

This is Affidavit #1 of Tobias Louie
made in this matter on May 5, 2021

COMMISSION OF INQUIRY INTO MONEY LAUNDERING IN BRITISH COLUMBIA

The Honourable Mr. Austin F. Cullen, Commissioner

AFFIDAVIT OF TOBIAS LOUIE

I, TOBIAS LOUIE, care of Suite 500, 1321 Blanshard Street, Victoria, British Columbia, Executive Director, AFFIRM THAT:

1. I am the Executive Director of the BC Ferry Authority and the former Executive Director of the Corporate Policy and Planning Office ("CPPO") in the Ministry of Public Safety and Solicitor General ("PSSG"), a participant in the Commission of Inquiry into Money Laundering in BC (the "Commission") through Her Majesty the Queen in right of the Province of British Columbia ("HMTQ"). 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 affirm this affidavit to provide evidence to the Commission pursuant to a summons issued to me under the *Public Inquiry Act*, S.B.C. 2007, c. 9.

The CPPO and VSA

3. From July 2008 to September 2020, I served as the Executive Director of the CPPO. When I was the Executive Director, the CPPO was responsible for developing corporate policy initiatives, managing PSSG's legislation program, co-leading the justice and public safety sector's performance planning and management process, leading and developing consumer protection policy, providing support to PSSG's

branches and agencies on policy and planning initiatives, and serving as the PSSG liaison with the agencies that administer consumer protection legislation.

4. One of the responsibilities of the CPPO was and remains to be the point of contact within government for the Motor Vehicle Sales Authority of British Columbia (the "VSA"). The VSA is an independent regulatory agency that oversees retail sales of personal-use motor vehicles in BC. The VSA administers the *Motor Dealer Act*, R.S.B.C. 1996, c. 316 [MDA], certain provisions of the *Business Practices and Consumer Protection Act*, S.B.C. 2004, c. 2, and certain regulations, pursuant to authority delegated to it by the Lieutenant Governor in Council under s. 24.2 of the *MDA*. The terms and scope of the VSA's delegated authority and its relationship to government are set out in the Administrative Agreement between HMTQ, as represented by the Minister responsible for the *Motor Dealer Act*, and the Motor Dealer Council of British Columbia (which is now doing business as the VSA). The Minister of PSSG is the Minister who is currently responsible for the *MDA*.

Inquiry into anonymous purchases of luxury vehicles

5. Shortly after its release in spring 2019, I read Part 3 of Peter German's second report, *Dirty Money – Part 2: Turning the Tide – An Independent Review of Money Laundering in B.C. Real Estate, Luxury Vehicle Sales & Horse Racing* (the "Second German Report"), which pertained to luxury vehicles. In this section, Dr. German suggested that vehicles are used as conduits for laundering the proceeds of crime, including through purchases of luxury vehicles using cash or other anonymous forms of payment.
6. Before reading the Second German Report, I had not been advised, either by the VSA or by law enforcement, that luxury vehicles may be a conduit for money laundering. I wanted to gather more information to determine whether money laundering through cash purchases of luxury vehicles was a problem in the motor vehicle industry and, if so, the scope and extent of the problem. I recall the VSA did not collect data or information on cash purchases of vehicles through licensed dealers. I anticipated that gathering some data relating to this issue, with the VSA's assistance, could help inform future policy work in this area, if required. This was not a formal research project or study; it was an effort to gather some information over a short time period to help inform potential future steps.

