

This is the 1st Affidavit
of John Mazure in the matter of the
Commission of Inquiry into Money Laundering
and was sworn on February 4, 2021

AFFIDAVIT

I, John C. Mazure, of [REDACTED], in the Province
of British Columbia, SWEAR AND SAY AS FOLLOWS:

1. I am a witness in the Commission of Inquiry into Money Laundering (“Inquiry”) and as such have personal knowledge of facts and matters hereinafter deposed to, save and except where the same are stated to be based on information and belief, and where so stated I believe the same to be true.
2. My career with the British Columbia public service began in 1989 as a contractor, and then an employee in 1991, to the Ministry of Skills, Training and Labour.
3. Prior to joining GPEB, I also served in several positions in Treasury Board Staff of the Ministry of Finance, the Ministry of Children and Family Development and as an Executive Lead (Assistant Deputy Minister) with the Environmental Assessment Office of the Ministry of Environment.
4. On two different occasions, I served as acting Associate Deputy Minister of the Environmental Assessment Office.
5. From September 2013 to June 2018, I was the Assistant Deputy Minister and General Manager of the Gaming Policy Enforcement Branch (“GPEB”), after which he left BC Government service.
6. I have worked in the private sector in the past year.

I was contacted by Associate Deputy Minister Cheryl Wenezenki-Yolland in August 2013 and offered the position of Assistant Deputy Minister and General Manager of GPEB. Ms. Wenezenki-Yolland was an Associate Deputy Minister in the Ministry of Finance at that time. I had previously worked with and reported to Ms. Wenezenki-Yolland when she was the Associate Deputy Minister responsible for the Environmental Assessment Office in 2010 and 2011.
7. I reported to Ms. Wenezenki-Yolland in her role as Associate Deputy Minister at the Ministry of Finance until July 2017, when responsibility for gaming was transferred to the Ministry of the Attorney General following the May 9, 2017 provincial general election.
8. From July 2017 to early 2018, I reported to Deputy Attorney General Richard Fyfe, following which I reported to Associate Deputy Minister Doug Scott until the end of my tenure with GPEB in June 2018.

Beginning of Tenure with GPEB

9. Prior to joining GPEB, I had no significant personal or professional experience with the gaming industry.
10. I do not recall receiving any specific directions or instructions at the outset of his tenure with GPEB.
11. Upon joining GPEB, I sought to learn about GPEB and the gaming industry by meeting with as many GPEB staff as possible, including the executive directors of the various GPEB divisions and staff at the GPEB offices in Burnaby, Kelowna and Prince George.
12. I also met with representatives of BCLC, including then-CEO Michael Graydon, and attended a BCLC executive meeting to meet the BCLC executive in December 2013.
13. I also made a point of touring gaming facilities and met with representatives of service providers.
14. There was no provincial gaming industry association at the time, but I met with the association once it was formed in 2015.
15. It was made clear to me by Ms. Wenezenki-Yolland that there was an expectation that I would be expected to work with BCLC to resolve issues and that even though both organizations reported to the Ministry of Finance at the time, issues between the two organizations were not routinely going to be resolved at the Ministerial level. This expectation that GPEB and BCLC were to resolve issues between themselves without the Minister's intervention was consistent throughout my tenure with GPEB.
16. In keeping with this direction, I communicated regularly with BCLC and would not typically implement new measures without advising BCLC beforehand.
17. This does not mean that there was not tension between GPEB and BCLC at times or that GPEB would not implement new measures over BCLC's objection, but I always tried to ensure that BCLC had the opportunity to provide input.

Organizational Structure of GPEB at Outset of Mr. Mazure's Tenure

18. At the beginning of my tenure, GPEB had about 150 staff members. GPEB's staff were based in the Victoria (headquarters) office, with personnel also based in Burnaby, Kelowna and Prince George.
19. Eight staff members reported directly to me when I joined GPEB. These were the executive directors and directors of the various divisions of GPEB.

Observations Upon Joining GPEB

20. Prior to my tenure, GPEB had moved frequently between ministries. When I started at GPEB, the organization seemed to be adjusting to a level of oversight from the Ministry of Finance greater than the organization had been accustomed to under other Ministries.
21. My initial impression was that GPEB staff took their jobs seriously and wanted to do and be seen to do their jobs well.

22. I also observed frustration on the part of GPEB staff who believed the *Gaming Control Act* was not clear and did not provide GPEB with the authority it needed to do its job well.
23. In my view, morale was low in the investigations, audit, and gaming grants and licencing divisions, whereas responsible gambling, registration and certification divisions seemed to be doing comparatively well.
24. At the time I joined GPEB, there was a feeling within the organization that GPEB was under-resourced. At that time, government was downsizing and GPEB had recently been unable to replace some staff members who had left.
25. I learned that GPEB faced elevated issues management and communications demands from the Ministry of Finance and Government Communications and Public Engagement. I do not believe that GPEB had the resources necessary to meet these elevated demands at the beginning of my tenure, but this improved over the course of my time with GPEB.
26. I believed that GPEB may have had sufficient resources to fulfill its function overall, but they were not allocated optimally at the beginning of my tenure.
27. I found the relationship between BCLC and GPEB at the beginning of my tenure was almost non-existent for some divisions within GPEB, and it was a challenge for the two organizations to work together. There was also a general sense among GPEB staff that GPEB was not respected or taken seriously by BCLC.
28. I had some concerns about leadership in some of the GPEB divisions and observed that there were challenges in communication between leadership within GPEB. There was a lack of coordination between divisions and a lack of recognition of how the actions of one division might impact others.

Initial Impressions of GPEB Investigations Division

29. My initial impression of the GPEB Investigations Division was that there was significant frustration within the Division. This was related to their understanding of what the division did and did not have the authority to do under the *Gaming Control Act*, and a belief that not enough was being done to address growing Suspicious Cash Transactions (STRs) reported by service providers, along with a feeling they were not achieving meaningful results.
30. I also perceived that the Investigations Division leadership saw itself as somewhat independent from GPEB. The division was comprised of former police officers and operated like a police department, with loyalty to the chain of command within the division.
31. The division would prepare and provide reports of findings regarding suspicious cash for others to review but was not particularly active in the GPEB cross-divisional working group on money laundering. The Investigations Division leadership had a firm position on Suspicious Cash Transactions (SCTs) and held to that position -- that the suspicious cash reported accepted at BC casinos were the proceeds of crime.

32. I found it challenging to understand what exactly the Investigations Division was doing on a day-to-day basis and wanted to determine whether it was effective and whether GPEB was getting value for its investment in the division. I also had similar concerns with some other divisions in GPEB, for example, Audit and Corporate Services.
33. I made it a priority to understand how the Investigations Division, BCLC Corporate Security and Compliance and police worked together.
34. I learned of the difficulties in the relationship between GPEB Investigations Division and BCLC's Corporate Security and Compliance division. When I arrived at GPEB, the Executive Director of the Investigations Division, Larry Vander Graaf, was not speaking to the BCLC Vice-President of Corporate Security and Compliance, Brad Desmaris, which I found very surprising. While both organizations acknowledged that anti-money laundering efforts were a priority, that these two individuals were not speaking to one another was a concern to me.
35. The roles and responsibilities of the Investigations Division relative to BCLC were not clear.

