for \$100,000 all in twenty dollar bills. A form 86 was forwarded to GPEB incident 34619 was created.

Ministry of Housing and Social Development
Investigations and Regional Operations
Gaming Enforcement
Gaming Policy and Enforcement Branch

031

REPORT OF FINDINGS

The total buy-ins for September are \$1,948,020 of which \$1,717,020 are twenty dollar bills.

13) On September 11th at 2010 hours SHA bought in for \$200,000 all in twenty dollar bills. A form 86 was forwarded to GPEB incident 34621 was created.

The total buy-ins for September are now \$2,148,020 of which \$1,917,020 are twenty dollar bills.

14) On September 13th 2010 at 2251 hours SHA bought in for \$43,000. The buy-in consisted of \$40,000 in twenty dollar bills and \$3000.00 in one hundred dollar bills. A form 86 was forwarded to GPEB incident 34678 was created.

The total buy-ins for September are \$2,191,020 of which \$1,957,020 are twenty dollar bills.

15) On September 14th 2010 at 2317 hours SHA presented three gift bags which contained \$150,000 all in twenty dollar bills. A form 86 was forwarded to GPEB incident 34706 was created.

The total buy-ins for September are \$2,341,020 of which \$2,107,020 are twenty dollar bills.

16) On September 16th 2010 SHA bought in for \$150,000. The buy in consisted of \$62,000 in twenty dollar bills \$32,000 in fifty dollar bills and the rest in one hundred dollar bills. A form 86 was forwarded to GPEB incident 34734 was created.

The total buy-ins for September are \$2,491,020 of which \$2,169,020 are twenty dollar bills. If the twenty dollar bills were placed end to end they would extend 10 miles 475 feet.

17) On September 20th at approximately 2302 hours Li SHA arrived simultaneously with [REDACTED] CHEN. They arrived in separate vehicles and met up in the front lobby. They then proceeded to the VIP room where SHA presented \$50,000 in chips for his initial buy in. SHA eventually submitted a total of \$280,000 in chips on 5 other subsequent buy ins. At 0225 SHA had lost all but \$1000.00 in chips. SHA and CHEN left the VIP room then exited the casino in CHEN'S vehicle.

They returned 24 minutes later and SHA presented \$60,000 all in 100 dollar bills for his buy in.

Ministry of Housing and Social Development
Investigations and Regional Operations
Gaming Enforcement
Gaming Policy and Enforcement Branch

032

REPORT OF FINDINGS

SHA continued from playing while CHEN observed what was going on. AT 0801 hours SHA completed play. He cashed out \$88,000 in chips and left with another \$550,000 in chips. A form 86 was forwarded to GPEB incident 34832 was created.

The total buy –ins for September are \$2,551,020 of which \$2,169,020 are twenty dollar bills. This does not include any chips SHA presented as part of his buy-in

18) On September 21st 2010 Li Lin SHA and [REDACTED] CHEN arrived at the Starlight Casino in separate vehicles. SHA played roulette for approximately 10 minutes then proceeded to the VIP lounge where he presented 55 thousand in chips for his buy in. SHA eventually presented 260 thousand in chips and 70 thousand in cash as buy ins in a 2 ½ hour period. SHA lost everything.

The two patrons leave the VIP room and CHEN was observed talking on his cellular phone.

CHEN drove off the casino property in SHA'S vehicle at 2303 hours and returned at 2342.

CHEN met up with SHA who was having a cigarette by the front doors. SHA accompanied CHEN in his vehicle where it parked back in its original position.

They exited the vehicle and SHA was observed to remove an object from the trunk and place it under his jacket pocket.

SHA then proceeded to buy in with 100 thousand in chips which he lost. SHA bought in for an additional 225 thousand all in chips and lost the entire bank roll.

A form 86 was forwarded to GPEB incident 34834 was created.

The total buy –ins for September are \$2,621 ,020 of which \$2,169,020 are twenty dollar bills. This does not include any chips SHA presented as part of his buy-in

19) On September 25th at 2140 hours Li SHA arrived at the Starlight Casino i/c of [REDACTED] CHEN. They arrived together in the same vehicle CHEN'S Mercedes S550 BC license plate 933TBG. SHA presented a STARLIGHT bag to the cash cage for his buy in. The bag contained \$200,020 all in twenty dollar bills. SHA played until 0719 hours and left the casino after losing his entire bankroll. SHA left in a different vehicle an Audi A8 BC license plate 279 DXX.

GPEB FILE 34972

The total buy –ins for September are \$2,821,040 of which \$2,369,040 are twenty dollar bills. This does not include any chips SHA presented as part of his buy-in

20) On September 26th 2010 AT 2243 Hours SHA arrived in the Black Mercedes S550 which was driven by [REDACTED] CHEN. SHA removed a Harry Rosen gift bag from the trunk.

Ministry of Housing and Social Development
Investigations and Regional Operations
Gaming Enforcement
Gaming Policy and Enforcement Branch

033

REPORT OF FINDINGS

SHA presented the bag to the cash cage for his buy in. The bag contained \$150,000 all in twenty dollar bills.

SHA completed play at 0635 hours and cashed out his remaining \$5755 in chips. CHEN bought in once for \$200.00 and lost it all.

GPEB FILE 34974

The total buy-ins for September are \$2,971,040 of which \$2,519,040 are twenty dollar bills. This does not include any chips SHA presented as part of his buy-in

21) On September 29th at 0230 hours SHA bought in for \$140,000 at the satellite cash cage. The buy in consisted of \$138,900.00 in twenty dollar bills.

The total buy-ins for September are \$3,111,040 of which \$2,657,940 are twenty dollar bills. This does not include any chips SHA presented as part of his buy-in.

CONCLUSIONS:

- SHA has been a regular high limit player at the Starlight Casino and the above totals are only for the month of September. In July and August SHA bought in with an additional \$808,000 in twenty dollar bills. This would make his total buy in consisting of twenty dollar bills for three months \$3,465,940.
- It is highly likely that SHA is laundering money. It is most probable that SHA receives the money from an individual involved in a criminal enterprise and SHA received a commission for exchanging 100 dollar bills for 20 dollar bills.
- Unfortunately casinos do not think he is laundering money because he put the

PII FINTRAC

- These types of occurrences are becoming a nightly event and it is unreasonable to expect it to stop. A policy change where any patron is not allowed to buy in over \$5000 in 5, 10 and 20 dollar bills in a 24 hour period would be a possible solution.
- If the money is legitimate then the patron would not object to using a player gaming account or exchanging the money at a financial institution.

Prepared by:

Dave Willis

Original Signed

Ministry of Housing and Social Development
Investigations and Regional Operations
Gaming Enforcement
Gaming Policy and Enforcement Branch

034

REPORT OF FINDINGS

Name of Investigator

Investigator, Casino or Lotteries Unit
Investigations and Regional Operations
Gaming Enforcement
Gaming Policy and Enforcement Branch

FORWARD: 30 November, 2010

The information as provided in the contents of this report, although reporting on the activities of only one person, certainly are not meant to indicate that this is the only person involved in this kind of activity. There is little question that this subject SHA is on the high end of this type of activity but we are regularly being made aware of many other instances where a number of other persons are coming into gaming venues and buying in with large amounts (\$50, \$100 and \$200 k) of small denominations, mostly or entirely \$20.00 bills. This has been common place for a number of years now and now even more so with higher betting limits and the more significant use of "high limit betting" rooms and tables in almost all of our Casinos. For the most part, service providers are now routinely and rightly reporting these types of occurrences as "Suspicious Currency Transactions" both to GPEB Investigations via Sec. 86 Notification format as well as to BCLC, who is duly reporting these occurrences to FINTRAC. The Service Provider feels they are meeting the reporting requirement, which they are.

We must not, I believe, mistake these types of actions for anything other than what they are. There is simply no question that money, being brought into and used in gaming venues in this format, is Proceed of Crime monies that is being laundered within the casino gaming environment. A person such as SHA may be the person being used by either the loan shark he utilizes and/or the person or organized crime group that provides the source of funds to the loan shark to distribute through the patron to the casino. Regardless, this is money laundering which could and does seriously reflect on the "integrity of gaming" in British Columbia and the entire country. In this case, possibly one of the more extreme cases, nevertheless common place, over 2.6 million dollars in \$20.00 bills, no doubt the proceeds of crime, was laundered through a casino in less than one month's time.

I strongly believe that the conclusions drawn needs to be seriously considered and that remedies be sought so as to completely curtail this type of activity from our gaming venues in the near future. Policies, procedures or regulations can and should be put into place to stop service providers from taking part in these types of suspicious cash transactions.

Joe Schalk, Sr. Director

Ministry of Housing and Social Development
Investigations and Regional Operations
Gaming Enforcement
Gaming Policy and Enforcement Branch

035

REPORT OF FINDINGS

Gaming Enforcement, Investigations Division

Forwarded to the General Manager 4 November, 2010

I have reviewed this file along with other files that identify the same or similar issues in relation to suspected money laundering in British Columbia casinos. I find that the situation where an individual high level player is allowed to bring this volume of \$20 dollar bills into a British Columbia Casino and use that cash to purchase chips to play is more than somewhat alarming. It is very commonly known that street level drug traffickers and other criminal enterprises are conducted in small bills such as \$10 and \$20 dollar bills. Huge volumes of \$20 dollar bills are very prohibitive to organized crime as the large volumes of cash are not only bulky but are heavy. Example: \$1 million dollars in \$20 dollar bills weighs 110 lbs while 1 million dollars in \$100 dollar bills weighs 22 lbs. Obviously, the bulk of \$20 bills are 5 times greater than \$100 bills. You must ask yourself the question with the obvious answer, **"Who has \$2 million dollars in \$20 dollar bills"**? The other question you must ask yourself **"why aren't these \$20 dollar bills being taken to a banking facility"**? **Answer, Banks will not take this volume of currency.** BCLC and the Branch went to great lengths to implement a Player Gaming Fund (PGF) Account process where generally a high level player such as SHA could transfer large amounts of funds from a bona fide Canadian Financial Institute to the Casino. The next question you must ask yourself is, **"why isn't SHA using the PGF Account or being forced by the Service Provider and BCLC to use the PGF Account"**? **Answer, Gamblers do not like that all funds in and out of the PGF would be tracked and recorded. That would allow for "verified wins" to be very accurate. It must be noted that to transfer funds from the bank it would be necessary to get twenty dollar bills in this volume to be accepted in the bank. That would not happen.** From this review it is obvious that high level players of this nature are given significant latitude in accessing and utilizing funds for their gaming activity. Organized crime appears to have identified this weak link in the system. The revenue generation seems to outweigh the public interest. I must point out that SHA is losing a significant amount of money at the Casino but on occasion he does win and is paid out in "verified win" cheques with the remainder in cash in \$100 dollar bills. It is extremely common for SHA to leave the Casino with large volumes of "value chips". It is impossible for the casino to keep track of how many value chips SHA may or may not have at any given time or whether these chips are from a "verified win" or not.