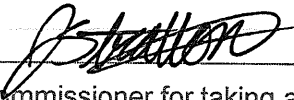
7. In July and August 2019, I participated in approximately three telephone conversations regarding the possibility of gathering data from motor dealers on cash purchases of luxury vehicles with Ian Christman, the Chief Legal Officer and Registrar of the VSA, and Holli Ward, the Director of Corporate Initiatives in the CPPO. I am advised by Ms. Ward and believe that she communicated with Mr. Christman and Loraine Lee, VSA's Director of Compliance and Consumer Services, on this topic throughout the summer and fall of 2019.
8. As a result of these discussions, it was tentatively agreed that: (i) the VSA would collect information from motor dealers on the purchases of luxury vehicles using cash and other anonymous forms of payment (such as bank drafts that do not identify the payor's name); (ii) motor dealers would provide this information on a voluntary basis only; (iii) the information would be collected in a form that protected anonymity; and (iv) the VSA would provide a summary of the anonymous information it collected from dealers to the CPPO. Attached to this affidavit and marked as **Exhibit 'A'** is a copy of a draft discussion paper on this proposed project dated August 16, 2019. The discussion paper was drafted by Ms. Ward, reviewed by me, and shared with the VSA for their consideration and feedback.
9. During our discussions in the summer of 2019, Mr. Christman requested that the VSA be provided with a written request from government to collect the desired luxury vehicle purchase data from motor dealers since the VSA did not have an ability to collect this information on its own initiative nor an express anti-money laundering mandate.
10. In response to Mr. Christman's request, I directed my staff to prepare a draft letter to the VSA and a briefing note on this topic for the Deputy Solicitor General. A copy of this briefing note and draft letter, which I approved, is attached to this affidavit and marked as **Exhibit 'B'**. The letter requests the VSA to "work with ministry staff to establish a process to collect anonymous forms of payment transactions used in the purchase of luxury vehicles from motor dealers". A copy of the final, signed letter from Deputy Solicitor General Mark Sieben to Mr. Christman and Loree Gray, President and CEO of the VSA, is dated August 27, 2019, and is attached to this affidavit and marked as **Exhibit 'C'**.

11. I instructed Ms. Ward to continue working with representatives of the VSA to create a work plan for the data collection project. Attached to this affidavit and marked as **Exhibit 'D'** is a copy of a draft work plan, dated October 15, 2019, which was written by Ms. Ward, reviewed by me, and provided to the VSA for their review and feedback. Among other things, the work plan provided greater detail on the types of anonymous transactions for which the VSA would collect data, and it increased the timeframe over which data would be collected from three months to one year so that seasonal changes of vehicle purchases (such as seasonal purchases of recreational vehicles) would be captured by the collection.
12. I continued to discuss the proposed data collection project with representatives of the VSA throughout the fall of 2019. Ms. Ward informed me and I believe that some motor dealers had expressed concern to the VSA that individual dealerships could be identified through the data collection process; for example, if there was only one motor dealer in a given town, it would be possible to identify that dealer. Ms. Ward also advised me and I believe that some motor dealers were concerned that the data would not be reliable if it were collected on a voluntary basis only.
13. In early 2020, I was considering how to adjust the data collection plan to alleviate motor dealers' and the VSA's concerns regarding survey integrity, data validity, data reliability, and ensuring the anonymity of motor dealers. In March 2020, the BC government declared a state of emergency in response to the COVID-19 pandemic and the VSA closed its office for two weeks in March to support social distancing efforts. As a result, I decided to pause the plan to collect data on luxury vehicle purchases using anonymous payment forms. The concerns of motor dealers and the VSA regarding data anonymity, validity and reliability were factors in my decision. I further did not want to add an additional burden on motor dealers at a time when dealers were losing customers, losing revenue and were making decisions regarding whether to shut down their dealership locations. I also did not want to add to the current workload of the VSA, during the state of a provincial emergency, by launching a new survey. I believed that in order for a voluntary study to be successful, it needed the support of the industry participants who would be providing the data (i.e. motor dealers).
14. I did not later pursue the plan to collect data on anonymous purchases of luxury vehicles because of new emerging priorities for CPPO, including responding to the

impact of the pandemic and associated policy issues within the consumer protection portfolio such as allegation of price gouging by some businesses, travel and contract refund policies for consumers who had services disrupted, and operational matters during the pandemic for licensed funeral homes and funeral directors. These new issues, as well as the CPPO's pre-existing areas of responsibility, were the priorities of the CPPO throughout the spring and summer of 2020, and when coupled with the industry's concerns about the integrity and validity of the proposed data collection, necessitated a pause to the tentative data collection plan.

15. The data collection plan remained on hold up until I left my position as the Executive Director of the CPPO in September 2020. I am not aware of the status of the data collection plan since I left my position.

AFFIRMED BEFORE ME at
Victoria, British Columbia, this 5 day of
May, 2021.



A commissioner for taking affidavits for
British Columbia



TOBIAS LOUIE

Joanna Stratton
Barrister & Solicitor
Ministry of Attorney General
Legal Services Branch
PO Box 9280 Stn Prov Govt
1001 Douglas Street
Victoria, BC V8W 9J7

This is Exhibit A referred to in the Affidavit of Tobias Louie affirmed before me at Victoria, British Columbia this 5 day of May 2021.