Communication and Access to Senior Government Officials

36. I met weekly with Ms. Wenezenki-Yolland during the period that I reported to her at GPEB; that is, until she left in July 2017. I also met occasionally with Ms. Athana Mentzelopolous who was the Deputy Minister of Ministry of Finance from February 2016 to July 2017. I recall that Ms. Wenezenki-Yolland was present for meetings I had with Ms. Mentzelopolous.
37. I did not have regular meetings with the Ministers responsible for GPEB during my tenure as General Manager of GPEB. From September 2013 – July 2017 the Minister responsible for GPEB was Michael de Jong, Minister of Finance, and from August 2017 to June 2018 it was David Eby, Minister of Attorney General. I would initiate a request for a meeting with a Minister when I believed that direction or a decision from the Minister was required.
38. I did not have direct access to the Minister or Minister's Office under either Minister de Jong or Minister Eby. Updates, briefing notes, decision notes and meeting requests were sent to the Office of the Associate Deputy Minister (i.e., Ms. Wenezenki-Yolland) when GPEB was with the Ministry of Finance, and through the Deputy Attorney General's office when GPEB moved to the Ministry of Attorney General in July 2017. It was rare for me meet with the Minister of Finance without Ms. Wenezenki-Yolland present.
39. I understood that Ms. Wenezenki-Yolland, as Associate Deputy Minister, met with Minister de Jong more frequently than I did, as she had responsibility for programs in addition to gambling.
40. I had a professional working relationship with Ms. Wenezenki-Yolland based on respect and open communication.

Expectation of Joint Briefing Notes

41. It was expected that any issues related to gaming would be routed through GPEB and Ms. Wenezenki-Yolland before they would be brought directly to Minister Michael de Jong.
42. My understanding of the direction given by Ms. Wenezenki-Yolland was that if there were implications for either BCLC or GPEB, the views of both BCLC and GPEB needed to be incorporated into a joint Briefing Note, and both GPEB and BCLC had to sign off on the Briefing Note before it would be brought to the attention of the Minister.
43. I believe the effect of this was that issues on which there was disagreement were often left out of Briefing Notes; or if included they were minimized, thereby diluting the information that made its way to the Minister in the Briefing Notes.
44. I was concerned that if I were not present for a briefing, or if a briefing was not provided to the Minister, Briefing Notes could leave the Minister with the impression that GPEB and BCLC were more aligned than they were.
45. At one point, based on my previous experience preparing Briefing Notes for Treasury Board when I worked as part of Treasury Board Staff, I suggested to Ms. Wenezenki-Yolland that BCLC and GPEB be permitted to provide verbatim comments on Briefing Notes prepared by the other organization in a separate section of Briefing Notes, to ensure the Minister received full information and knew where BCLC and GPEB disagreed. I recall this suggestion being implemented near the end of Ms. Wenezenki-Yolland's tenure with GPEB.

Large and Suspicious Cash Transactions & Options for Addressing the Problem

Interactions with Mr. Vander Graaf

46. I recall Mr. Vander Graaf mentioning large and suspicious cash transactions in BC casinos during my initial meetings with him, if not the first meeting, after I joined GPEB in the fall of 2013.
47. Mr. Vander Graaf discussed and showed me past reports prepared by the Investigations Division on this issue, along with videos purporting to show incidents of large and suspicious cash transactions (SCTs).
48. As with all my direct reports, I initially had weekly calls with Mr. Vander Graaf until January 2014, at which time the calls became bi-weekly. Mr. Vander Graaf regularly described his concerns to me regarding SCTs.

GPEB Cross-Divisional Working Group

49. When I joined GPEB in the fall of 2013, the organization had a cross-divisional working group devoted to the anti-money laundering strategy led by Bill McCrea, Director of Compliance and Risk Management. I understood this group was constituted as part of government's response to the 2011 Kroeker Report and the Anti-Money Laundering (AML) strategy that followed from the report. Mr. McCrea had been put in charge of the

group by the previous General Manager. Mr. Vander Graaf was one of the individuals that provided input to that group.

50. I went to some of the group's meetings to familiarize myself with the issues being managed by the group and observe their interactions, however, I left it to Mr. McCrea to manage the group and lead GPEB's work on the anti-money laundering strategy.

Diversity of Views on Suspicious Cash

51. After starting at GPEB, I learned there were a diversity of views within the industry as to whether money laundering was occurring, how big the problem was if it was occurring, and what the solutions were.
52. For example, one of the views held by some within BCLC was that it was unlikely money laundering was occurring in BC casinos because those people who were bringing in large amounts of cash were usually losing the money – they typically left the casinos without it.
53. The GPEB Investigations Division leadership believed that money laundering was occurring, and the solution involved focusing on \$20 bills.
54. Others within GPEB believed that while cash alternatives would help solve the problem, regulatory intervention was required as well – what the latter should entail was just beginning to be explored by the cross-division working group when I joined GPEB.
55. After arriving at GPEB and taking the time to gather information and perspectives from GPEB staff, BCLC staff and others by way of meetings and phone calls, I considered the various views expressed to me in order to understand what was really happening. GPEB was lacking an intelligence function at that time, something which would have been helpful. This function was later set up by Len Meilleur.
56. It took several months for me to understand the different views on this issue, but by early 2014, I believed I had enough information to warrant developing options for additional AML measures.

GPEB's Anti-Money Laundering (AML) Strategy

57. There was a three-phase AML strategy in place at the time I joined GPEB. The first phase was the development of cash alternatives, the second was for BCLC to encourage the use of cash alternatives and the third was regulatory intervention. The nature of the regulatory intervention involved in phase 3 had not been determined when I joined GPEB.
58. After gaining some experience with GPEB, my view was that providing cash alternatives, confirming source of cash prior to acceptance, and investigating (policing) illegal gambling and gambling sites were all required to address the problem of suspicious cash in casinos.
59. I did not believe that cash alternatives alone would solve the problem. I became convinced that it was necessary to scrutinize the cash that people were bringing into

casinos, and that a policing presence was required to disrupt illegal gaming and to investigate criminal activity in and about casinos.

Increase in Betting Limits in 2014

60. I believe the first time I was asked to exercise the General Manager's authority under the *Gaming Control Act* with respect to BCLC (i.e., where the authority had not been delegated to others in GPEB) was in relation to increased betting limits.
61. Upon learning of BCLC's request to increase bet limits, my first priority was to better understand my role in the decision-making process and specifically, to confirm whether I had authority under the *Gaming Control Act* regarding the proposal.
62. I recall that Mr. Graydon expressed some concern about the length of time it was taking to get a decision on the proposal to raise betting limits. I advised Mr. Graydon that I was trying to get an understanding of whether my approval was in fact required and that I had limited resources available to review the proposal in the timelines desired.
63. I understood my authority to provide direction to BCLC came from section 28(1) of the *Gaming Control Act*. This section provided a list of subject areas where the General Manager of GPEB "may" issue directives to BCLC – this authority was not explicitly limited to this list of subject areas; however, section 28 did not provide any guidance for the General Manager in terms of what other subject areas (i.e., those not on the list) could or should be considered to be subject to directives from the General Manager of GPEB.
64. My understanding is and was at the time that any particular section in legislation needs to be interpreted in the context of the entire Act; in this case I believe Section 28 should be interpreted in the context of the entire *Gaming Control Act*. I took note of section 7(1) which states the lottery corporation is responsible for the "conduct and management of gaming on behalf of the government." While this provided some context, it did not seem definitive to me. That is why, during my tenure at GPEB, I sought and relied on legal advice provided by the Ministry of Attorney General on a case-by-case basis as to whether I, as General Manager of GPEB, had the authority to provide a directive to BCLC on particular matters.
65. I came to believe that the authority of the General Manager of GPEB to provide a directive to BCLC is limited by the legislative authority given to BCLC to be responsible for the responsibility for the "conduct and management of gaming", although admittedly this seemed like a grey area.
66. I also understood there was a requirement for the General Manager to obtain ministerial approval before issuing a directive to BCLC, due to what was then section 28 (3) of the *Gaming Control Act*. Given the direction I was given that it was expected GPEB would work with BCLC to resolve issues and that they were not routinely going to be brought to the Minister for resolution, I understood that General Manager directives were to be used judiciously. Section 28 (3) was repealed in November 2018, a few months after I left GPEB and the BC Public Service.
67. I further understood that BCLC was effectively exempt from Offence provisions under Section 97 of the *Gaming Control Act*. In my view, this meant GPEB's General Manager

had a limited ability to enforce a directive given to BCLC. In contrast, I recall conversations with my then counterpart in Ontario, Jean Major, Chief Executive Officer, Alcohol and Gaming Commission of Ontario (AGCO), regarding the legislative authority Mr. Major had to levy monetary penalties against the Ontario Lottery and Gaming Corporation to ensure compliance with directions provided by AGCO. I recall Mr. Major saying it was a tool that he did not have to use very often but the fact that it was there, and everyone knew it, had the desired effect (i.e., it ensured compliance).

