

This is Affidavit No. 2 of Larry Vander Graaf
made in this matter on January 19, 2021

COMMISSION OF INQUIRY INTO MONEY LAUNDERING IN BRITISH COLUMBIA

The Honourable Mr. Austin F. Cullen, Commissioner

AFFIDAVIT NO. 2 of LARRY VANDER GRAAF

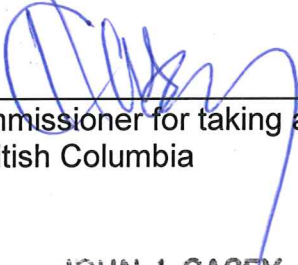
I, Larry Vander Graaf, of Delta, British Columbia, Retired, Swear that:

1. I am a former employee of the Province of British Columbia in the Gaming Policy and Enforcement Branch ("GPEB"), a participant in the Commission of Inquiry into Money Laundering in British Columbia, and as such, I have personal knowledge of the facts and matters deposed to in this affidavit, save and except where based on information and belief, and where so stated, I believe them to be true.
2. I have reflected on my first Affidavit, sworn November 8, 2020, and believe that I made an error at paragraph 82.
3. At paragraph 82 of my first Affidavit I deposed that it was Sue Birge: who asked each division within GPEB to provide her with feedback on the cash alternatives proposed by BCLC; who was provided with the feedback from GPEB's Investigation Division to BCLC's proposals; and who provided GPEB's written feedback on BCLC's proposals to BCLC.
4. I now believe that it was Bill McCrea, not Sue Birge, who made the above request and dealt with the feedback.
5. My altered belief is based upon my subsequent review of the following facts:

- a. On September 2, 2011, Bill McCrea sent an e-mail to me and other directors/managers in the GPEB Group, including Sue Birge regarding "AML Input – Methods to Reduce Reliance on Cash". As Doug Scott was a recipient of this email, Sue Birge was then no longer the Acting GPEB General Manager. This email is attached to my first Affidavit as 'Exhibit W'.
 - b. On September 8, 2011 I sent an email to members of the Investigation Division attaching two documents; the first was a copy of the BCLC'S proposed suggestions and the second was a copy with my comments added thereon, including my comment that it was necessary to restrict the number of \$20s at the casino point of entry. This email with attachments is attached to my first Affidavit as 'Exhibit W'.
 - c. A draft document dated September 19, 2011 incorporated the comments of all GPEB Divisions to the cash alternatives proposed by BCLC including my comments that it was necessary to restrict the number of \$20s at the casino point of entry. This document is attached to my first Affidavit as 'Exhibit X'.
 - d. In a letter from Bill McCrea to BCLC's Terry Towns dated October 4, 2011, McCrea gave GPEB's response to the cash alternatives proposed by BCLC. This letter did not include my comments that it was necessary to restrict the number of \$20s at the casino point of entry. Attached to this Affidavit and marked as '**Exhibit A**' is a true copy of this letter dated October 4, 2011 [GPEB0173].
6. At paragraph 85 of my first Affidavit, I incorrectly deposed that on April 12, 2011 Ms. Birge called me and told me to delete the e-mails that I had sent to Mr. Johnson. In fact, Ms. Birge called me on April 12, 2011 and told me to delete the e-mail dated April 8, 2011 from me to Eugene Johnson. This e-mail is attached to my first Affidavit as Exhibit "Y".
 7. At paragraph 86 of my first Affidavit, I deposed that I deleted both e-mails that I had sent to Mr. Johnson but kept a hard copy. This is correct.

8. Attached to this Affidavit and marked Exhibit "B" is a true copy of a page from my personal notebook in which I made a note of my conversation with Ms. Birge on April 12, 2011 regarding the deletion of the April 8, 2011 e-mail (GPEB0087).