I am not necessarily saying that SHA himself is an organized crime figure or is associated to organized crime figures other than in the loan-sharking or money

Ministry of Housing and Social Development
Investigations and Regional Operations
Gaming Enforcement
Gaming Policy and Enforcement Branch

036

REPORT OF FINDINGS

laundering aspect of his casino gambling, however the funds that he is using in the casino (\$20 dollar bills) are from loan sharks and organized crime figures in the Lower Mainland. That is an obvious assumption. Just because SHA is losing at the Casino does not in any way mean that organized crime is not benefiting by loaning SHA large amounts of \$20 dollar bills through loan sharks. SHA must still re-pay the loan sharks and money launders the funds that he has borrowed and the organized crime groups would prefer cheques, wire transfer, value chips, real estate or at a minimum \$100 dollar bills as re-payment. Organized criminal groups would gladly pay a 5%-10% fees to SHA for him to utilize the \$20 dollar bills in the Casino environment. SHA would repay the loan sharks and money launders at a later time via any unknown means. Thus the laundering process is complete.

PII FINTRAC

PII FINTRAC

They are also meeting the requirements of GPEB in relation to Section 86 (real or suspected criminal activity) of the Gaming Control Act.

PII FINTRAC

PII FINTRAC

PII FINTRAC

However, although identifying the suspicious nature of these transactions and complying with the legal requirements to report suspicious criminal activity (money laundering) to the police and regulatory agencies they continue to allow or take these large amounts of \$20 dollar bills in duffle bags, paper bags, etc. to be used for gambling in the Casinos. They seem to believe that reporting suspicious money laundering absolves them of their corporate responsibility? BCLC is responsible for Conduct and Managing Casino gaming in British Columbia through standard operating procedures and I believe, at a minimum, as a good corporate citizen they should re-assess their corporate responsibility in allowing these large amounts of \$20 dollar bills to enter the casino environment. I am also of the opinion that the Gaming Policy and Enforcement Branch and specifically the General Manager, as being responsible for the overall integrity of gaming may have to introduce legislation with sanctioning powers to deter and prevent this type of suspected money laundering activity. A simple change of regulation with sanctioning authority regulating that Service Providers to not allow more that 5k in \$20 dollar bills from a person in one day for betting in the casino could eliminate this particular high risk.

I am asking the Director, Casino Investigations in consultation with the Senior Director, Investigations and Regional Director LMD, to draft a letter for furtherance to BCLC with info to the highest levels in relation to this matter. It should be noted that GPEB Corporate Registration has been advised of this report.

Ministry of Housing and Social Development
Investigations and Regional Operations
Gaming Enforcement
Gaming Policy and Enforcement Branch

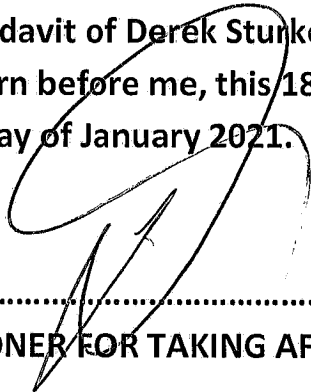
037

REPORT OF FINDINGS

Larry Vander Graaf, Executive Director
Investigations and Regional Operations
Gaming Enforcement
Gaming Policy and Enforcement
Public Safety and Solicitor General

Pc Derek Sturko, General Manager
Joe Schalk, Senior Director, Investigations and Regional Director LMD
Derek Dickson, Director Casino Investigations
All Regional Directors, Investigations and Regional Operations

This is Exhibit "F" referred to in the
Affidavit of Derek Stunko
Sworn before me, this 18th
day of January 2021.



.....
COMMISSIONER FOR TAKING AFFIDAVITS

LORENZO G. OSS-CECH
Barrister & Solicitor
#1 - 505 Fisgard Street
Victoria, BC V8W 1R3



**BRITISH
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038

Know your limit, play within it.

Confidential

Mr. Gordon Friesen
Manager, Casino Security and Surveillance
British Columbia Lottery Corporation
10760 Shellbridge Way
Richmond, B.C. V6X 3P8

November 24th, 2010

Re: Money Laundering in Casinos

Dear Gord,

Recently we have begun to see a dramatic increase in the amounts of small denomination Canadian currency used for large buy-ins by LCT patrons within Lower Mainland Casinos. Although there have been numerous similar suspicious currency transactions, one particular LCT patrons play over a 4 week period at the Starlight Casino illustrates the magnitude of this situation. This Division, the Branch, and the RCMP are very concerned about the potential money laundering by patron Li Lin Sha in BC casinos.

10-08-31

Li Lin Sha Buys in with \$200,000 in Canadian currency, \$198,000 of which is in \$20 denominations.

10-09-01

Sha buys in with \$100,000 in Canadian currency, \$94,000 of which is in \$20 denominations.

10-09-01

Sha buys in with \$190,000 in Canadian currency, all in \$20 denominations.

10-09-01

Sha buys in with \$200,000 in Canadian currency, all in \$20 denominations.

10-09-02

Sha buys in with \$100,000 in Canadian currency, all in \$20 denominations.

10-09-03

Sha buys in for \$150,000 in Canadian currency, all in \$20 denominations.

10-09-03

Sha buys in for \$250,020 in Canadian currency, \$227,020 which is in \$20 denominations.

10-09-04

Sha buys in for \$100,000 in Canadian currency, all in \$20 denominations.

10-09-06

Sha buys in for \$200,000 in Canadian currency, the denominations are not known.

10-09-08

Sha buys in for \$158,000 in Canadian currency, all in \$20 denominations.

10-09-09

Sha buys in for \$200,000 in Canadian currency, all in \$20 denominations.

10-09-10

Sha buys in for \$100,000 in Canadian currency, all in \$20 denominations

10-09-11

Sha buys in for \$200,000 in Canadian currency, all in \$20 denominations

10-09-13

Sha buys in for \$43,000 in Canadian currency, \$40,000 was in \$20 denominations.

10-09-14

Sha buys in for \$150,000 in Canadian currency, all in \$20 denominations.

10-09-16

Sha buys in for \$150,000 in Canadian currency, \$62,000 was in \$20 denominations.

10-09-20

Sha produces and loses \$280,000 in chips. He leaves the casino and returns to buy in 24 minutes later for \$60,000 in Canadian currency, all in \$100 denominations.

10-09-21

Sha loses \$260,000 in chips and \$70,000 in Canadian currency, denominations are not known. Sha was met by a vehicle in front of the casino and takes an object from the trunk and returns to the casino. Sha buys in for an additional \$325,000 in chips, which he eventually loses.

10-09-25

Sha buys in for \$200,020 in Canadian currency, all in \$20 denominations.

10-09-26

Sha buys in for \$150,000 in Canadian currency, all in \$20 denominations.

10-09-29

Sha buys in for \$140,000 in Canadian currency, \$138,900 of which was in \$20 denominations.

The total buy-ins for Sha during this period are \$3,111,040, of which \$2,657,940 are in \$20 denomination. This total does not include any buy-ins he had with value chips. Not included in these total are Sha's buy-ins for his play at the Starlight Casino in August, which totaled \$808,000 in Canadian currency, all in \$20 denominations. That would bring his two month total buy-ins consisting of \$20 denominations to \$3,465,940.

As previously noted, [redacted] is not an isolated case and we have seen numerous similar large buy-ins with small denominations at numerous casino venues in the province. It typically involves well known LCT patrons that play baccarat and arrive with cash as a buy-in. Two questions that arise from this example; Why are these \$20 denominations not being taken to a banking facility by Sha? Why isn't Sha using the PGF account or being forced by the service provider and BCLC to use the PGF account?

Senior Director Joe Schalk and the writer met recently with the Officer In Charge, RCMP Integrated Proceeds of Crime Unit (IPOC), and they are well aware of this issue and are seriously concerned that the casinos are being used as a method to launder large sums of money for organized crime groups. They are of the opinion that this is, without doubt, large scale money laundering.

Both the service providers and BCLC are, **Public Interest Immunity**
Public Interest Immunity They are also meeting the requirements of GPEB
 in relation to Section 86 (real or suspected criminal activity) of the Gaming Control Act, as well
 as advising IPOC of these suspicious cash transactions. However, although identifying the
 suspicious nature of these transactions **Public Interest Immunity**

Public Interest Immunity you
 continue to allow the service providers to take these large amounts of \$20 denominations in
 duffle bags, paper bags, etc. to be used for gambling in the casinos. BCLC is responsible for the
 conduct and managing of casino gaming in British Columbia through standard operating
 procedures and we believe, at a minimum, as a good corporate citizen you should re-assess your
 corporate responsibility in allowing these large amounts of \$20 denominations to enter the casino
 gaming environment. A restriction of allowing a maximum of \$10,000 in \$20 denominations
 could remedy the situation.

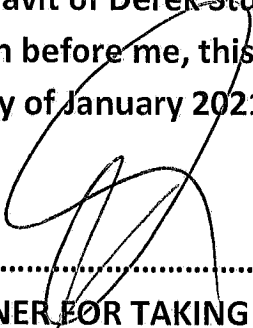
The conduct and manage mandate of BCLC has a direct correlation to maintaining the integrity
 of gaming in the province. We believe that BCLC needs to seek solutions to the obvious, and
 increasing, money laundering that is occurring, particularly involving the flood of small
 denomination currency, within BC casinos.