68. Ultimately, I recall that GPEB approval was not required by BCLC to increase betting limits in casinos.
69. When Mr. Lightbody became CEO of BCLC he asked me for clarification on matters for which BCLC required GPEB approval. I had discussions with Mr. Lightbody about types of things GPEB does and does not need to approve, as well as the lack of clarity provided by the *Gaming Control Act* for matters not specifically listed in section 28 (1). I recall telling there was not a definitive list of matters requiring GPEB approval that him and I could rely on. I indicated that initially we just examine each matter on a case by case basis and that over time it should become clearer on what required GPEB approval and what did not.
70. I advised Mr. Lightbody that I shared had concerns expressed by Mr. Graydon about the time it took GPEB to respond to requests for approval and that I wanted to respond more quickly where GPEB approval was required.
71. I asked Mr. Lightbody to share proposals with GPEB as early as possible, and in exchange I committed to responding quickly as to whether GPEB approval was required, and if so, what information GPEB required in order to make a decision.

2014 Malysh Associates Report

72. The purpose of the Malysh Associates report was to understand what institutions, outside of gaming, that also take in large amounts of cash were doing in terms of anti-money laundering practice and to consider whether those approaches/measures could be applied to gaming in BC.
73. This work was undertaken by GPEB's cross-divisional working group led by Bill McCrea in 2014. The report was intended to inform GPEB's efforts when considering what type of action might be taken in Phase 3 of the AML strategy.
74. The recommendations made in the report were considered by the cross-divisional working group in the fall of 2014.
75. The first recommendation in the Malysh Associates report was to create an anti-money laundering (AML) compliance regime regulation under the *Gaming Control Act*. I recall that the working group developed some draft briefing material regarding potential GPEB General Manager directives to BCLC, public interest standards (under section 27 (2) (d) of the *Gaming Control Act*), and changes to the *Gaming Control Act Regulation* to require additional AML measures by BCLC. A Briefing Note was prepared for me in early 2015 which recommended a multi-pronged approach including variations of the above measures. Potential content of the regulatory changes included a mandatory source of

funds declaration form. I do not recall whether this Briefing Note was provided to Ms. Wenezenki-Yolland or to Minister of Finance, Mike de Jong, for direction or decision.

76. I recall that the second recommendation, the creation of an intelligence and analytical unit, was implemented. Our Executive Director of Compliance, Len Meilleur, set up an intelligence unit within GPEB in late 2015.
77. Ms. Wenezenki-Yolland would have been aware of the Malysh Associates report as a result of my weekly meetings with her. I do not recall if she was provided with a copy of the report, but I would have been sure to give her a copy if she asked for it.

Review of GPEB by Ministry of Finance, Corporate Services Division, Strategic Human Resources Branch

78. By late November 2013, I had several conversations with Ms. Wenezenki-Yolland about lacking sufficient information regarding GPEB's operations, challenges, and opportunities in several areas. I expressed a need for this information to chart a course for GPEB and to better position the organization to meet its mandate in a rapidly evolving gaming environment.
79. This led to a review of GPEB by the Ministry of Finance Corporate Services Division Strategic Human Resources Branch. This review was intended to further identify areas where additional information was required and to get an independent, unbiased view of what the organization was doing to help inform future direction and actions.
80. The review was not about personalities or individual performance, but about determining what GPEB was doing, whether it was getting results.
81. I did not believe that GPEB had the capacity to manage this review internally. I was familiar with the Strategic Human Resources Branch of the Ministry of Finance and their capacity to conduct such reviews from my previous experience with the Ministry of Finance.
82. The Strategic Human Resources Branch conducted the review using their own methodology. I was the executive sponsor of the review with the support of Ms. Wenezenki-Yolland.
83. I met with the person overseeing the review in late January 2014 and the review got underway in April 2014.
84. The Strategic Human Resources Branch staff conducting the review met with approximately 60 people in GPEB and met with stakeholders, including BCLC.
85. I met regularly with the Strategic Human Resources Branch review team to hear how the review was going and ensure that they were getting the cooperation they needed. However, I was not involved in the conduct of the review.
86. I believe this review was critical in moving the organization forward. The review took about eight months to complete (finishing in October 2014) – it was time well spent but I would have preferred it had not taken as long to complete.

GPEB Review: Investigations and Regional Operations and Audit and Compliance Divisions Review

87. As part of the Strategic Human Resources Branch review of GPEB, a supplementary report was prepared regarding the Investigations and Audit Divisions.
88. The need for this supplementary report was not identified initially. I met periodically with those overseeing the Strategic Human Resources Branch review. During the review, an issue was identified regarding the need for caution in the use of information gathered through investigations and audits as the use of information obtained through these regulatory activities in criminal proceedings could pose a problem. This was an issue that GPEB needed to be aware of in considering integrating the work of its various compliance-related functions.
89. It became clear that expertise was needed to address this issue. Tom Steenvoorden of Police Services Division, Ministry of Public Safety and Solicitor General was brought in to address this issue.

“Lack of confidence and understanding of exactly “what” the Investigations Division is doing” (page 2)

90. I do not believe that the GPEB Review provided a lot of clarity on precisely what the Investigations Division was doing and what GPEB was getting for its investment in the Investigations Division.
91. Mr. Steenvoorden made inquiries into what the Investigations Division was doing and how it was measuring its impact but was not receiving clear answers.
92. The Strategic Human Resources Branch Review of GPEB report in fact recommended further review of the Investigations Division (e.g., to look at work practices).

“Concerns were also raised that the Division operates in the absence of oversight and direction by the General Manager” (page 2)

93. While the Strategic Human Resources Branch Review of GPEB, was taking place (from January 2014 to October 2014) but outside that process, I became concerned that it appeared that much of what the Investigations Division was doing with section 86 reports appeared to be administrative in nature, rather than investigative work, and that this was taking up an inordinate amount of their time. I note that in his testimony to the Commission of Inquiry on November 2, 2020, Mr. Ken Ackles, Manager of Investigations for GPEB, said that he and other GPEB investigators conservatively spent 70 percent of their time reviewing section 86 reports and preparing reports for their supervisors. Mr. Ackles acknowledged this was not a good use of their time (see pages 127 & 128 of the relevant transcript).
94. I was working with Mr. Vander Graaf on reports prepared by the Investigations Division to improve and expand on the information provided in order to better demonstrate the need for further actions and to build support for the solutions. I believed it was not sufficient to provide transactional information (e.g., the number of suspicious transactions and the amount of suspicious cash) - it was necessary to go behind the

numbers to analyze trends and patterns over time, including incorporating available intelligence, how many patrons were involved in the transactions and their backgrounds, etc.

95. In short, I believed more information was required to determine what specific actions could be taken by GPEB to address the growth in suspicious cash and to understand the implications of taking those actions, in the event I needed support or approval from Ms. Wenezenki-Yolland and/or the Minister.
96. Eventually, following the restructuring of GPEB, Ken Ackles did provide the information in August 2015 that I was looking for. Mr. Ackles described this in his testimony on November 2, 2020 to the Commission (see pp. 40-41, 44 of the relevant transcript). The information was now cumulative over time rather than presented on an individual file basis, and it was relevant and wholesome. I was away on summer vacation when this revised report was first provided to Ms. Wenezenki-Yolland and Mr. Meilleur but was subsequently told by Mr. Meilleur that Ms. Wenezenki-Yolland expressed surprise and concern regarding the information. I was also surprised and concerned when I reviewed the report upon my return.