SWORN BEFORE ME at Coquitlam,)
British Columbia, this 19th)
day of January, 2021)


A commissioner for taking affidavits
for British Columbia

JOHN J. CASEY
Barrister & Solicitor
203 - 1024 RIDGEWAY AVENUE
COQUITLAM, B.C.



Larry Vander Graaf



This is Exhibit "A" referred to in the affidavit
of LARRY VANDER GRAAF sworn
(or affirmed) before me on JAN 19 /20 21.

[Signature]
A Commissioner for taking Affidavits
Within British Columbia

Know your limit, play within it.

October 04, 2011

Terry Towns
Vice-President Corporate Security and Compliance
British Columbia Lottery Corporation
2940 Virtual Way,
Vancouver BC V5M 0A6

re: GPEB Response to BCLC's 'Methods to Reduce Reliance on Cash in BC Casinos'

Dear Terry,

We have reviewed the document, through GPEB's Anti-Money Laundering Cross-Divisional Working Group, and have determined that the following suggestions can be worked on immediately. From the discussion below you will see that some of the 'quick wins' are fully supported. Others still have areas that are of concern. We ask that BCLC develop policies and procedures for the changes and bring these to us for review prior to implementing the enhancements at BC casinos.

The areas of change are broken out as per BCLC's proposal:

Patron Gaming Fund Accounts (PGF)

No.	BCLC Proposal and GPEB Response	Discussion
1	BCLC	Allow PGF accounts to be opened and replenished with a wider variety of financial instruments including: certified, personal and casino cheques, bank drafts and debit or credit cards. This provides an avenue to move away from the issue of patrons carrying large sums of cash into the casino to game with. In regards to the use of personal cheques, the service providers would have to establish their own cheque-clearing waiting periods as any financial institution does.
1	GPEB	We generally support allowing PGF accounts to be opened with a wider variety of financial instruments from bona fide Canadian financial institutions. This will require service provider diligence in clearing cheques. Instruments that will require further discussion before implementing are: <ul style="list-style-type: none"> Casino cheques, until the program of casino cash-out by cheque is developed, Credit cards, due to Responsible Gambling and other policy issues. An enhancement proposal, discussed previously between GPEB and BCLC, is to allow PGF accounts to be opened at a lower level than the current \$10,000. We would ask BCLC to establish the opening limit for PGF accounts at a level that will encourage greater use of the program.

Ministry of
Public Safety and
Solicitor General

Gaming Policy and
Enforcement Branch
Internal Compliance and
Risk Management

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VICTORIA BC V8W 9N1
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Facsimile: [REDACTED]

Location:
Third Floor, 910 Government Street
Victoria, BC

Web: www.pssg.gov.bc.ca/gaming

No.	BCLC Proposal and GPEB Response	Discussion
3	BCLC	Allow patrons to EFT funds from their PGF account back to their own bank account at a different financial institution. This could be an account at a different financial institution, other than the one in which the EFT was originally received. For example, the patron EFTs funds from their Scotia bank account into their PGF account and later EFTs the funds from their PGF account to an account they have with the Bank of Montreal. As long as the patron is identified as the owner of both bank accounts, this should not be an issue.
3	GPEB	There is some clarification needed about this proposal. Why is this being suggested and how will it help promote the PGF accounts? That said, there is enough support to ask for policies and procedures to be built for our review. Key to this proposal is that the PGF account holder must be the owner of both bank accounts. Perhaps the two accounts should be established through the initial diligence when signing up for the PGF program.

No.	BCLC Proposal and GPEB Response	Discussion
4	BCLC	Accept EFTs from other Canadian financial institutions besides Canadian banks (such as Credit Unions).
4	GPEB	There is good consensus on accepting this proposal, subject to approval of the type of Canadian financial institutions. Please provide the full list of institutions that BCLC would deem to be acceptable.

No.	BCLC Proposal and GPEB Response	Discussion
6	BCLC	Patrons currently have the ability to deposit into their PGF accounts any verified wins on the same day the win occurs.
6	GPEB	This is already in place as part of the PGF account program.