Sincerely,

Derek Dickson
 Director, Casino Investigations, LMD
 Gaming Policy and Enforcement Branch
 Gaming Enforcement
 Ministry of Public Safety and Solicitor General

CC: Derek Sturko, Assistant Deputy Minister and General Manager
 Terry Towns, Vice President, Corporate Security and Compliance
 Larry Vander Graaf, Executive Director, Investigations and Regional Operations, Gaming
 Enforcement
 Joe Schalk, Senior Director, Investigations and Regional Director LMD, Gaming
 Enforcement

**This is Exhibit "G" referred to in the
Affidavit of Derek Sturko
Sworn before me, this 18th
day of January 2021.**



.....
COMMISSIONER FOR TAKING AFFIDAVITS

LORENZO G. OSS-CECH
Barrister & Solicitor
#1 - 505 Fisgard Street
Victoria, BC V8W 1R3

041

December 24, 2010

Mr. Derek Dickson

Director Casino Investigations, LMD

Gaming Policy and Enforcement branch

Gaming Enforcement

Ministry of Public Safety and Solicitor General



2940 Virtual Way
Vancouver, BC V5M 0A6

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bcls.com

Re: Money Laundering in British Columbia Casinos

Dear Derek,

This letter is in response to your correspondence dated November 24, 2010 wherein you expressed a concern in relation to "a dramatic increase in the amount of small denomination Canadian currency used for large buy-ins by LCT patrons with Lower Mainland Casinos." You further state that although there have been numerous similar suspicious currency transactions one particular LCT patron by the name of Li Lin SHA illustrates the magnitude of the situation. BCLC further recognizes that GPEB as well as the RCMP are very concerned about the potential money laundering by Mr. SHA in British Columbia casinos.

BCLC Corporate Security is very sensitive to potential money laundering risk in all of our gaming establishments. As such BCLC has instituted a rigorous anti-money laundering strategy in an effort to mitigate money laundering risk in all of our BC gaming facilities. This strategy includes but is not limited to enhanced BCLC Policy and Procedures, comprehensive anti-money laundering training for service provider employees and strict adherence to Fintrac reporting guidelines as they relate to the Proceeds of Crime [Money Laundering] Terrorist Financing Act.

We have taken the opportunity to review your correspondence, specifically all of the cash transactions you provided to us that were conducted by Mr. SHA between August 31, 2010 and September 29, 2010. You have listed the total buy-ins for Mr. SHA during this period as being \$3,111,040. \$2,657,940 were in \$20.00 Canadian denominations with an additional amount of \$808,000 in \$20 denominations that SHA played at the Starlight Casino in August of this year were not included in this total.

To properly respond to your concerns, BCLC Corporate Security conducted a thorough investigation in relation to Mr. SHA's gaming play between the dates of August 31, 2010 and September 29, 2010 in an effort to determine Mr. SHA's cash win/loss position.

Our investigation included a review of Mr. SHA's large cash transaction reports as well as Starlight Casino's internal procedural variance reports [IPVR]. As such we were able to determine the following as it relates to Mr. SHA's gaming play during the previously mentioned time frame;

Total Buy-ins - \$3,681,320

Total Net loss - \$3,338,740

During this period Mr. SHA received one verified win cheque in the amount of \$270,000 on September 7, 2010 which he subsequently brought back into the Casino and used to buy-in for table game play the next day.

Our investigation further revealed that we have no record of Mr. SHA playing in any BC gaming facility during the month of August except for August 31, 2010. We were also not able to find record of "additional buy-ins" of \$808,000 in \$20.00 Canadian currency denominations that Mr. SHA conducted at the Starlight Casino during the month of August.

You also query why SHA has not taken the \$20.00 bills to a banking facility.

As you are well aware, gambling in British Columbia gaming facilities is cash based business. Our experience has been that this is amplified even more when it involves patrons of Asian ethnicity. Our records reveal that Mr. SHA has provided his occupation as "Owner of Coal Company/Commercial Real Estate".

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playing it right

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Vancouver, BC V6M 0A6

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He is very well known to BCLC and our Service Provider partners and has documented large cash transactions that date back to July 2006. BCLC cannot answer as to why Mr. SHA chooses not to take these \$20.00 denomination currency bills to a banking facility. The \$20.00 bill is the most widely utilized form of currency in Canada.



You then query why SHA is not forced by the Service Provider and BCLC to use the PGF account.

Patron Gaming Funds Accounts were first introduced approximately a year ago as a pilot project subsequent to GPEB scrutiny and approval. The purpose behind the patron gaming fund account is to provide our patrons a viable customer service that gives them the option of depositing funds into a Casino account. The PGF account allow for deposit and withdrawal of funds based on adherence to strict BCLC Policies and Procedures that have been sanctioned by GPEB. Participation in the PGF Account program is purely voluntary. The decision of whether or not to utilize this option rests solely with the patron.

2940 Virtual Way
Vancouver, BC V5M 0A6

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Mr. SHA is aware of this option but to this point preferred not to utilize a PGF account for reasons only known to him. BCLC is not in a position to force Mr. SHA into utilizing a PGF account.

As part of our anti-money laundering strategy, BCLC recognizes and ensures that large cash transactions as previously outlined in your correspondence are reported in a timely manner as per Fintrac guidelines and Federal legislation. BCLC further ensures that Section 86 reports are submitted to GPEB and that copies of our suspicious financial reports are forwarded to both GPEB as well as the RCMP Integrated Proceeds of Crime Unit for whatever action they choose to take from a Policing perspective.

It is our opinion that based on SHA's history of play; his betting strategy; the fact he has requested only one verified cheque during the dates in question; his win/loss ratio, and the fact his occupation states he owns a coal mine and commercial real estate firm, he does not meet the criteria that would indicate he is actively laundering money in British Columbia casinos.

The other recommendation posed by you would be to restrict the amount of \$20.00 denomination bills allowed by a patron to bring into a Casino at \$10,000. Due to fact gaming in the province is cash based this restriction is unrealistic given the circumstances.



BCLC intends to remain vigilant and sensitive to potential money laundering in our Casinos. Anti-money laundering programs and patron risk management protocols are continually reviewed and refreshed. This is an ongoing process dedicated to identify, action and report to the authorities any and all incidents of suspected money laundering. BCLC enjoys a close relationship to the RCMP Proceeds of Crime Unit and files reports of suspected money laundering to them on a continuous basis.

2940 Virtual Way
Vancouver, BC V5M 0A6



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BCLC is all too aware of its responsibilities in maintaining the integrity of gaming in the province and will remain vigilant to any level of criminality revealing itself in our Casinos.

Sincerely,

John Karlovcec

Assistant Manager

Casino Security and Surveillance

BCLC Corporate Security and Compliance

CC:

Derek Sturko, Assistant Deputy Minister and General Manager

Terry Towns, Vice president, Corporate Security and Compliance

Larry Vander Graaf, Executive Director, Investigations and Regional Operations,
Gaming Enforcement

Joe Schalk, Senior Director, Investigations and Regional Director, Gaming
Enforcement

This is Exhibit "H" referred to in the
Affidavit of Derek Sturko
Sworn before me, this 18th
day of January 2021.

.....
COMMISSIONER FOR TAKING AFFIDAVITS

LORENZO G. OSS-CECH
Barrister & Solicitor
#1 - 505 Fisgard Street
Victoria, BC V8W 1R3

Van Sleuwen, Terri HSD:EX

From: Van Sleuwen, Terri HSD:EX
Sent: March 16, 2009 2:16 PM
To: Sturko, Derek HSD:EX; McCreá, Bill J HSD:EX
Cc: Vander Graaf, Larry P HSD:EX; Saville, Rick HSD:EX
Subject: Internal Memo-Anti-Money Laundering Requirements

045

Importance: High
Sensitivity: Confidential

Attachments: Internal Memo to GM-Anti-Money Laundering Requirements March 16 2009.doc

Attached are the requirements we have determined based on input from the Audit, Investigations and Registration divisions. As well, Bill McCreá participated in our discussions providing insight from a risk management perspective.



Internal Memo to
GM-Anti-Money...

All three Executive Directors have confirmed their agreement with the requirements put forward in this document for your decision.

Please let us know if you want to discuss this in greater detail.

Thanks,
Terri Van Sleuwen, CGA
Executive Director, Audit and Compliance
Gaming Policy and Enforcement
Ministry of Housing and Social Development

Know your limit, play within it.

INTERNAL DOCUMENT

To: Derek Sturko, Assistant Deputy Minister
Bill McCrea, Executive Director, Internal Compliance and Risk Management

Date: March 16, 2009

SUBJECT: Anti-Money Laundering Requirements

The Audit, Registration and Investigations Divisions have been requested to review and make recommendations for requirements, enforcement instruments and enforcement methods in relation to the potential risk of money laundering in commercial gaming facilities. This has been done in conjunction with a review of the request by the British Columbia Lottery Corporation (BCLC) to allow Patron Gaming Fund (PGF) accounts in commercial gaming facilities.

In order to mitigate and/or substantially reduce the potential risk in relation to this area, it is our recommendation and position that prior to even considering authorizing PGF accounts it is absolutely necessary for the Branch to define in a regulation and/or a term and condition of registration specific anti-money laundering requirements. These regulations would then become a legal requirement thus allowing regulatory enforcement, if necessary. Without these enforceable legal requirements, it is our position that the present risk in the British Columbia gaming environment is extremely high.

Requirements

1. A definition for 'suspicious activity' in relation to the handling of cash in gaming facilities must be determined.
 - The definition of suspicious includes, but is not limited to, the following types of transactions, attempted transactions and/or situations where cash is involved within a commercial gaming facility:
 - Cash transaction greater than \$3,000 which comprises only twenty dollar denominational notes; (includes multiple transactions that in total exceed \$3,000 in a 24 hour period);
 - Cash transaction where the bills smell of illegal or suspicious substances;
 - Cash transaction where the bills have suffered unusual damage (e.g. being singed)
 - Patron requesting a trade up of small bills for larger bills (e.g. \$20 bills to \$100 bills);
 - Patron will not provide identification, source of funds or occupation and/or provides unacceptable information;
 - Patron's amount of wagering is disproportionate to the amount of chips purchased;
 - Patron conducts a financial transaction for a third party;

- Any casino transaction when a patron requests payment in casino cheques made out to third parties or without a specified payee;
- Patrons are wagering off-setting bets in a particular table game (single or multiple players);
- Patron attempts to avoid the filing of a large cash transaction report by breaking up the transaction either personally or through nominees;
- Patron requests a cheque that is not for gaming winnings;
- Patron enquires about opening an account with the casino and the ability to transfer funds to other locations when the patron is not a regular, frequent or large volume player;
- Patron tenders quantity of US dollars for chips, engages in limited play and then attempts to redeem chips for Canadian dollars;
- Patron is known to use identification under different names;
- Any financial activity that is contrary to the normal course of business.