“Allegations were heard that the statistics contained in the Annual Report may be misrepresentative of the actual outcomes of the Division” (page 5)

97. GPEB is required to produce an annual report under section 29 of the *Gaming Control Act*. The report must be tabled in the Legislature.
98. The annual report contains a table that provides statistics on incident reporting and actions which GPEB investigators took in response to these incidents.
99. I was concerned that the number of incidents reported was high, yet the number of files where action taken by GPEB investigators was very low. It was concerning to me that GPEB was reporting large numbers of incidents in which it appeared its investigators took no action.
100. I believed the information being included in the table in the annual report was misleading. It was my intention that, over time, GPEB would move away from reporting on inputs and outputs and instead report on actual outcomes.
101. A review led by Mr. Meilleur in 2015, indicated that GPEB was collecting information under s. 86(1) of the *Gaming Control Act* that was not informing investigations. This was problematic because GPEB was not permitted to simply ask for any information it wanted; rather, the requested information had to be connected to an investigation.
102. In the Spring of 2014, there had also been a leak of s. 86 reports to the media, leading to an investigation by the Office of the Chief Information Officer (OCIO) of the BC Government. A report from the OCIO recommended GPEB should only collect information for investigative purposes.

“Other issues raised included the Investigation Division’s current work practices, expense claims, parking allowances, collusion in completing the Work Environment Survey” (page 5)

103. The reference to “current work practices” goes to the quality of the investigations being undertaken by the Investigations Division. I was meeting with Brad Desmaris from BCLC prior to the restructuring of GPEB, even though the Executive Director of the Investigations Division was not. Mr. Desmaris raised concerns about the work of the Investigations Division, which I took with a grain of salt as the relationship between GPEB and BCLC was not good. I did not have reason to believe the concern regarding work practices was due to the quality of the GPEB investigators, but I had concerns about the division’s leadership and direction they provided.
104. The reference to “expense claims” and “parking allowances” was a smaller but important issue as it could negatively impact GPEB’s reputation within the Ministry of Finance. There was a policy within the Ministry of Finance that provided parking allowances only to people at certain levels. There were those in the Investigations Division that had their parking paid for that should not have under the Ministry of Finance policy. This was a concern identified before the review. This issue was dealt with as part of the response to the review.

“Based on the interviews conducted it is suspected that the intransigent position taken by the current Investigation Division leadership has led to the current dysfunctional relationship with stakeholders.” (page 5)

105. I believe the “intransigent position” referred to in this passage refers to the position taken by the leadership of the Investigations Division regarding suspicious cash and what should be done to address the problem.
106. Mr. Vander Graaf was confident and very certain about what the problem was and how it should be corrected. This was a position he held for a long time, prior to me joining GPEB.
107. Mr. Vander Graaf held firm to his position about how to correct the problem and this may have contributed to the lack of interaction he had, including a lack of meetings, with BCLC because BCLC took a different position.
108. The dysfunctional relationship with stakeholders was a longstanding issue and predated my arrival at GPEB. It went beyond the relationship with BCLC. There were also problems with relationships within GPEB.
109. GPEB’s cross-divisional working group was looking at the anti-money laundering issue and the government’s anti-money laundering strategy had several elements to it, including cash alternatives and regulatory intervention.
110. I did not view one element of the strategy as more important than the others, but thought they needed to be implemented together to address the alleged money laundering/proceeds of crime problem in casinos.
111. The Investigation Division’s opinion was that cash alternatives alone were not working.

112. No one within GPEB, myself included, denied there was a potential problem with money laundering. It is not true that the Investigations Division were the only ones concerned with the amount of suspicious cash entering BC casinos, though that may have been their perception. Progress was not being made quickly enough for Mr. Vander Graaf, and in fairness I also later became frustrated about the pace with which GPEB was able to move towards regulatory intervention.
113. I expected leadership within GPEB to work together to identify solutions, even if they held different views on certain topics. My role was to make decisions about the direction we should be taking as an organization.
114. As mentioned, I did not dismiss the problem of money laundering and felt that the entire GPEB group understood there was a problem. My focus was on identifying potential solutions and their impacts. This is what led to the Malysch Associates report.
115. GPEB was considering all options, including those Mr. Vander Graaf proposed.

**“It is recommended that a full audit of the Investigations Division be considered.”
(page 5)**

116. I did not believe that GPEB could wait for a review of the Investigations Division as recommended in the GPEB Review Report, prior to responding to that report’s recommendations, including re-structuring GPEB.
117. Following the restructuring of GPEB, I charged Mr. Meilleur, the new Executive Director, Compliance Division, with looking into the issues raised in the GPEB Review Report about the Investigations Division. Mr. Meilleur did so and reported back to me over the course of 2015. I would not characterize the work undertaken by Mr. Meilleur as being the audit contemplated in the GPEB Review Report.

Decision-Making Process Following Review and Changes at Executive Director Level

118. It had always been my intention to share the results of the GPEB Review with the GPEB Executive Team, and to share a summary of the results with staff more generally. Implementation of the results would involve all GPEB staff and I wanted GPEB staff who had been interviewed to feel that they had been heard and would be involved in the response to the review.
119. When I received the results of the review from Strategic Human Resources Branch, they included significant concerns about leadership in some areas, including the quality of work being done and the status of relationships with stakeholders. Concerns were raised with respect to five of the eight individuals that reported to me.
120. I shared the results of the review with Mr. Wenezeki-Yolland and discussed next steps. The Ministry of Finance’s Corporate Services Division, Strategic Human Resources Branch advised that the report could not be shared with staff, including executive, given the significant concerns raised regarding several individuals in the report findings.
121. A key recommendation in the report was to re-structure GPEB to (1) maximize the span of control, i.e. maximize the scope of accountability within each reporting layer of the organization (giving all staff greater freedom to act but with increased accountability), (2)

increase accountability in front line roles to increase the speed of decision-making, and (3) maximize opportunities to create generalist (versus specialist) roles to allow the organization to be more flexible, adaptable and nimble so it could respond to changing internal and external priorities.

122. Another key recommendation was to consolidate compliance functions under one division. I thought this was too much responsibility for one person given the challenges identified in the review with investigations and audit functions. Therefore, I decided to leave registration and certification out of that portfolio but consolidated the remaining compliance functions. This re-structuring resulted in some redundant positions at the Executive Director and Director level.
123. I recommended, and Ms. Wenezenki-Yolland approved, the restructuring of GPEB. Those individuals whose positions became redundant were notified on Dec 2, 2014 in advance of the announcement of the results of the review to all GPEB staff later that same day.
124. I followed BC Public Service Agency direction and process for dealing with those individuals whose positions became redundant. This involved placing them immediately elsewhere in GPEB, providing working notice where placement elsewhere in the BC Public Service was likely, and termination without cause where it was not.

Termination of Mr. Vander Graaf and Mr. Schalk

125. A key recommendation in the GPEB Review Report was to re-structure GPEB to better align its various programs and services to best position the organization to deliver on its mandate in the future under the *Gaming Control Act*. The recommendation specifically called for consolidating programs and services into fewer divisions, including combining existing Horse Racing, Audit, and Investigations functions into one division. I made the decision to implement this recommendation, which resulted in the positions held by Mr. Vander Graaf, Mr. Schalk and 3 other senior management becoming redundant.
126. As with the other three individuals whose positions became redundant following the review of GPEB, opportunities for placing Mr. Vander Graaf and Mr. Schalk elsewhere in the public service were sought. GPEB worked with the Public Service Agency and Strategic Human Resources unit of the Ministry of Finance to help place the five individuals.
127. The BC PSA advised me that placement of Mr. Schalk and Mr. Vander Graaf elsewhere in the BC Public Service was highly unlikely. I contacted potential areas in the BC public service to find placements for Mr. Vander Graaf and Mr. Schalk; however, no opportunities existed. As such, the BC PSA recommended, and I acted, to terminate both Mr. Vander Graaf and Mr. Schalk without cause.
128. Mr. Schalk and Mr. Vander Graaf were treated in the same way as the other individuals whose positions had become redundant. As noted in paragraph 125, I followed BC Public Service Agency (BC PSA) policies and procedures and consulted with the BC PSA and Ministry of Finance Strategic Human Resources Branch throughout the whole process, from the time their positions became redundant to the decision to terminate

without cause, to the notification of the decision to both Mr. Vander Graaf and Mr. Schalk respectively.