A Commissioner for taking Affidavits
within British Columbia

Cliff: XXXXXX
Date Prepared: August 16, 2019

**DISCUSSION PAPER
DRAFT**

In May 2019, Peter German released the second of two reports focused on money laundering in B.C. This report highlighted the luxury car sector as an area used to launder the proceeds of crime through motor vehicle sales.

A specific finding related to this issue was that some motor dealers accepted large sums of cash from suspicious individuals with unknown sources of income, to pay for luxury vehicles.

The ministry has engaged with the Vehicle Sales Authority of BC in regards to this finding and the following plan, comprised of short and long term activities, is proposed for consideration:

Short term:

- 1. Have the VSA collect information from licensed motor dealers regarding cash¹ transactions to purchase luxury vehicles. Specifically, this data may be collected over a three month period (September to November) and result in a findings report to the Deputy Solicitor General in December.**

Pros:

- Data collection provides baseline information and findings to inform further steps towards addressing money laundering;
- Creates awareness among motor dealers that the Province is reviewing this specific finding as noted in the German report;
- Can be implemented within a short period of time.

Cons:

- Fulsome data collection is dependent on the active participation of motor vehicle dealers.
- Assessment of privacy impacts related to data collection and sharing will require confirmation prior to the start of this activity.

Longer term:

- 2. Establish statutory authority for the VSA registrar to undertake 'fit and proper' determination of a motor dealer licensee or applicant.**

Pros:

- Supports the VSA mandate to oversee the retail sales of personal-use motor vehicles in B.C.
- Provides the registrar with a mechanism to determine the suitability of a motor dealer licensee to continue to be licensed, or a motor dealer licence applicant to be licensed.
- Contributes to a robust motor dealer licensing process that has the confidence of the public and motor dealer industry.

¹ Cash transactions will need to be defined to capture all anonymous forms of payment

- Supports a motor dealer industry standard associated with being motor dealer licensee.

Cons:

- Further policy analysis to support this activity will take some time and impact implementation timelines.
- Implementation of a 'fit and proper' determination process would be dependent on a business case analysis to confirm impacts related to funding, operational processes and timelines.

3. Provide the VSA registrar with the authority to set policy with respect to cash transactions in the sale of motor vehicles.

Pros:

- Supports the VSA mandate to oversee the retail sales of personal-use motor vehicles in B.C.
- Provides the registrar with a mechanism to compel motor dealer activities related to cash transactions.
- Contributes to a robust motor dealer industry that has the confidence of the public.

Cons:

- Further policy analysis to support this activity will take some time and impact implementation timelines.

**MINISTRY OF PUBLIC SAFETY AND SOLICITOR GENERAL
CORPORATE POLICY AND PLANNING OFFICE
BRIEFING NOTE**

PURPOSE: For INFORMATION for Mark Sieben, Deputy Solicitor General

ISSUE:

Response to luxury vehicle issues raised in the German report.

SUMMARY:


- In May 2019, Dr. Peter German released the second of two reports focused on money laundering in B.C. This report highlighted the luxury car sector as an area used to launder the proceeds of crime through motor vehicle sales.
- The Corporate Policy and Planning Office is working with the Vehicle Sales Authority (VSA) of British Columbia on a proposed response and action plan to address money laundering as they relate to the sale of luxury vehicles.
- As an initial step, the VSA has agreed to establish a monthly survey of all licensed dealers on the incidence of anonymous forms of payment transactions (i.e. cash) within a specified monetary threshold.
- The survey is a mechanism to inform licensed dealers that the Province is taking action on concerns raised about cash transactions and the data collected will be used to identify industry trends related to this issue.
- The VSA is seeking a formal request from the ministry to collaboratively develop a survey and then undertake it, as the VSA does not have a clear mandate on anti-money laundering. A draft letter for signature is attached for this purpose (Appendix A).

BACKGROUND:

German Report:

- In September 2017, Attorney General David Eby appointed Dr. Peter German to review B.C.'s anti-money laundering practices and policies in the gambling industry.
- In September 2018, Dr. German began a second review related to areas of money laundering within real estate as well as horse racing and luxury vehicles, with a focus on identifying the scale and scope of verifiable illicit activity. Dr. German's second report was delivered to government in March 2019.