047

Once a transaction or attempted transaction has been deemed to be suspicious, and prior to it being completed, **the transaction must be refused** by the service provider at a commercial gaming facility and immediately reported to GPEB, Investigations Division via a Section 86 Report.

2. A definition for 'verified win' must be determined for both table game and slot machine activity.
 - **Table game 'verified win'** = net amount of chips held by a player once gaming activity is concluded (net amount = win less wagering amount); and
 - **Slot machine 'verified win'** = jackpot.
 - 'Verified win' and issuance of cheque policies and procedures must be improved.
 - Improvements include, but are not limited to, the following:
 - Cheques **must not** be issued for table game wins unless there is a complete documented tracking of a verified win;
 - This could include the introduction of a '**verified win**' receipt that is given to the patron when they leave a table. All 'verified win' receipts could then be presented to the cashier when a cheque is requested by the patron.
 - CMS Cheque and Cash Redemption slips **must** be attached to Player Cheque Request paperwork to improve audit trail;
 - Surveillance review of player activity **must** form part of 'verified win' documentation.
3. Proposed Patron Gaming Fund (PGF) account policies and procedures must include all requirements detailed in this document. As well the guiding principle, 'Know your Client' risk management approach must be used by gaming service providers in order to exercise appropriate diligence to ensure they understand the background of account holders and the source of funds.
 - Improvements include, but are not limited to, the following:
 - Only chips from a 'verified win' and Electronic Fund Transfers (EFT) from a Canadian Savings Institution (as defined by FICOM which includes banks, credit unions and trust companies) can be deposited into the account;
 - Cash **must never** be deposited into a PGF;
 - Chips purchased with cash by a PGF account holder **must not** be placed into the PGF account. This includes any chips that are 'verified wins' from cash purchased chips;

- PGF account holders must not co-mingle any other chips with chips obtained from the PGF, other than chips obtained from 'verified wins';
- Any transfer of chips to or from a PGA must be accompanied by a PGF-authorized "PGF transfer slip"; and
- A PGF will immediately be terminated for any violation of the foregoing requirements.

048

Enforcement Instruments (in no particular order)

- Regulation;
- Directives;
- Enhance *Security and Surveillance Standards for the BC Gambling Industry* public interest standard;
- Term and condition of registration -- registrant;
- Requirements must be included in *BCLC Casino Standards, Policies and Procedures*; and/or
- Investigations Division must have legal authority to "prohibit individuals from a Gaming Facility to preserve the integrity of gaming".

Enforcement Methods (in no particular order)

- Section 86 Reports required for all transactions or attempted transactions that have been deemed to be suspicious.
- Administrative sanctions for violation of terms and conditions of registration include verbal and written warnings and fines on registrants.
- BCLC become a Service Provider for the purpose of registration under the GC Act, thus giving GPEB Inspectors the legal authority to conduct inspections of BCLC facilities in accordance with Sections 78 and 79 of the GC Act.
- Audits of BCLC and service provider compliance with enforcement instruments and/or BCLC policies and procedures.

This is Exhibit "I" referred to in the
Affidavit of Derek Sturko
Sworn before me, this 18th
day of January 2021.



.....
COMMISSIONER FOR TAKING AFFIDAVITS

LORENZO G. OSS-CECH

Barrister & Solicitor
#1 - 505 Fisgard Street
Victoria, BC V8W 1R3

Date: November 22, 2010

Prepared for: ADM, Derek Sturko

Issue: Addressing illegal gambling and criminal activity associated with gambling

Background:

The pervasiveness of cash transactions in gaming venues has resulted in a long tradition of illegal activity associated with gambling. For the purposes of enforcement considerations, this illegal activity can be divided into two categories: illegal gambling and illegal activity at licensed gaming venues. Examples of illegal gambling range from localized operations such as bookmaking or common gaming houses to international activity such as the unlicensed online gambling websites (i.e. Bodog, PartyPoker) and lottery ticket printing and resale. Illegal activity at licensed gaming venues can range from small scale theft or cheating at play to systematic money laundering and/ or loan sharking by organized crime.

As part of the provincial regulatory activity of the Gaming Policy and Enforcement Branch (GPEB), the Investigations Division has a mandate to investigate and sanction illegal activity occurring at licensed gaming venues in cooperation with police of jurisdiction. Illegal gambling occurring at unlicensed venues is outside the mandate of the Investigations Divisions and the onus falls on police to investigate such activity and enforce the law. In actuality, police devote little or no resources to gambling related crime because of other priorities that take precedence. The GPEB Investigations Divisions investigates and sanctions low to mid-level illegal activity at licensed venues, but lacks the staff resources, equipment, and investigative authority to address high level organized criminal activity centred on money laundering and loan sharking. Such investigations would require surveillance capacity, wire tapping, and firearms for emergency situations, all of which is well beyond the budget of GPEB and the scope of its staff in their role as Special Police Constables.

In order to link the gaming expertise of the Investigations Division with the investigative capacity of police, the Province created the Integrated Illegal Gambling Enforcement Team (IIGET) in 2004/05, which consisted of branch investigators and 12 RCMP officers. For various reasons, IIGET did not produce significant results beyond the existing work of the Investigations Divisions and was disbanded at the end of 2008/09. Currently, there is no mechanism being used for investigating and penalizing illegal gambling and high level criminal activity at legal gaming venues despite public expectations that these issues are being addressed by the government.

The scope of illegal gambling and illegal activity at licensed gaming venues is such that eradicating both would require such a massive increase in resources and regulating activity as to be unrealistic.

Recognizing that any additional resources directed by the government to illegal gambling and criminal activity at licensed venues will not be sufficient for a comprehensive solution, the following points were considered in determining a strategic approach to addressing illegal gambling:

- Unregulated online gambling is a massive international industry that would require the concerted effort of the entire Canadian RCMP in order to conduct enforcement that would have

any impact. Similarly, investigating illegal lottery ticket printing and resale would require a massive police investment. In both cases, the risks to the B.C. citizens and business are significantly lower than the scope of the enforcement required to impact either activity. Therefore, any new efforts regarding illegal gambling and illegal activity at licensed gaming venues should be focused elsewhere.

- Common gaming houses, unregistered video lottery terminals, and bookmaking form a spectrum of mid-level illegal gaming activity that is sometimes associated with organized crime. Investigations into these forms of illegal gambling require police participation because of the potential dangers associated with sites of these activities and the often criminal background of the operators.
- Money laundering and loan sharking are organized criminal activities that make use of gaming venues and specific forms of gambling to operate. Both the RCMP and FINTRAC have concluded that these activities are occurring with alarming frequency and with high monetary sums in Canadian casinos. Effective investigations into these activities requires surveillance capacity, wire tapping, and firearms for emergency situations, making it beyond the scope of the GPEB Investigations Division staff, who have Special Constable Status.
- Illegal activities at licensed gaming venues, such as theft, fraud, and cheat at play are within the scope of the GPEB Investigations Divisions and are effectively regulated by investigation activities in coordination with the police of jurisdiction.
- The Investigations Divisions possesses considerable expertise and collected intelligence on gaming related issues. Currently, there is no operating mechanism to merge the resulting information with existing intelligence on criminal activity in B.C. to create a more comprehensive and useable profile of illegal gambling and illegal activity at licensed gaming venues in B.C.

In sum, there are three areas where new initiatives by the Province would significantly improve deterrence of illegal activity associated with gaming:

1. Money laundering and loan sharking associated with commercial gaming venues, and
2. Illegal gambling in the form of common gaming houses, unlicensed Video Lottery Terminals, and bookmaking, and
3. Intelligence sharing and coordination.

Recommendations

The following three recommendations are put forward to address the above three areas. Each recommendation could function as a self-contained initiative, but implementing multiple recommendations would have the potential to complement and enhance the effectiveness of the other initiatives. Each recommendation varies significantly in scope, implications, and required resources. What follows is not a detailed business case, but a brief summary for discussion purposes.

Recommendation 1:**Create a Combined Forces Special Enforcement Unit (CFSEU) task force to address organized crime operations related to gambling**

CFSEU already has a mandate to disrupt and suppress organized crime which affects British Columbians. The unit has a presence in major urban centres across British Columbia, where money laundering and loan sharking are likely to occur. Given that RCMP and FINTRAC findings suggest that much of the suspected money laundering and loan sharking activity at casinos is either run by or affiliated with organized crime, assigning a task force to focus on these activities would be a logical extension of the CFSEU mandate. CFSEU has the resources and authority to operate surveillance, conduct wiretaps, and make warranted arrests of dangerous individuals, all of which are necessary components of effective enforcement on money laundering and loan sharking. Smaller scale operations by this task force could focus on illegal gambling such as common gaming houses, which often have ties to organized criminal activity. For all these investigations, GPEB Investigations Divisions would act as a resource for CFSEU as needed, providing intelligence and gaming expertise.

While a detailed business case has not yet been conducted, an order of magnitude estimation for the size of the task force necessary to address money laundering and loan sharking at licensed gaming venues in an effective manner would be approximately 40 CFSEU officers. A similarly rough estimate of required budget would likely be between \$10 and \$15 million annually.