129. Contrary to what was suggested to the Commission, Mr. Vander Graaf and Mr. Schalk were not terminated because they persistently raised concerns regarding money laundering.

New GPEB Regulatory Approach

130. In addition to the findings and recommendations of the GPEB review, and the restructuring of GPEB in Dec 2014, I also began implementation of a different regulatory approach at GPEB. This approach was informed by a book titled *The Regulatory Craft: Controlling Risks, Solving Problems and Managing Compliance* by Malcolm K. Sparrow, Professor of the Practice of Public Management at the John F. Kennedy School of Government, Harvard University and Faculty Chair of the School's Executive Program, "Strategic Management of Regulatory & Enforcement Agencies."
131. Professor Sparrow states the reform of regulatory and enforcement practice should focus on the abatement or control of risks to society, and that new regulatory craftsmanship lies in the ability to "pick important problems and fix them". There are 3 core elements to new regulatory craftsmanship – the adoption of a problem-solving approach, a focus on results and an investment in collaborative partnerships. The problem-solving approach involves the systemic identification of risks of non-compliance, an emphasis on risk assessment and prioritization for making resource allocation decisions, developing the organizational capacity for designing and implementing tailored solutions for each problem, the use of a range of tools for procuring compliance and eliminating risks, the recognition of the need to retain and enhance the enforcement "sting" while using enforcement actions economically and within the context of an overall compliance strategy. Partnerships with industry, industry associations and other government agencies are sought and designed to produce a sense of shared purpose through collaborative agenda setting and prioritization; more effective interventions resulting from the active engagement of all parties; and optimal leveraging of scarce agency resources.
132. It was my assessment that the regulatory approach described by Professor Sparrow was not only a practical approach for meeting current and future challenges but was required. In early 2015, I began to lead the transition of GPEB to this approach.

Allegation that Mr. Mazure Instructed the Investigations Division to "Stop Doing what you are Doing"

133. I do not recall instructing the Investigations Division, including Larry Vander Graaf and Joe Schalk, to "stop doing what you are doing". I certainly did not want the Investigations Division to stop dealing with section 86 reports. I agreed with Executive Director Mr. Vander Graaf that without these reports that GPEB would be blind as to what was going on in the casinos.
134. However, I did want the Investigations Division to change its approach in two respects.

135. First, as I described in paragraphs 94-97, I was concerned that the Investigations Division was taking a transactional approach to s. 86 reports. It appeared the GPEB Investigations Division was doing work that appeared more administrative than investigative. I wanted the Investigations Division to focus on investigative work.
136. Second, I wanted the GPEB Investigations Division to stop collecting information that it was outside the authority provided under Section 86 of the *Gaming Control Act* for the reasons discussed at paragraphs 102 and 103 above.
137. GPEB continued to receive section 86 reports throughout my tenure as General Manager at GPEB. I did not direct GPEB to stop collecting or responding to section 86 reports.

E-Pirate and Police Engagement

138. I learned of the E-Pirate investigation in July 2015 from Len Meilleur, Executive Director of Compliance at GPEB. Mr. Meilleur did not provide me with details of the investigation in order to protect (i.e., not compromise) the investigation.
139. I immediately advised DM Peter Milburn of the investigation and the implications for gambling in BC. Mr. Milburn indicated he would be advising Minister de Jong by the end of day. I did not advise Associate DM Cheryl Wenezenki-Yolland as she was on vacation. Prior to contacting Mr. Milburn directly, I contacted Mr. Chris Brown who was acting Associate DM to determine whether he wanted to advise Mr. Milburn himself or preferred for me to do so. Mr. Brown stated he preferred the latter.
140. When I learned of the investigation, I thought it was positive in that it indicated police were now investigating matters related to gaming.
141. Previously, I had been frustrated by a lack of police engagement on gaming issues, and others at GPEB had felt the same way. GPEB had limited authority in terms of investigating matters such as potential money laundering. The *Gaming Control Act* and Special Provincial Constable designation held by GPEB investigators was not the same as the authority of the police. GPEB could investigate suspicious cash, however, it was my understanding that if it became a money laundering or proceeds of crime investigation, then we had to turn investigations over to the police. As such, to achieve results on a file involving suspected criminal activity in relation to gaming, we required the police to be involved.

GPEB Compliance Division 2015 Spreadsheet

142. In early August 2015, the GPEB compliance division prepared a spreadsheet detailing large cash transactions.
143. This spreadsheet presented information in a different way than in the past and included information that had not been presented previously. It put this information in context and was relevant. To me, the development of this document reflected that GPEB investigators were no longer just doing administrative work but had begun doing actual investigative work and analysis.

144. The information presented in the spreadsheet included an analysis of trends and identified individuals, not just transaction-based information.
145. I was on summer vacation when the spreadsheet was first prepared and did not see it when Mr. Meilleur and Ms. Wenezenki-Yolland first reviewed it in late August 2015.
146. I had difficulty sleeping once I became aware of the criminal backgrounds of people identified in the spreadsheet.
147. This, along with the police investigation in the summer of 2015, captured the full attention of Ms. Wenezenki-Yolland, Mr. Meilleur and me.

Impact of Spreadsheet on Mr. Mazure's Perception of Suspicious Cash and Money Laundering Problem

148. Prior to viewing the spreadsheet prepared by the Compliance Division, I was certain as to the general nature of the suspicious cash and the potential for money laundering and proceeds of crime in and about casinos. However, I was still uncertain of the magnitude of the problem and of the individuals involved.
149. The spreadsheet, the E-Pirate investigation, the summit in June 2015, and a spike in suspicious cash in July 2015 drew more attention to the problem. This then spurred action by GPEB with the full support of the Associate Deputy Minister.

Ms. Wenezenki-Yolland's Reaction to the Spreadsheet

150. As mentioned, I was not present when Ms. Wenezenki-Yolland was first presented with the spreadsheet in late August 2015, but I understand that she found it shocking.
151. Ms. Wenezenki-Yolland began asking for additional information and briefing notes after seeing the spreadsheet. It sparked an interest in additional information on her part about what GPEB did and their relationship with police.

2015-2017 Correspondence with Jim Lightbody

152. Regarding paragraph 109 of Mr. Lightbody's affidavit filed in this proceeding, I recall having a conversation with Mr. Lightbody shortly before or after the RCMP lifted the suspension of the Information Sharing Agreement (ISA) with BCLC. I do not recall apologizing to Mr. Lightbody for the suspension of the ISA, and I do not know why I would have. It was a decision of the RCMP to suspend the ISA, not a GPEB decision. I do recall, however, indicating to Mr. Lightbody that I had spoken with Mr. Meilleur about the matter indicating that GPEB should have involved BCLC in discussions regarding information sharing among the parties or advising BCLC that GPEB would be meeting with the to discuss information sharing.
153. I understood that the Information Sharing Agreement between BCLC and the RCMP was a sensitive matter for BCLC. I recall that Mr. Desmaris had informed me during one of our meetings in late 2013 or early 2014 that he had negotiated an ISA directly with the RCMP because GPEB Investigations Division refused to cooperate with BCLC and that BCLC could not get any information through GPEB.