This is Exhibit **B** referred to in the Affidavit of Tobias Louie affirmed before me at Victoria, British Columbia this **5** day of May 2021.


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within British Columbia

- The following areas of involvement of organized crime in luxury cars were examined:
 - Use of vehicle purchases to launder money in B.C., including luxury car resellers and lease companies;
 - Grey market vehicle exports, a form of trade-based money laundering;
 - Export of stolen luxury vehicles for profit; and
 - Use of luxury vehicles as crime vehicles to facilitate other organized criminal activities.
- Key findings of the review were as follows:
 - Some motor dealers accepted large sums of cash from individuals with unknown sources of income to buy luxury vehicles;
 - Individuals with high-level criminal records are alleged to be principals in some used luxury car dealerships in the province; and
 - A complicated luxury-vehicle export scheme involving hundreds of “straw buyers” facilitated trade-based money laundering as organizations are moving laundered proceeds of crime across borders by exporting grey market luxury vehicles.

Vehicle Sales Authority of British Columbia:

- The VSA licenses over 1500 motor dealers, over 8,300 dealership employees who are engaged in selling motor vehicles for personal use. The VSA also licences wholesalers, broker-agents and broker-agent representatives who are recently added new category of licensees.
- The VSA does not have statistics on the use of cash for motor vehicle sales or deposits for sales. The motor dealer industry believes the use of cash is very limited. However, the ministry understands the industry generally supports surveying all dealers in the province.

Anti-money laundering activities associated with luxury vehicles:

- The following activities are under development in collaboration with the VSA:
 - The VSA will collect information from licensed motor dealers regarding anonymous forms of payment transactions (i.e. cash) to purchase luxury vehicles. Data collection will occur over a period of time that captures a full industry cycle in order to support accurate analysis intended to inform further activities.

- Enhance and clarify the licensing application process for motor dealer licensees and associated individuals to consider a 'fit and proper' determination. The current process includes criminal record checks for licensees. The registrar advises that the current statutory authority would need to be expanded in order to implement further screening.
 - Consideration of setting policy with respect to prohibiting cash transactions in the sale of motor vehicles. The registrar advises that the current statutory authority would need to be expanded in order to implement.
 - Amending the VSA delegation agreement to include a clear mandate objective of supporting government's anti-money laundering efforts and initiatives.
 - Continue to press the federal government to capture motor dealers for FINTRAC reporting.
- In addition to these activities, the ministry has offered to support the Ministry of Finance staff to address issues related to the use of the provincial sales tax (PST) refund, which applies to vehicles purchased in B.C. to be sold outside the province.

OTHER MINISTRIES CONSULTED:

- Ministry of Attorney General

Prepared by:

Holli Ward
Director, Corporate Initiatives
Corporate Policy and Planning Office
[REDACTED]

Approved by:

Toby Louie
Executive Director
Corporate Policy and Planning Office
[REDACTED]

Appendix 1: Letter to the VSA



August 26, 2019

Ref: 557964

Loree Gray, President and Chief Executive Officer
 Ian Christman, Registrar
 Vehicle Sales Authority of British Columbia
 Suite 280-8029 199th Street
 Langley, BC V2Y 0E2

Dear Loree Gray and Ian Christman:

In May 2019, Peter German released the second of two reports focused on money laundering in B.C. This report highlighted the luxury car sector as an area used to launder the proceeds of crime through motor vehicle sales. A specific finding related to this issue was that some motor dealers accepted large sums of cash from suspicious individuals with unknown sources of income, to pay for luxury vehicles.

The Province is committed to addressing money laundering to eliminate the damage caused by organized crime and building an economy that works for British Columbians. As the independent regulatory agency responsible for the oversight of retail sales of personal-use motor vehicles in B.C., the Vehicle Sales Authority (VSA) of B.C. is an integral partner in addressing money laundering as it pertains to the luxury vehicle sector.

To better understand this issue in the motor dealer industry and how it can be addressed, I am requesting that the VSA work with ministry staff to establish a process to collect anonymous forms of payment transactions used in the purchase of luxury vehicles from motor dealers.