It might reasonably be asked why this approach would be more effective than the now disbanded IIGET, which produced minimal results. The following considerations would indicate a different and more positive result from a CFSEU taskforce:

- The MOU governing IIGET established it as joint partnership between GPEB and the RCMP. Such oversight runs contrary to police expectations of complete independence over investigation and reporting aspects and likely contributed to low commitment from the RCMP.
- The RCMP is not directly accountable to the Province. This likely contributed to two problems. One was the chronic understaffing by the RCMP and its frequent changes in personnel. The other was the unproductive focus for over two years on unregulated online gambling, which as noted, was beyond the capacity of IIGET to address, and was not provincial priority.
- CFSEU is accountable to the Solicitor General through the Police Services Board. A sub-board involving the ADM of GPEB could be established to ensure the task force retained its focus on illegal activities associated with gambling.
- As money laundering and loan sharking in particular, and common gaming houses to a lesser extent, involve the proceeds of organized crime, an opportunity exists to obtain federal funding to combat organized crime for a CFSEU task force.

Pros

- A successful investigation leading to an arrest and conviction of money launders and/ or loan sharks would significantly curtail money laundering and loan sharking activities, while also

removing criminal individuals who are likely involved in drug trafficking, violence, and fraud, and thus harming British Columbians through multiple venues.

- The lack of enforcement activities to date may provide an advantage to investigators as criminals participating in multiple illegal activities may be less vigilant in evading detection from money laundering or loan sharking at casinos than in activities such as drug trafficking that draw more focus from police.

Cons

- A significant additional cost to government
- A CFSEU task force would require sustained cooperation from the Police Services Board to ensure that its focus remained on illegal activity associated with gambling and was not diverted for sustained periods to other investigations involving violence or drug trafficking.

Recommendation 2:

In coordination with the B.C. Lottery Corporation (BCLC), impose a requirement on service providers (i.e. casinos) that limits the number of twenty dollar bills an individual can use in a 24hr period to purchase chips or slot machine credits.

Much of the appeal of money laundering through casinos resides in the opportunity to transform twenty dollar bills (the most frequent denomination in street level drug transactions) either into higher denominations, a process known as "refining," or into cheques that signify "verified wins," which legitimizes the money. The following are some examples of methods through which either process can occur:

- Feeding a set amount of money through a slot machine over an extended period of play, i.e. 10,000 spins, without replaying with any winnings. Over an extended period of play, the payout percentage will come close to the pre-set rate of return (on average 92% in B.C.), allowing the individual to cash in their slot ticket(s) for a verified cheque.
- Purchasing chips with cash, playing a minimal return and then pretending to have gambled so as to obtain a cheque for a verified win. Please note that this technique can involve a number of complex variations, including exchanging chips with other players and sending other individuals to cash out chips.
- Using proceeds of crime to fund loans to gamblers, who return payment in the form of endorsed cheques, or other legitimate payments.

All of these processes start with an individual entering the casinos with a monetary sum in twenties well beyond what would be accepted by financial institutions. If casinos imposed a limit on how many twenties in a given 24hr period an individual could use, enforced it, and were subject to sanctions for failing to enforce it, the appeal of casinos as venues for money laundering would be significantly curtailed.

Pros

- Process could be implemented by existing staff.

- Proactive measure that would enhance the social responsibility profile of casinos.

Cons

- Implementation process would likely be complex
- Has the potential to significantly reduce revenue by
 - Preventing large sums associated with illegal activity from being used in a casino, and
 - Making B.C. less attractive to individuals not associated with crime, but who for cultural reasons, are disinclined from gambling in venues that require extensive reporting. The example frequently cited are small business owners in the Lower Mainland of Chinese origin who tend to spend cash when betting and resent the appearance of government oversight on their activities.

Recommendation 3: Fund a position within Criminal Intelligence Services British Columbia (CISBC) to consolidate information provided by GPEB (and possibly other PSSG branches such as Liquor) with criminal databases that GPEB staff do not have permission to access.

As noted on their website:

Criminal Intelligence Service British Columbia and Yukon Territory (CISBC/YT) is one of ten Provincial Bureaux operating independently within the Criminal Intelligence Service Canada (CISC) umbrella. Its fundamental purpose is to research and produce timely, relevant, analytical products that assist in the detection and disruption of serious and organized crime in both BC and Yukon. Staffed with employees currently seconded from the Royal Canadian Mounted Police and from the Vancouver Police Department, CISBC/YT provides these products for the greater law enforcement community to assist both police managers and organized crime investigators in making intelligence led decisions.

A recurrent problem for GPEB, both for its Investigations and Registration Division, is that suspicious activity by an individual cannot often be linked to other information indicating association with criminals or suspicion of criminal activity. A funded position with CISBC focused on individuals involved in gambling or who are seeking to register as a licensed gaming worker/ corporation would extend the effectiveness of GPEB's investigations and allow for more coordination with police.

Pros

- Would greatly enhance intelligence gathering and investigation regarding illegal gambling and undesirable persons seeking to register as a licensed gaming worker/ corporation.
- Minimal additional investment by government.

Cons

- To use this intelligence to deter money laundering and/or loan sharking, this recommendation would have to be used in conjunction with recommendation 1, or similar police initiative.

Conclusion

Assuming approval in principle, more work needs to be done to develop a feasible business case for all three recommendations. Further steps towards implementation would require this more definitive assessment of feasibility. Such steps will not be undertaken without support from senior levels of the ministry given that all three recommendations require either additional resources or the potential loss of revenue. It should be noted, however, that at present, there is no effective disruption of illegal gambling or money laundering and loan sharking at casinos. Initiating measures to deter these activities will incur costs whether it is any or all of the recommendations in this paper or any alternatives developed at a later time.

Draft and Confidential

This is Exhibit "J" referred to in the
Affidavit of Derek Sturko
Sworn before me, this 18th
day of January 2021.

.....
COMMISSIONER FOR TAKING AFFIDAVITS

LORENZO G. OSS-CECH
Barrister & Solicitor
#1 - 505 Fisgard Street
Victoria, BC V8W 1R3

From: Saville, Rick SG:EX
Sent: Thursday, March 20, 2008 4:57 PM
To: Aleksich, Alan M SG:EX; Allison, Frank H SG:EX; Baillie, Garth SG:EX; Bate, David SG:EX; Boschma, Sharlene A SG:EX; Donaldson, Shannon SG:EX; Fort, Madeleine SG:EX; Guelpa, Stephanie SG:EX; Henwood, Shawn SG:EX; Henzie, John WP SG:EX; Jomha, Robin SG:EX; Jones, Amy F SG:EX; Lefler, Stephen C SG:EX; LeNeveu, Miriam SG:EX; Martin, Lawrence SG:EX; Meilleur, Len SG:EX; Merchant, Ron J SG:EX; Muttersbach, Warren R SG:EX; Pretty, Janet SG:EX; Pritchard, Neil SG:EX; Rioux, Mel SG:EX; Saville, Rick SG:EX; Siglos, Thelma SG:EX; Smith, Kevin M SG:EX; Spence, Garry E SG:EX; Turner, Cameron SG:EX; Wright, Linda SG:EX; Wyville, Bonnie C SG:EX; Zeleny, Karen SG:EX
Subject: FW: Updated version of the document concerning GPEB regulatory responsibilities
Importance: High

FYI,

Rick

R.P.M. (Rick) Saville
Director of Registration
Gaming Policy and Enforcement Branch
Location: 3rd Floor, 910 Government Street, Victoria BC V8W 1X3
Mailing Address: PO Box 9202 Stn Prov Govt, Victoria BC V8W 9J1

Email: [REDACTED]
Website: www.pssg.gov.bc.ca/gaming

Know your limit, play within it.

From: Sturko, Derek SG:EX
Sent: Thu, March 20, 2008 4:26 PM
To: [REDACTED] Birge, Sue SG:EX; Cowland, Ursula SG:EX; Hawkins, Samuel SG:EX; Price, Jeff L SG:EX; Saville, Rick SG:EX; Sturko, Derek SG:EX; Van Sleuwen, Terri SG:EX; Vander Graaf, Larry SG:EX
Cc: Fair, Susan P SG:EX
Subject: FW: Updated version of the document concerning GPEB regulatory responsibilities
Importance: High

FYI

Derek Sturko
ADM, Gaming Policy & Enforcement
Know your limit, play within it.

From: Sturko, Derek SG:EX
Sent: Thu, March 20, 2008 4:26 PM
To: XT:Norman, Scott CASE:IN
Cc: XT:Mulvaney, Dinah CASE:IN; Fair, Susan P SG:EX
Subject: Updated version of the document concerning GPEB regulatory responsibilities
Importance: High

Scott:

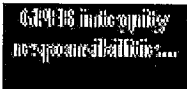
056

Attached is an updated version of the document (relating to GPEB regulatory responsibilities and their implications for BCLC) we discussed on March 17, 2008.

In general, since the last version we have:

- Accepted all of the highlighted text from the last version;
- Eliminated all references to things we were going to discuss at the March 17 mtg;
- Replaced two of the "respond in two business days" elements with "as soon as available";
- Replaced the "two business day" notion concerning changes in LOA circumstances to "a weekly report" (based on Rick and Jim's discussions); and
- Amended text and/or added new text in response to the discussion (all amended or new text is highlighted).

We believe this version reflects all of our discussions to date.



Can you please have one last check to make sure we haven't missed anything.

Thanks,

Derek Sturko
ADM, Gaming Policy & Enforcement
Know your limit, play within it.

GAMING POLICY AND ENFORCEMENT BRANCH

Key regulatory responsibilities and their application to the British Columbia Lottery Corporation

Introduction

The Gaming Policy and Enforcement Branch is responsible for the overall integrity and regulation of gaming and horse racing in British Columbia. This includes all provincial gaming conducted, managed and/or operated by the British Columbia Lottery Corporation.

As an agent of the Crown, the Corporation conducts, manages and operates all provincial gaming in the province, including commercial casinos, bingo halls, community gaming centres and lotteries.

Purpose of Document

The purpose of this document is to clarify, for each of four primary areas of the Branch's responsibilities:

- The responsibilities of the Branch with respect to provincial gaming;
- The authority under which the Branch carries out its responsibilities with respect to provincial gaming (including broad authorities under the Gaming Control Act and specific direction from the Solicitor General in response to the recent reviews conducted by the British Columbia Ombudsman and Deloitte & Touche); and
- The implications for, and what the Branch needs from, the Corporation in order for the Branch to fulfill its responsibilities with respect to provincial gaming.