154. I had a functional working relationship with Mr. Lightbody. Mr. Lightbody and I communicated regularly on issues effecting both organizations. I recall having regular calls every 10-14 days as scheduled in their calendars but had an understanding that either of us could pick up the phone to call the other if the circumstances warranted it and we did so.
155. I worked hard to maintain the relationship with Mr. Lightbody. It was important to me to (1) set an example for the rest of GPEB (i.e., tone at the top) given the poor history between the two organizations, (2) follow direction I had been given to resolve issues between the two organizations between myself and Mr. Lightbody, (3) to build a collaborative partnership with BCLC as a means for ensuring compliance with the GCA.
156. Beginning on August 7, 2015, I and Minister de Jong (on October 1, 2015) sent BCLC a series of letters indicating additional measures were required in order mitigate the risk of money laundering and proceeds of crime in casinos. GPEB remained concerned with the prevalence of suspicious cash in casinos and required further action by BCLC. If viewed from a risk perspective, we were indicating to BCLC that the residual risk (the risk remaining after application of BCLC mitigation measures) exceeded the GPEB's risk tolerance and as such further mitigation was required.
157. The four actions identified in the August 7, 2015 letter reflected the recommendations arising from the June 4, 2015 AML Workshop organized by Mr. Meilleur and BCLC.
158. At that time, Mr. Meilleur advised me that the focus should be on source of funds (cash). I was told it was necessary to ask patrons where they were getting the cash they were using to 'buy in' at casinos and if they could not explain the source, then casinos should refuse the cash.
159. The language used in these letters from GPEB was deliberate. The letters did not constitute General Manager directives to BCLC under section 28 (1) of the *Gaming Control Act*.
160. From my perspective, BCLC had a system in place for looking at the patron examining source of wealth of gaming patrons and their backgrounds. The focus of the BCLC approach was on the patron. However, GPEB believed that alone was not sufficient to mitigate the risk of money laundering or proceeds of crime in and around casinos. My position on behalf of GPEB was that cash (funds) should not be accepted unless its source could be confirmed as legitimate – if the source of the cash could not be confirmed as legitimate, or could not be determined, then the cash should be refused. In essence, GPEB was looking for increased focus by BCLC on business activities, products, and services, in addition to focusing on the patron.
161. I believed that BCLC was best positioned to determine how BCLC and service providers should deal with patrons to effect acceptance of cash based on confirmed source of funds. BCLC had the authority to do so – BCLC was responsible for the “conduct and management of gaming” in BC as per section 7(1) of the *Gaming Control Act*, whereas GPEB was prohibited from doing so (due to section 27 (4) of the *Gaming Control Act*).
162. In our regular conversations, Mr., Lightbody and I discussed several possible source of funds measures to address GPEB's concern regarding acceptance of suspicious cash. These included a cap on the amount of cash a person could bring into a casino, a threshold beyond which a person would be required to provide proof of the source of

their funds (e.g., a source of funds declaration), and several transactions above a threshold after which proof of source of funds would be required. I do not recall the word “prescriptive” ever being used to describe these options.

163. I don't recall telling Mr. Lightbody in 2017 that I “was on very thin ice and expected to be removed as General Manager of GPEB and transferred elsewhere in government following the review by Dr. German.” I did not have such concerns. Perhaps he heard something about my future prospects from someone else.
164. I may have shared with Mr. Lightbody, in the run up the May 9, 2017 provincial election, that there was a chance I might be moved to a different ministry following the election. In my experience, it was typical for a newly-elected government (whether it was the same political party or not) to make organizational changes early in their mandate to ministries and senior executives (e.g., Deputy Ministers and Assistant Deputy Ministers). For example, GPEB moved from the Ministry of Energy and Mines to the Ministry of Finance following the 2013 election.
165. In fact, I had already reached out to the Deputy Minister of the Public Service Agency in 2015 to indicate that I would be interested in moving to another portfolio sometime in the next two years as part of my planned career progression. Upon accepting the position of General Manager at GPEB, it was always my intention to move to another portfolio in about 4-5 years. To meet these timelines, I understood it was important to let those that make such decisions know well in advance to be considered when such opportunities arose, which could be infrequent. I did not share details of my career plans with Mr. Lightbody.
166. I remained as General Manager of GPEB following the 2017 provincial election. In July 2017, within a few days of being appointed Attorney General and the minister responsible for gaming, Minister David Eby called me directly while I was in my office. Included in Minister Eby's transition briefing binder were issues which staff indicated required decisions or direction from the Minister within the first 30, 60 and 90 days of the new government's mandate. Minister Eby was calling about two GPEB issues which required a decision by the minister within the next 60 days. Up until that point, I don't recall previously receiving a direct phone call from the Minister responsible for GPEB during my tenure as General Manager. I was pleased by the level of interest and took it as a positive sign the new government and Minister were interested in taking additional measures to maintain the integrity of gaming. I was fully aware that Minister Eby was the previous Opposition critic for gaming and had a particular interest in money laundering issues. I made a request to the Deputy Minister's office for an opportunity to immediately brief Minister Eby on anti-money laundering. Eventually, I recall providing two or three briefings on behalf GPEB to Minister Eby and his staff during the summer of 2017. Initial briefings involved Mr. Meilleur and myself; later briefings also included other GPEB Compliance Division staff, including staff from GPEB's Intelligence Unit and GPEB staff placed with JIGIT.
167. After these briefings, Minister Eby announced the German review on September 28, 2017. This announcement, and the interactions with Minister Eby during the previous 10 weeks left me and the GPEB Executive feeling optimistic and encouraged that positive change was coming to gaming in British Columbia and to GPEB. I also believed Dr. German's review would be positive for my role as General Manager of GPEB.

168. I was not concerned about being moved from GPEB during the period during or after Dr. German's review. In fact, I recall having periodic "coffee chats" with all staff (where staff could ask me questions) while Dr. German was working on his review, and I conveyed my belief that change resulting from the new minister and German review would be positive for GPEB.
169. After reviewing the draft German Report in April 2018, I was looking forward to being part of the team that implemented government's response to the German recommendations.

Letter to Mr. Lightbody, CEO of BCLC

170. I do not recall Mr. Lightbody telling me that BCLC had or was interpreting the guidance provided to BCLC in my letters, or those from Minister de Jong (between August 7, 2015 to June 2018) regarding anti-money laundering initiatives, as not being applicable to all cash transactions at BC Casinos. I believe that I would remember if he did.
171. As mentioned in paragraph 163 above, I do not recall Mr. Lightbody using the term "prescriptive" to describe certain approaches to anti-money laundering or compliance more generally in his conversations or in written correspondence with me. Further, I do not recall any conversations with Mr. Lightbody where he differentiated between a "prescriptive" versus a "risk-based" approach.
172. I did not consider providing guidance (as per the letter mentioned in my paragraph 171 above), or direction via Directives by the General Manager and/or Minister de Jong to BCLC (under section 28 of the *Gaming Control Act*) as being incompatible or excluding BCLC from taking a risk-based approach to meeting the guidance or direction. In fact, BCLC prescribed source cash conditions to service providers for certain patrons, based on a risk-based approach.
173. The purpose of the letters to Mr. Lightbody regarding anti-money laundering initiatives, beginning on August 7, 2015 through to May 2018 was not to advise BCLC to "continue what they were already doing", but rather to advise BCLC that further action was required. My letters to BCLC regarding anti-money laundering, beginning on August 7, 2015, acknowledged the efforts and measures BCLC had undertaken to date; however, their purpose was to inform BCLC that suspicious cash remained a concern and that further action by BCLC was required.
174. I believe that a reasonable person taking a risk-based approach would interpret the purpose of the letters to mean the BC Government (via the General Manager of GPEB and/or the Minister responsible) was informing BCLC that the measures taken by BCLC to date were insufficient to meet the BC Government's tolerance for risk, and that further action by BCLC was required to reduce the risk.

Risk-based Approach (FINTRAC Guidance)

175. FINTRAC provides guidance on risk-based assessment. Specifically, FINTRAC states that using risk-based assessment will enable you to

- a. conduct a risk assessment of your business activities and clients taking into consideration certain elements, including:
 - i. your products, services, and delivery channels;
 - ii. the geographic location of your activities;
 - iii. new developments and technologies;
 - iv. your clients and business relationships;
- b. mitigate the risks you identify through the implementation of controls and measures tailored to these risks, and
- c. identify and assess potential gaps or weaknesses of your compliance program.