Casino Cheques and Other Financial Instruments

GPEB has agreed that the buy-in/cash-out policy requires revision. We have asked BCLC to develop policies and procedures to manage the issuance of cash-out cheques for the \$5,000-\$8,000 range, including AML diligence. Please make this available to us once developed.

There are some other recommendations in this section that can be dealt with at this time.

No.	BCLC Proposal and GPEB Response	Discussion
3	BCLC	Accept buy-ins at the casino in a wider variety of financial instruments including certified, personal and casino cheques, bank drafts, money orders and debit or credit cards. This provides an avenue to move away from the issue of patrons carrying large sums of cash into the casino to game with. In regards to the use of personal cheques, the service providers would have to establish their own cheque-clearing waiting periods as any financial institution does.
3	GPEB	As with the PGF No. 1 suggestion there is general support for allowing casino buy-ins with a wider variety of financial instruments from bona fide Canadian financial institutions. This will require service provider diligence in clearing cheques. Instruments that will require further discussion before implementing are: <ul style="list-style-type: none"> • Casino cheques, until the program of casino cash-out by cheque is developed, • Credit cards, due to RG and other policy issues.

The above enhancements can be developed immediately, with the goal to implement policies and procedures as soon as possible. Please provide us with policies and procedures for review.

In addition to these, work can continue toward developing a couple of the other suggestions. They are:

Extend Credit or Provide Cash Advances

No.	BCLC Proposal and GPEB Response	Discussion
1	BCLC	Extend credit to patrons who qualify. The credit amount would have a minimum threshold, \$100,000 as an example and a maximum threshold. Credit amounts below \$100,000 would not be offered. Patrons would submit all necessary identification information in order to be eligible for credit. The casino service providers would have to determine how much credit they are willing to extend and thus be liable for.
1	GPEB	Note: there are three items listed under this heading. This will require research and development. Work has begun with both BCLC and GPEB researching the notion and logistics of approved gambling limits in BC casinos.

Use of Legitimate Money Transfer Companies

No.	BCLC Proposal and GPEB Response	Discussion
1	BCLC	A company called "TrustCash" has the potential to offer the ability for patrons to purchase casino chips on-line and pay for them in cash at their nearest banking location. The company would provide the patron with a slip or chit which would be redeemable at the casino for the chips purchased.
1	GPEB	We would like to see a report developed about how this proposal. How does it work and how will this support the anti-money laundering initiative?

There are other proposals that present different challenges. The notion of international funds transfers will need to be researched. Even transferring funds from international offices of major Canadian chartered banks presents the challenge of understanding their AML diligence, in relation to Canadian laws. We will need to research what the standards are and how is this accepted by agencies such as FINTRAC. As for transferring funds from foreign banks themselves this presents an even stronger challenge, as we truly do not know what AML diligence is conducted by banks regulated by laws outside of Canada. This would require a higher degree of scrutiny and will take some time to develop.

Terry, we are pleased to discuss these issues with you. Our mutual goal is to enact changes in BC casinos that encourage the use of electronic funds, thereby reducing the reliance on cash and lessening the risk of money laundering. We appreciate your efforts to this end.

Sincerely,

Bill

Bill McCrea
Executive Director, Internal Compliance and Risk Management

cc: Douglas S. Scott
Michael Graydon

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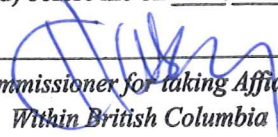
- April, 12, 2011

Meeting Sue Bix -
asked me to delete my "email"
to Eugene on report of Kroschee.
I said I would but I kept
a hard copy. Delete but not
forgetter -

Meeting Mgt - on VSE - exclusions -

REDACTED

This is Exhibit "B" referred to in the affidavit
of LARRY VANDER GRAAF sworn
(or affirmed) before me on JAN / 19 / 20 21.


A Commissioner for taking Affidavits
Within British Columbia