The four areas of Branch responsibility which are addressed include:

- Registering companies and people;
- Certifying lottery schemes and gaming supplies;
- Auditing for compliance with provincial requirements; and
- Investigating allegations of wrongdoing.

Roles, responsibilities and obligations reflected in this document will be updated if and as necessary.

Under the Gaming Control Act, the Branch is responsible for the overall integrity of gaming and horse racing, a term not defined in the Act. The Branch defines impacts on the integrity of gaming to include all actions, incidents or things which could or may (either actually or by way of perception) corrupt the gaming and/or horse racing industries, or any portions of them, or bring the reputation of, or public confidence in, those industries into disrepute.

Registering Companies and People

The Branch ensures the integrity of companies and people involved in BC's gaming industry by registering gaming services providers and gaming workers. This includes:

- Registering all gaming services providers and gaming workers to ensure their integrity in advance of becoming involved in provincial gaming;
- Registering all appointees and employees of the Corporation as gaming workers to ensure their suitability in advance of their appointment or employment;
- As part of the approval process, reviewing ownership, lease agreements, sources of proposed financing involving new locations and relocations of gaming venues;
- Reviewing proposed changes in directors, officers, partners or associates, or the intended acquisition or disposition of shares or securities, or proposed changes in ownership or financing; and approve or deny the intended changes before the proposed changes are finalized;
- Ensuring ongoing suitability of registrants by conducting further background investigations or inquiries;
- Monitoring compliance with conditions of registration, including organizational and financial reporting obligations under Part 8 of the Act; and
- Maintaining a registry of gaming services providers and gaming workers.

Authority

- The General Manager has delegated responsibility for the registration of gaming services providers and gaming personnel to the Director of Registration pursuant to section 24(3) of the Act. The Director also fulfills the role of Registrar and certifies evidence as required under section 103(2)(a) of the Act.
- As delegated by the General Manager, the Registration Division has sole authority for conducting background investigations of registrants and applicants for registration pursuant to section 80(1) of the Act.
- Under section 81 of the Act, the General Manager may designate any Branch employee as an Investigator for the purposes of Part 9 of the Act.
- Under section 80(2) of the Act, an Investigator has all the powers and duties that an Inspector has under section 79 of the Act.
- All Registration Division Investigators are authorized to conduct background investigations pursuant to section 80(1) of the Act.
- The Minister has appointed all Investigators of the Registration Division, including the Director, as Special Provincial Constables under section 9 of the Police Act.
- Under section 55, it is a condition precedent to the appointment or employment that the prospective appointee or employee must undergo a background investigation to ascertain the suitability of the person for appointment or employment by the Corporation. The registration of all Corporation appointees and employees must be renewed every 5 years.
- Under section 56(1) of the Act, the Branch must maintain a registry of all registered gaming services providers and gaming workers.

- Under section 56(3) of the Act, the Branch may attach conditions to registrations.
- Under section 86(1), the Corporation must provide Registration Division Inspectors or Investigators with any information, records or things requested by the Inspector or Investigator.
- Under section 87 of the Act, the Corporation and its officers and employees:
 - Must submit to an investigation or inspection conducted by the Registration Division;
 - Must not obstruct or interfere with an investigation or inspection conducted by the Registration Division; and
 - Must not withhold or refuse to produce any information, record or thing that is requested by an Investigator or Inspector.
- Under section 96 of the Act, the Corporation can not employ or engage a person unless they are appropriately registered with the Branch.
- Under section 35 of the Gaming Control Regulation, it is a condition of registration that all Corporation officials and employees must, depending on their duties, wear, display or produce for inspection, their official gaming worker registration card.

Implications for the British Columbia Lottery Corporation

1. For the purposes of conducting, managing and/or operating provincial gaming, the Corporation may only enter into agreements with registered gaming services providers for gaming services defined under section 1 of the Act and section 3 of the Regulation.
2. Prior to completion of any agreement for the provision of gaming services with respect to the Corporation's conduct, management and/or operation of provincial gaming, the Corporation must ensure that all gaming services providers and lottery retailers have been appropriately registered with the Branch.
3. The Corporation must ensure that all officials and employees that are appointed or employed by the Corporation are appropriately registered by the Branch.
4. All Corporation employees must immediately report to the Registration Division any conflicts of interest or potential conflicts of interest that could possibly impact their roles and responsibilities as Corporation employees in accordance with the General Manager's directive of April 16, 2007.
5. In general, the Corporation must ensure that all Corporation employees wear or display a GPEB approved BCLC identification card at all times in a manner clearly visible to the public. This card must display the GPEB registration number and date of expiry as provided in the Certificate of Registration. An employee's card must be replaced every time that employee renews their registration. A card must not be issued to any person who does not hold a valid GPEB registration.

Despite the above, Corporation employees whose duties pertain to security or surveillance at gaming facilities are exempted from wearing an identification card while they are working in a gaming facility. However, such employees must produce their identification card for inspection at the request of a Branch Inspector or Investigator and wear their card at other material times.

6. The Corporation must submit to the Branch, within 30 days after the expiry of a month in which one or more officials or employees cease employment or appointment with the Corporation:
 - a) A list of those former officials and employees for that month, and
 - b) The official gaming worker identification cards of those former officials and employees.
7. The Corporation must maintain an up-to-date listing of all Lottery Operations Agreement holders and advise the Registration Division, on a weekly basis, of any cancellations, additions, or modifications to the agreements.
8. The Corporation must maintain an up-to-date listing of all Casino, Bingo or Community Gaming Centre Operational Services Agreements and advise the Registration Division, within two (2) business days, of signing a final version of any cancellations, additions, or modifications to the agreements.

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Certifying Lottery Schemes and Gaming Supplies

The Minister of Public Safety and Solicitor General has sole authority for approving new lottery schemes in BC and the Branch supports the Minister in this activity. The Branch certifies, and ensures the technical integrity of, lottery schemes, gaming equipment and gaming supplies in BC's gaming industry. This includes:

- Establishing Technical Gaming Standards applicable to electronic gaming equipment and non-electronic gaming supplies approved for use in BC.
- Certifying and approving the integrity of all lottery schemes before they can be used in provincial gaming, including Internet gaming;
- Certifying and approving all electronic and non-electronic gaming equipment before it can be used in provincial gaming, including Internet gaming; and
- Certifying and approving all electronic and non-electronic gaming supplies before they can be used in provincial gaming, including gaming conducted over the Internet.

Authority

- The General Manager has delegated responsibility for certification and compliance respecting the technical integrity of gaming equipment, gaming supplies and lottery schemes used in provincial gaming to the Director of Registration pursuant to section 24(3) of the Act.
- Under section 81 of the Act, the General Manager may designate any Branch employee as an Investigator for the purposes of Part 9 of the Act.
- The Minister has appointed all Investigators of the Registration Division, including the Director, as Special Provincial Constables under section 9 of the Police Act.
- Under section 75(1) of the Act, the Corporation can not use, or permit the use of, gaming equipment in connection with a lottery scheme unless the Branch has issued a certificate of technical integrity.
- Under section 75(2) of the Act, the Corporation must advise the Branch if any gaming equipment has been repaired, altered or upgraded or has malfunctioned, and the Corporation must not use the gaming equipment until the use has been approved in writing.
- As per the General Manager's Directive dated March 14, 2007, the Corporation must ensure all gaming supplies used in conjunction with a lottery scheme have been approved in writing by the Branch, and advise the Branch if any such supplies have been found to be defective. Gaming supplies that have been repaired or altered must be further approved in writing by the Branch.
- Gaming equipment is defined under section 74 of the Act.
- Gaming supplies are defined in section 1(1) of the Act, and sections 6 and 7 of the Regulation.
- Under section 86(1), the Corporation must provide Registration Division Inspectors or Investigators with any information, records or things requested by the Inspector or Investigator.
- Under section 87 of the Act, the Corporation and its officers and employees:

- Must submit to an investigation or inspection conducted by the Registration Division;
- Must not obstruct or interfere with an investigation or inspection conducted by the Registration Division; and
- Must not withhold or refuse to produce any information, record or thing that is requested by an Investigator or Inspector.

Implications for the British Columbia Lottery Corporation

1. Prior to conducting and managing any new or modified lottery scheme, the Corporation must ensure that the technical integrity of the new or modified lottery scheme has been approved in writing by the Director of Registration.

If supported by the Corporation, a company wanting to provide gaming equipment or gaming supplies to BCLC may request a limited approval for testing by BCLC under a GPEB limited review application process. Details of the conditions and limitations of the limited review application are outlined in see Appendix A.
2. Prior to using gaming supplies in the conduct and management of a lottery scheme, the Corporation must ensure that the technical integrity of the gaming supplies has been approved, either individually or according to the type of gaming supply, in writing by the Director of Registration.
3. The Corporation must immediately advise the Director of Registration in writing if any gaming supplies used in lottery schemes have been altered, upgraded or repaired, or have been found defective in manufacture or design, and the Corporation must not use such gaming supplies after any alteration, upgrade or repair, until the further use has been approved in writing by the Director of Registration. For clarity, specific conditions for reporting are articulated in the technical standards outlined for each machine. Generally, the Branch must be notified when a significant alteration, upgrade, or repair occurs, or when a significant defect is found in the manufacture or design of a lottery scheme.
4. The Corporation must permit Branch Inspectors, Investigators, and registered technical personnel contracted by the Branch, to enter and inspect any area of the business premises of the Corporation where:
 - Provincial gaming is conducted, managed and/or operated by the Corporation; and
 - Gaming equipment and/or gaming supplies used in the conduct, management, operation or presentation of gaming are operated, conducted, stored or tested.
5. The Corporation must permit Branch Inspectors, Investigators, and registered technical personnel contracted by the Branch, to access and inspect, audit and examine any written, electronic or computerized information, documents, records or things in possession of the Corporation which the Inspectors or Investigators determine are necessary to carry out their responsibilities.
6. The Corporation must permit Branch Inspectors and Investigators to immediately remove or copy any information, documents, records or things from the Corporation for technical integrity purposes.

The Branch will provide the Corporation with a receipt for any records or things removed. In principle, the Branch will ensure that the Corporation retains copies or

originals of any materials which the Branch removes. However, if the volume of material is so large that such an effort is unreasonable, the Branch will ensure the Corporation receives copies as soon as practicable.