176. The risk-based assessment cycle consists of six steps to follow to complete a risk assessment, (1) identifying inherent risks, (2) setting your risk tolerance, (3) creating risk reduction/control measures, (4) evaluating the residual risks, (5) applying risk measures/controls (to high-risk activities and clients), and (6) review and test your risk-based assessment for effectiveness.
177. In terms of conducting a risk assessment of your business activities, including products services and delivery channels, FINTRAC states that products will have a higher inherent risk when there is client anonymity or when the source of funds is unknown, and that you should include in your risk assessment services that have been identified as potentially posing a high-risk by government authorities or other credible sources.
178. For example, potentially higher risk services could include international electronic funds transfers (EFTs), international correspondent banking services, international private banking services, services involving banknote and precious metal trading and delivery, or front money accounts for casinos.
179. Regarding step 2, FINTRAC states risk tolerance is an important component of effective risk management. Consider your risk tolerance before deciding how you will address risks. When considering threats, the concept of risk tolerance will allow you to determine the level of risk exposure that you consider tolerable. FINTRAC indicates there are several types of risk that you may wish to consider, including regulatory risk.
180. Regarding residual risk, FINTRAC states your residual risks should be in line with your risk tolerance. It is important to note that no matter how robust your risk mitigation measures, and risk management program is, your business will always have exposure to some residual ML/TF risk that you must manage. If your residual risk is greater than your risk tolerance, or your measures and controls do not sufficiently mitigate high-risk situations or high-risk posed by clients, you should go back to step 3 and review the mitigation measures that were put in place.

GPEB0775 – Letter to Bud Smith, Chair of BCLC, from Minister Mike de Jong

181. I recall that this letter, dated October 1, 2015 was one of the measures Minister de Jong approved following my meeting with him in mid-September 2015. At this meeting, GPEB

presented options for additional measures that could be taken to reflect recommendations coming out of an anti-money laundering workshop in June 2015, and which would respond to concerns raised by the RCMP E-pirate investigation and the spike in suspicious cash transactions identified by GPEB in July 2015.

182. I recall that approved measures included pursuing discussions with the police for a joint interdiction team (which later become JIGIT), the establishment of an Intelligence unit in GPEB, providing input to the federal government's review of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (PCMLTFA) to strengthen source of funds requirements, and a review of anti-money laundering practices at the River Rock Casino Resort (RRCR). While GPEB provided options including Ministerial and General Manager directives to BCLC re: anti-money laundering, direction did not include either a General Manager directive or a Ministerial directive, but rather a letter from the Minister stating his expectations of BCLC with respect to AML.
183. The October 1, 2015 letter from Minister Mike de Jong is specific in seeking BCLC to undertake enhanced customer due diligence additional to what was already in place. The Minister's letter was intended to reinforce the need for BCLC to take further action as requested in my letter of August 7, 2015 to Mr. Lightbody, and in response to the inadequate reply from Mr. Lightbody in his letter to me dated September 16, 2015.
184. GPEB did not get the response it hoped for from BCLC to the Minister's letter.

Consideration of Directive to BCLC

185. I sought direction and/or approval from Minister de Jong for a General Manager of GPEB Directive (as per section 28 of the *Gaming Control Act*) and/or a Minister Directive to BCLC on anti-money laundering on at least two occasions - in fall 2015 and in early 2017.
186. GPEB staff drafted potential General Manager Directives to BCLC, potential regulatory changes and public interest standards to enhance anti-money laundering measures during the fall of 2014 and into early 2015; however, I do not recall whether these were brought forward to Minister de Jong for approval by Ms. Wenezenki-Yolland. If they were, I do not recall the specific decision or response. None of these options were implemented.
187. In May 2016, a decision note was prepared by GPEB for Minister de Jong seeking Ministerial approval of a General Manager's directive to BCLC to set a threshold for accepting unsourced cash from patrons. I do not recall whether the Decision Note was provided to Minister de Jong. In any event, this option was not implemented.
188. No directives to BCLC regarding anti-money laundering were issued (either by the General Manager or by the Minister) during my tenure at GPEB.

Implementation of Source of Funds Requirement

189. BCLC did not enact measures satisfactory to GPEB until January 2018, when Peter German's interim recommendation requiring verification of source of funds was implemented.

190. BCLC and GPEB moved quickly to implement the measure with the Minister's endorsement.
191. I believe that I mentioned various options for implementing a source of funds requirement prior to cash acceptance to Mr. Lightbody beginning in 2015, and certainly after my first letter to him on August 7, 2015.
192. In my letter to Mr. Lightbody of July 14, 2016 I suggested an option (that Mr. German subsequently recommended in late 2017 and which was implemented in early 2018). In part, I wrote that:
- “To ensure that the Province is taking the steps necessary to eliminate the proceeds of crime from BC gaming facilities and to support the AML strategy and the integrity of gaming in BC, BCLC should not contemplate accepting funds where the source of those funds cannot be determined or verified, with a risk-based framework. This approach could include, for example, a source of funds questionnaire and a threshold amount over which BCLC would require service providers to refuse to accept unsourced funds, or a maximum number of instances where unsourced funds would be accepted from a patron before refusal.”

MNP Report

193. I was not involved on a day-to-day basis with the MNP review and resulting report. I assigned that task of managing the review on behalf of GPEB to Mr. Meilleur. Mr. Meilleur involved me as required in terms of seeking direction or decision on major issues to support the completion of the review. I was generally aware of the challenges to completing the review.
194. The August 2015 presentation of the spreadsheet by Mr. Meilleur to Ms. Wenezenki-Yolland and the notification of the E-Pirate investigation ultimately led to a MNP review and subsequent report on anti-money laundering practices at the River Rock Casino Resort, which was the primary casino where suspicious cash referred to in the spreadsheet was accepted. I was not present when the idea for this review first arose but nevertheless supported it.
195. The purpose of the MNP report was to inform further options about how to address the issue of suspicious cash in casinos, and to further mitigate the risk of money laundering and proceeds of crime in and about casinos.
196. Once the final MNP report was provided to GPEB, I was directed to develop a joint response with BCLC. This proved to be difficult because BCLC was highly critical of the report. BCLC challenged the terms of reference for the MNP report, the qualifications of the MNP personnel who prepared the report, the data used in the report, the report's findings, and the report's recommendations.
197. GPEB did not share BCLC's views and did not agree with everything in the report either, however believed that the recommendations, at least in spirit, were worthy of consideration.

198. Coming up with a joint response proved unworkable, which resulted in the issue drifting for a long period of time.

Creation of the Joint Illegal Gaming Investigation Team

199. The creation of the Joint Illegal Gaming Investigation Team (JIGIT) was one of the options presented in a briefing note to Minister de Jong in September 2015. Direction to pursue this option was given by Minister de Jong. The day after the meeting with the Minister, I approved a draft letter from the Minister to the Commanding Officer of RCMP's "E" division seeking a meeting to discuss the RCMP's interest in establishing a coordinated team of RCMP, local police and GPEB investigators for the enforcement of federal and provincial statutes related to gaming. At that time, I also approved a draft letter from the Minister to BCLC Board chair seeking their support for the development of an enforcement team and expectations that BCLC will take further action on CDD including processes for evaluating the source of wealth and source of funds prior to cash acceptance. (GPEB4190). The letter to BCLC was sent on Oct 1, 2015 (GPEB0775).
200. The meeting between the Minister and the RCMP occurred on Oct 14, 2015. Following this meeting, GPEB was informed we could begin discussions with the RCMP via the Police Services Division, Ministry of Public Safety and Solicitor General, which was responsible for managing provincial agreements with the RCMP.
201. The intention was that JIGIT would consist of at least two teams and the initial focus was on getting the first team up and running.
202. In March or April of 2016, the matter was brought back to the Minister to report that a leader for JIGIT had been identified and work had become on staffing up the first team.
203. Approval from the Minister was still required at this time and agreements between GPEB, RCMP and BCLC needed to be reached, which took some time and needed to go through Police Services in the Ministry of Public Safety and the Solicitor General.
204. Although BCLC would not be represented on JIGIT, I understood BCLC was directed to fund the BC Government's share of the funding by the on the basis that BCLC would be the primary beneficiary. I advised Ms. Wenezenki-Yolland that that if the BC Government benefited generally from JIGIT, then the BC Government should fund JIGIT. I recommended funding JIGIT from the GPEB sub-vote and recovering the funds from gambling revenues provided by BCLC – this was consistent with how the BC Government provided transfers and contributions to other organizations (e.g., Host Local Governments) that benefitted from gambling revenues. It was my view that having BCLC directly fund JIGIT unnecessarily complicated relations between GPEB, BCLC, Police Services Division and the RCMP and did not necessarily improve accountability.
205. Ms. Wenezenki-Yolland and I participated in some meetings about how JIGIT (CFSEU) measured performance and how they would identify the files that JIGIT would work on.
206. I was advised by Ms. Wenezenki-Yolland that Minister de Jong directed BCLC to directly fund the provincial share of JIGIT costs.
207. I advised Mr. Lightbody of the agreement between GPEB and BCLC regarding JIGIT by way of letter on February 8, 2017 (GPEB1003). Mr. Kroeker was copied on this letter.

The letter advises that (1) external, public-facing communications of JIGIT activities, such as media releases and press conferences, are within CFSEU-BC jurisdiction, (2) that the Ministry of Finance has requested that JIGIT communication of investigative matters pre- and post operation be shared by the RCMP with both ministries as early as possible to the extent advisable by CFSEU-BC, and (3) the Ministry of Finance will ensure that BCLC is briefed on those issues where advisable by CFSEU-BC. In other words, GPEB did not have the authority to determine if and what JIGIT matters could be communicated to BCLC (i.e., the authority rested with CFSEU-BC), and it was the Ministry of Finance's (not GPEB's) responsibility for ensuring BCLC was briefed where advisable.

Peter German's Interim Recommendations

208. I was on Christmas vacation (late 2017 – early 2018) for part of the implementation of Peter German's interim recommendations. Kim Bruce was the acting General Manager.
209. Mr. Lightbody believed that BCLC had the authority to implement the source of funds. However, it was our view that GPEB approval was required. I spoke with Mr. Lightbody and commented that, whether GPEB approved it or not, it likely would not matter if Mr. German or the Minister asked BCLC whether GPEB had been provided input to the AML measure.
210. Mr. Lightbody agreed to provide information about BCLC's proposed measure. GPEB provided questions to BCLC about the proposal and BCLC provided answers. While there was some back and forth between BCLC and GPEB on the AML measure, and BCLC had concerns with not being seen as implementing the measure quickly, I believe the final product was improved because both GPEB and BCLC had worked together on it.
211. Regarding Dr. German's second interim recommendation to establish a 24/7 GPEB investigator presence in casinos, GPEB sought to implement it and obtained approval to hire additional staff from the Ministry of Attorney General. It proved to be difficult to attract enough people that had the requisite skills willing to work outside of normal working hours. While trying to staff up, GPEB adjusted schedules of its existing staff to improve coverage over peak hours to the extent limited under collective agreements.
212. GPEB advised the Minister that it had difficulties in recruiting enough staff to achieve 24/7 coverage but was working towards meeting the recommendation.

Engagement with Peter German's Review

213. I met with Peter German for an hour and a half while he was working on his report. I shared his perspective on what was not working and what some possible solutions might be, including clarification of roles and responsibilities between BCLC and GPEB. I also suggested removing the requirement for Ministerial approval of GPEB's General Manager directives to BCLC, which was required in section 28 (3) of the *Gaming Control Act*.

214. I recommended that Dr. German consider the regulatory model in Ontario, which I described above in paragraph 67 of this affidavit.
215. On April 11, 2018 GPEB was invited by the Deputy Attorney General by letter to review the March 31, 2018 draft German report and provide GPEB's response in four areas. On April 18, 2018 GPEB provided its response to the Deputy Attorney General (548776) which included comments on the underlying narrative of the report(Appendix A), a detailed analysis of the Report with respect to clarification, accuracy and omissions (Appendix B), a list of the names of individuals GPEB believed should be given the opportunity to review the Report, (Appendix C), and a list of individuals in GPEB who received a copy of the Report and contributed to the GPEB response (Appendix D).

BCLC Proposals to De-Risk Money Services Businesses and impose \$25 000 Cash Cap.

216. I recall BCLC 's proposal to de-risk money services businesses, but not a proposal for a \$25,000 cash cap.

Departure from GPEB and Perspective on German Recommendations

217. I was terminated without cause from my position as Assistant Deputy Minister and General Manager of GPEB on June 19, 2018. A media report (*The Breaker* June 27, 2018) associated with the public release of the Peter German Report on June 27, 2018 indicates Minister Eby said my departure from the public service was not related to the German Report.
218. I do not know and was not informed of the reason for my termination.
219. I generally agreed with sections 495, 500, 508, 580, 594, 597, 610, 616, 619, 745 and 776 in the German Report.
220. I disagree with section 514. Mr. German did not ask me for my perspective on this issue prior to drafting the report. Nor did Mr. German revise his draft report despite evidence provided to him on this issue as part of GPEB's response to his draft reported submitted to the Deputy Attorney General on April 18, 2017.
221. I also generally agree with sections 902, 912, 916, 917 and 918 of the German Report and they reflect comments and suggestions I provided to Mr. German when I was interviewed by him in the fall of 2017.
222. I indicated to Mr. German that I had conversations with my counterpart in Ontario, Mr. Jean Major, Chief Executive Officer, Alcohol and Gaming Commission of Ontario, about the Ontario gaming model. As I explained above in paragraph 67 of this affidavit, I believed that many features of the Ontario model could and should be applied in BC as they would address deficiencies I experienced with the BC gaming model. I described for Mr. German specific deficiencies in the BC model and the specific features in the Ontario model that could be adopted to address each deficiency.
223. I generally agreed with the recommendations made by Dr. German as they relate to GPEB (specifically recommendations 1-16,19-36). During my interview with Mr. German in the fall of 2017, I provided Mr. German with my views on areas covered by the

following recommendations made by Mr. German: 2,4,12,14,15,21,24,27,28,30,31,32, and 34.

2018 Legislative Amendment Removing Requirement for Ministerial Approval of GPEB Directives to BCLC

- 224. I believe the 2018 legislative amendment to the *Gaming Control Act*, removing section 28 (3) and its requirement for Directives of GPEB’s General Manager to be approved by the Minister in order to take effect, was a positive step.
- 225. The requirement for ministerial approval was an impediment to GPEB’s ability to regulate gaming. The Ministry of Finance is a heavy Cabinet portfolio, and the Minister’s responsibility is broad and thus his time to dwell on any one issue is extremely limited. As a result, it could be difficult for me to get meetings with the Minister. It is worth noting that my office would not schedule meetings with the Minister directly; rather, I would work with the Associate Deputy Minister’s officer to seek meetings with the Minister. This is standard procedure from my experience in government, that Assistant Deputy Ministers work through their Deputy Minister’s (or Associate Deputy Minister’s) office to arrange meetings with Ministers.
- 226. With my approval, in September 2015 GPEB brought forward, in a Briefing Note to Minister Mike de Jong, the option of issuing a Ministerial or GPEB General Manager directive to BCLC requiring them to implement further anti-money laundering strategies. To help expedite matters, I attached sever-al draft unsigned directives to the Briefing Note. However, to my knowledge no directive was signed or approved by the Minister.

SWORN BEFORE ME at the City of)
Victoria, in the Province of British)
Columbia, this 4th day of February, 2021)


_____)
JOHN C. MAZURE)

_____)
A Commissioner for taking Affidavits in)
British Columbia)

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