7. Upon written or verbal request, the Corporation must immediately, or as soon as available, provide any information, documents, records or things an Inspector or Investigator deems necessary to ensure the technical integrity of gaming equipment. The Corporation may request a time extension in extenuating circumstances.

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The Branch conducts regular and periodic inspections, audits or investigative audits (generally referred to as audits) of all provincial gaming to ensure compliance with all applicable legislation, regulation, public interest standards and directives. These audits are developed in the context of a risk management framework and acceptable risk tolerances for both the Branch and the industry. This work includes:

- Establishing and maintaining an audit framework, audit and inspection standards, and policies and procedures for all gaming operations and the use of provincial gaming revenues;
- Verifying all provincial gaming is conducted in compliance with gaming legislation, directives, public interest standards, policies and procedures;
- Verifying service providers and the Corporation comply with all audit and compliance requirements;
- Subjecting all commercial gaming sites to routine audits and, as necessary, random and/or occasional audits;
- Subjecting the Corporation to routine audits and, as necessary, random and/or occasional audits concerning its conduct, management and operation of all forms of provincial gaming and its management of provincial gaming revenues as they impact Branch responsibilities;
- Reviewing and monitoring the Corporation's compliance regime. This includes, but is not limited to the Corporation's:
 - Internal audit programs;
 - Operational gaming audit programs; and
 - Quality assurance programs.
- Responding to complaints from:
 - The public, regarding activities that may compromise the integrity of gaming; and
 - The Corporation, pertaining to non-compliance by a service provider.

Authority

- The General Manager has delegated responsibility for conducting audits of provincial gaming, including provincial gaming conducted, managed and operated by the Corporation, to the Director of Audit and Compliance pursuant to section 24(3) of the Act.
- Section 27(3)(c) of the Act authorizes the Branch to make inquiries into any matter that effects or could reasonably effect the integrity of gaming.
- Under section 78(1) of the Act, Audit and Compliance Division Auditors are designated as Inspectors for the purposes of Part 9.
- The powers and duties of an Inspector are set out under section 79(1) of the Act.
- Under section 86(1), the Corporation must provide Auditors or Inspectors with any information, records or things requested by the auditor.
- Under section 87 of the Act, the Corporation and its officers and employees:
 - Must submit to an audit or inspection conducted by the Audit and Compliance Division;

- Must not obstruct or interfere with an audit or inspection conducted by the Audit and Compliance Division; and
- Must not withhold or refuse to produce any information, record, or thing that is requested by an auditor or Inspector.

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Implications for the British Columbia Lottery Corporation

1. The Corporation must permit Branch Auditors or Inspectors to enter and inspect any area of the business premises of the Corporation where:
 - Provincial gaming is conducted, managed and/or operated by the Corporation; and,
 - Gaming equipment and/or gaming supplies used in the conduct, management, operation or presentation of gaming are operated, conducted, stored or tested.
2. The Corporation must permit Branch Auditors or Inspectors to access and inspect, audit and examine any written, electronic or computerized information, documents, records or things in possession of the Corporation which the Auditors or Inspectors determine are necessary to carry out their responsibilities.
3. The Corporation must permit Branch Auditors or Inspectors to immediately remove or copy any information, documents, records or things from the Corporation for audit/inspection purposes.

The Branch will provide the Corporation with a receipt for any records or things removed. In principle, the Branch will ensure that the Corporation retains copies or originals of any materials which the Branch removes. However, if the volume of material is so large that such an effort is unreasonable, the Branch will ensure the Corporation receives copies as soon as practicable.

4. Upon written or verbal request, the Corporation must immediately, or as soon as available, provide any information, documents, records or things an Auditor or Inspector deems necessary for the purposes of an audit or inspection. The Corporation may request a time extension in extenuating circumstances.

Investigating Allegations of Wrongdoing

The Branch ensures the integrity of gaming by investigating, or assisting law enforcement agencies in the investigation of, complaints or allegations of criminal or regulatory wrongdoing in provincial gaming in the province. This includes:

- Investigating complaints and allegations of wrongdoing in provincial gaming in the province for the purpose of prosecution and/or administrative hearings;
- Conducting investigations in relation to allegations of wrongdoing internal to the Corporation;
- Conducting all investigations in relation to allegations of wrongdoing, including investigations involving licensees and registrants.
- Investigating and/or assisting law enforcement agencies in investigating illegal gambling activity;
- Ensuring all complainants are advised of the outcome of complaints in a timely manner to enhance public confidence in the integrity of gaming;
- Gathering and maintaining intelligence concerning the extent, type, and nature of unlawful activity in gaming and horse racing; and
- Identifying trends in unlawful gaming activity by tracking complaints and allegations.

Authority

- Pursuant to section 24(3) of the Act, the General Manager has delegated sole authority to the Director, Investigation Division, to:
 - Independently direct confidential investigations in relation to Criminal Code and Act offences including any other matter that may affect the integrity of gaming;
 - Exercise the discretion, under section 85 of the Act, to place a gaming site under video surveillance as part of an investigation under section 81(2); and
 - Certify evidence as required under section 103(2)(a) of the Act.
- As delegated by the General Manager, the Investigation Division is solely responsible for all investigations conducted under section 81 of the Act.
- Section 27(3)(a) of the Act authorizes the Branch to conduct investigations respecting the integrity of all gaming, including provincial gaming.
- Under section 81 of the Act, the General Manager may designate any Branch employee as an Investigator for the purposes of Part 9 of the Act.
- Under section 80(2) of the Act, an Investigator has all the powers and duties that an Inspector has under section 79 of the Act.
- All Investigation Division Investigators appointed under section 81 of the Act are:
 - Authorized to conduct investigations for the administration and enforcement of the Act and have all the powers and duties that an Inspector has under section 79; and
 - Delegated the authority to request, under section 86(1) of the Act, information, records, or things from the Corporation that are deemed to be relevant to an investigation.
- The Minister has appointed all Investigators of the Investigation Division, including the Director, as Special Provincial Constables under section 9 of the Police Act. For this

purpose, Investigators are empowered to enforce the Criminal Code and all Provincial Statutes of BC to the extent necessary.

- Under section 81(4) of the Act, the Branch must report to the Corporation the results of investigations, if the investigation is undertaken at the request of the Corporation, or if the General Manager deems it appropriate.
- Under section 86(1) of the Act, the Corporation must provide to the Investigation Division any information, records or things requested by the Investigators that are relevant to an investigation.
- Under section 86(2) of the Act, the Corporation must notify the Investigation Division immediately about any conduct, activity or incident which potentially involves or involved:
 - The commission of an offence under a provision of the Criminal Code that is relevant to gaming; or
 - The commission of an offence under the Act or the regulations.
- Under section 87, the Corporation and its officers and employees:
 - Must submit to an investigation conducted by the Investigation Division;
 - Must not obstruct or interfere with an investigation conducted by the Investigation Division; and
 - Must not withhold or refuse to produce any information, record or thing that is requested by an Investigator or Inspector.

Implications for the British Columbia Lottery Corporation

1. The Corporation must permit Investigation Division Investigators to enter and inspect any area of the business premises of the Corporation where:
 - Provincial gaming is conducted, managed and or operated by the Corporation; and
 - Gaming equipment and/or gaming supplies used in the conduct, management, operation, or presentation of gaming are operated, conducted stored or tested.
2. The Corporation must permit Investigation Division Investigators to access and inspect and examine any written, electronic, or computerized information, documents, records or things in possession of the Corporation which the Investigators determine are necessary to carry out their responsibilities.
3. Upon written or verbal request, the Corporation must immediately, or within two (2) business days, provide any information, documents, records or things an Investigation Division Investigator deems necessary for the purposes of an inspection or investigation. The Corporation may request a time extension in extenuating circumstances and the Branch will consider operational issues and respond to such requests on a case by case basis.
4. The Corporation must permit Investigation Division Investigators to immediately remove or copy any information, documents, records or things from the Corporation for investigation purposes.

The Investigation Division Investigators will provide the Corporation with a receipt for any records or things removed. In principle, the Branch will ensure that the Corporation retains copies or originals of any materials which the Branch removes.

However, if the volume of material is so large that such an effort is unreasonable, the Branch will ensure the Corporation receives copies as soon as practicable.

5. The Corporation must immediately notify the Investigation Division of any suspicious conduct, activity or incident that occurs in relation to provincial gaming that may involve:
 - a) The commission of an offence under the provisions of the Criminal Code that is relevant to, or may impact the integrity of, gaming;
 - b) A contravention to the Gaming Control Act or related regulations that is relevant to, or may impact the integrity of, gaming; or
 - c) Any other matter that is relevant to, or may impact the integrity of, gaming.

For further clarification, see Appendix B attached.

6. The Corporation must immediately notify the Investigation Division of all known wins or multiple wins by retailers (including retail managers and employees), regardless of size or situation, as soon as the Corporation is aware of such an instance occurring. The Corporation must report all such known wins or multiple wins in a way that is consistent with, and preferably using, section 86 reports.

The Branch will review each file concerning a win or multiple win by a retailer/retailer employee received from the Corporation and will, where appropriate and/or necessary, conduct an independent investigation.

The Corporation is not required to hold in abeyance any prize payouts of retailer or retailer employee wins reported to the Investigation Division unless otherwise notified by the Division.

7. Upon notification by the Investigation Division, the Corporation must hold in abeyance any compliance reviews¹ (including all wins by retailer managers and employees) on any matter under review or investigation by the Investigation Division until notified by the Investigation Division that its review or investigation has been completed.

The Investigation Division will notify the Corporation when the review or investigation is concluded and of its findings.

8. All lottery retailers are legally obligated to report any suspicious conduct, activity or incident that occurs in relation to provincial gaming directly to the Investigation Division through the applicable section 86 reporting process outlined by the Investigation Division.

The Corporation must ensure all BCLC Hot Line customer service staff members direct any calls they receive from retailers or retail employees that pertain to suspicious conduct, activities or incidents to the Investigation Division (including through GPEB's toll-free number, available for retailers to report suspicious conduct, activity or incidents).

The Corporation has committed to work with the Branch to develop a coordinated approach to enhance lottery retailer compliance with reporting requirements. This approach will include, but is not limited to, contributing to the development of communication plans, disseminating information related to GPEB and relevant GPEB programs through its sales network, and participating in periodic evaluations of retailer compliance and retailer knowledge of their roles and responsibilities.

¹ For the purposes of this document, any review or investigation undertaken by the Corporation's Security Department is referred to as "compliance reviews."

The Investigation Division will develop processes for receiving reports of suspicious conduct, activities or incidents from retailer including a toll-free number, email and Internet reporting functions.

9. The Corporation must provide monthly written reports to the Investigation Division which itemizes all reports submitted by the Corporation to the Investigation Division under section 86 of the Act.

The Investigation Division will reconcile the monthly report to ensure completeness and accuracy of the receipt and contents of the reports from the Corporation, and will notify the Corporation of any discrepancies.

The Investigation Division will provide periodic feedback to the Corporation, in relation to any deficiencies noted with respect to the section 86 reports and related information, records, or things provided by the Corporation under section 86(1) of the Act.

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Limited Review Application Process for Companies Seeking to Contract with the British Columbia Lottery Corporation

If supported by the Corporation, a company wanting to provide gaming equipment or gaming supplies to BCLC may request a limited approval for testing by BCLC under a GPEB limited review application process.

This process will not replace GPEB's current due diligence requirement consisting of a full and thorough background investigation of all applicants for registration.

Under this process:

- Applicants submitting an Initial Review Application(s) will authorize GPEB to conduct criminal record, financial and related jurisdictional checks to assess suitability for Limited Approval to supply gaming products for testing purposes. There will be no charge for this application;
- The gaming equipment or supply under consideration must be independently tested and issued a Certificate of Technical Integrity by GPEB prior to operating in a live environment;
- The testing period under this process would be limited to 90 days. However, the Corporation may request to have this testing period extended and consideration for such requests will be addressed on a case-by-case basis;
- The applicant company is not permitted to sell, lease, licence or otherwise distribute their products in British Columbia under this form of approval;
- All normal operating controls, policies and procedures for gaming equipment must be in place (as if the equipment were being used under regular circumstances); and
- GPEB would audit the operation of the equipment (as if the equipment were being used under regular circumstances).

Section 86 Reporting by the British Columbia Lottery Corporation

Section 86(2) of the Gaming Control Act requires the British Columbia Lottery Corporation to notify the Gaming Policy and Enforcement Branch Investigation Division without delay, about any conduct, activity or incident occurring in connection with a lottery scheme or horse racing, (including incidents at a gaming facility or in relation to any of the Corporation's lottery products) that may be considered contrary to the Criminal Code of Canada, the Act or Gaming Control Regulations, or that may affect the integrity of gaming or horse racing. This includes, but is not limited to:

- a. Cheating at play;
- b. Theft affecting the integrity of the game (e.g.. thefts from the house or by a gaming worker);
- c. Theft of lottery products from a lottery retailer;
- d. Any theft or wrongdoing in relation to lottery products, gaming equipment or gaming supplies from the Corporation; inventory before the lottery product is distributed to lottery retailers;
- e. Prize claims by an individual with an alleged stolen lottery ticket;
- f. Fraud;
- g. Any suspicious or alleged fraud or theft by a lottery retailer/retail employee;
- h. Any forgery of any lottery tickets;
- i. Money laundering;
- j. Persons suspected of passing counterfeit currency;
- k. Loan sharking;
- l. Robbery;
- m. Assault;
- n. Threats against, or intimidation of gaming employees;
- o. All lottery retailer lottery wins or lottery retailer employee lottery wins;
- p. All suspensions, revocations, or cancellations of Lottery Operator Agreements with lottery retailers;
- q. Unauthorized lottery schemes;
- r. Unauthorized gaming by minors;
- s. Unregistered gaming workers; and
- t. Unregistered service providers.

The Corporation need not report incidents already reflected in section 86 reports forwarded to the Investigation Division by service providers and lottery retailers (and copied to the Corporation).

This is Exhibit "K" referred to in the
Affidavit of Derek Sturko
Sworn before me, this 18th
day of January 2021.

.....
COMMISSIONER FOR TAKING AFFIDAVITS

LORENZO G. OSS-CECH
Barrister & Solicitor
#1 - 505 Fisgard Street
Victoria, BC V8W 1R3

Derek Sturko Representations re: Embargoed and Redacted Copy of Dr. Peter German's Report on money laundering in Lower Mainland Casinos

Paragraphs 287 and 398

The report suggests that GPEB (Gaming Policy and Enforcement Branch) was simply a renaming of the former GAIO (Gaming Audit and Investigation Office). Paragraph 287 says "GPEB emerged out of GAIO..." and paragraph 398 says "As a result, with passage of the GCA and the rebranding of GOIA (sic) as GPEB..." I believe this misrepresents the facts.

The establishment of GPEB, while informed by the *White Paper* of 1999, was the result of a comprehensive core review of the industry and the agencies that were involved in it at the time.

In fact, GPEB represented the consolidation of the Gaming Policy Secretariat, BC Gaming Commission, BC Racing Commission, the problem gambling programs formerly with the Ministry of Health as well as GAIO. It also represented a realignment of some regulatory and operational responsibilities between GPEB and the BC Lottery Corporation.

Examples of responsibilities which GAIO did not have but which all are part of GPEB's mandate, include policy, licensing of charitable gaming events, risk management, problem or responsible gambling programs, community gaming grants, overseeing horse racing events, etc. I believe GAIO did not deal with the certification of gaming equipment (slot machines, etc.) or the activities of lottery retailers, and that both responsibilities developed after the formation of GPEB.

I understand GPEB's responsibilities that were formerly with GAIO are most directly relevant to Dr. German's report.

Paragraph 308

This paragraph notes that the offense provisions in the GCA do not apply to BCLC, leaving GPEB as "...being a regulator without the power to enforce regulations against the most significant entity in BC's gaming environment".

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requires consideration in any updating of the GCA.

Paragraphs 375 to 396 (as it relates to section 86 reporting)

The terms of reference for Dr. German's report included providing advice on "What connections, if any, the issue has with other areas of the BC economy, laws or policies that require government, law enforcement, statutory or regulatory attention;"

In the pages I was provided to review, there is no reference to a decision by BC's Information and Privacy Commissioner (while I was still the ADM and General Manager of GPEB) to require GPEB to release Section 86 reports as part of FOI requests. GPEB and the gaming industry argued against that decision as they were all concerned it would significantly reduce the amount, quality and completeness of section 86 reports that were provided concerning infractions and incidents in casinos. Subsequently, the anticipated response occurred as employees completing the reports feared retaliation from individuals on which they would be reporting, no longer confidentially.

I do not know if that decision was subsequently changed or reversed but I believe it contributed to the matter which Dr. German is reviewing and may require attention.

Paragraph 412

Paragraph 412 says "... it (IIGET) was disbanded, ending direct police involvement in gaming in B.C." I do not believe that is an accurate statement. Police are charged with upholding the law (such as the Criminal Code) in their jurisdiction, which should result in direct involvement in gaming facilities and activity, as it does in other areas where they are investigating without a specifically established team.

This paragraph implies the police or RCMP (have no obligation to investigate) alleged illegal activity related to gaming in BC unless there is a special team established for that purpose. While the existence of such specialized teams is invaluable to such efforts, the responsibility to investigate exists without them.

I do not believe the only "direct involvement" of police in gaming in B.C. from March 2004 to March 2009 was the small, evolving contingent of RCMP officers assigned to IIGET or that there was no direct involvement of police in gaming prior to or since IIGET.

Paragraphs 415 to 417

Paragraph 415 discusses a report concerning the extent and scope of illegal gaming in BC received by IIGET's Consultative Board. Paragraph 416 discusses the 284 gaming "incidents" reported during the three years of the report. Paragraph 417 says "... the loss of IIGET meant that the rise of loan sharking, money laundering and organized crime in casinos, let alone illegal gaming outside of casinos, was left to BCLC and GPEB to sort out."

None of the text I was provided indicated any activity by IIGET to investigate those matters and I cannot recall any such investigations (although paragraph 406 refers to "one high level investigation which was eventually turned over to a US law enforcement agency").

During IIGET's existence, it focused on low-level or mid-level investigations (VLTs, common gaming houses, etc.). In fact, paragraph 408 says "... IIGET had demonstrated an ability to tackle mid-level targets but not high-level investigations."

IIGET never focused on loan sharking, money laundering and organized crime in casinos. The RCMP portion of the IIGET team was never consistently or fully staffed. IIGET demonstrated it could not undertake high level investigations. As such, I believe it is likely the rise of loan sharking, money laundering and organized crime in casinos was always up to BCLC and GPEB to sort out, even when IIGET was operational. I believe this is a critical element of Dr. German's review that must be considered in future plans.

Paragraphs 430 to 439

These paragraphs discuss reporting to FINTRAC, GPEB's 2010 efforts to get BCLC to address concerns they were identifying and the release of the 2009 report prepared for IIGET's Consultative Board. It also notes the RCMP's rationale (e.g.: lack of resources, other priorities, etc.) for why "... organized crime is prevalent in casinos at several levels" and why a spokesperson for the RCMP's "E" Division couldn't recall anyone ever being charged with laundering at a BC casino.

I believe the lack of prioritization and allocation of resources is a critical element of the matter Dr. German reviewed.

Paragraph 609

Paragraph 609 indicates "... there have been divisive rivalries within the bureaucracy of gaming in government, "since Day One"."

In my experience, once GPEB was established and the initial reaction by individuals in the former separate agencies to the dissolution of those agencies was overcome, GPEB generally became a

cohesive and focused agency. It is correct that the investigation group always seemed to act in a standalone manner, as if it was superior to the rest of GPEB.

It is also true the investigations and compliance functions caused the most friction with BCLC and service providers. This should not be surprising, as each entity has a different mandate with distinct, sometimes "competing", responsibilities and accountabilities.

It is likely that, even with enhanced clarification of roles and potentially strengthened legal authority for GPEB as regulator, a healthy tension will continue to exist. I believe this is a consideration in any efforts to clarify roles and update the GCA as it relates to enforcement and anti-money laundering efforts.