To support a fulsome and accurate representation of the issue, a period of time that captures a full industry cycle, and reporting beyond the amount requested by the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) should be considered. The data collected should include motor dealer information and is not intended to capture personal consumer information.

Thank you for your continued support.

Mark Sieben
 Deputy Solicitor General
 Ministry of Public Safety and Solicitor General

pc: Toby Louie, Executive Director, Corporate Policy and Planning Office, Ministry of Public
 Safety and Solicitor General
 Lori Wanamaker, Deputy Minister, Ministry of Finance
 Douglas Scott, Associate Deputy Minister, Ministry of Attorney General

**Ministry of Public Safety
 and Solicitor General**

Office of the
 Deputy Solicitor General

Mailing Address:
 PO Box 9290 Stn Prov Govt
 Victoria BC V8W 9J7

Location:
 11th Floor, 1001 Douglas Street
 Victoria BC V8V 1X4





This is Exhibit C referred to in the Affidavit of Tobias Louie affirmed before me at Victoria, British Columbia this 5 day of May 2021.

[Signature]

A Commissioner for taking Affidavits within British Columbia

August 27, 2019

Ref: 557964

Loree Gray, President and Chief Executive Officer
 Ian Christman, Registrar
 Vehicle Sales Authority of British Columbia
 Suite 280-8029 199th Street
 Langley, BC V2Y 0E2

Dear Loree Gray and Ian Christman:

In May 2019, Peter German released the second of two reports focused on money laundering in B.C. This report highlighted the luxury car sector as an area used to launder the proceeds of crime through motor vehicle sales. A specific finding related to this issue was that some motor dealers accepted large sums of cash from suspicious individuals with unknown sources of income, to pay for luxury vehicles.

The Province is committed to addressing money laundering to eliminate the damage caused by organized crime and building an economy that works for British Columbians. As the independent regulatory agency responsible for the oversight of retail sales of personal-use motor vehicles in B.C., the Vehicle Sales Authority (VSA) of B.C. is an integral partner in addressing money laundering as it pertains to the luxury vehicle sector.

To better understand this issue in the motor dealer industry and how it can be addressed, I am requesting that the VSA work with ministry staff to establish a process to collect anonymous forms of payment transactions used in the purchase of luxury vehicles from motor dealers.

To support a fulsome and accurate representation of the issue, a period of time that captures a full industry cycle, and reporting beyond the amount requested by the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) should be considered. The data collected should include motor dealer information and is not intended to capture personal consumer information.

Thank you for your continued support.

Mark Sieben
 Deputy Solicitor General
 Ministry of Public Safety and Solicitor General

pc: Toby Louie, Executive Director, Corporate Policy and Planning Office, Ministry of Public Safety and Solicitor General
 Lori Wanamaker, Deputy Minister, Ministry of Finance
 Douglas Scott, Associate Deputy Minister, Ministry of Attorney General

Ministry of Public Safety and Solicitor General	Office of the Deputy Solicitor General	Mailing Address: PO Box 9290 Stn Prov Govt Victoria BC V8W 9J7	Location: 11 th Floor, 1001 Douglas Street Victoria BC V8V 1X4
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October 15, 2019

**WORK PLAN
RE: VEHICLE SALES AUTHORITY SURVEY
OF MOTOR DEALER ANONYMOUS PAYMENT TRANSACTIONS**

INTRO

In May 2019, Peter German released the second of two reports focused on money laundering in B.C. This report highlighted the luxury car sector as an area used to launder the proceeds of crime through motor vehicle sales. A specific finding related to this issue was that some motor dealers accepted large sums of cash from suspicious individuals with unknown sources of income, to pay for luxury vehicles.

In August 2019, as an initial step to better understand this issue, the Deputy Solicitor General requested that the Vehicle Sales Authority (VSA) undertake a process to collect information about anonymous forms of payment transactions used to purchase luxury vehicles from motor dealers. The reporting of this information by licensed motor dealers to the VSA is intended to be voluntary.

This work plan serves to confirm the purpose, definitions, timeline, and deliverables agreed upon between the ministry staff and the VSA.

PURPOSE

Goal:

Collecting transactional information is intended to support the Province's commitments to addressing money laundering caused by organized crime, and growing the economy in BC.

Objective:

The primary objective is to collect an initial cycle of data to establish a baseline of information that can be used to support policy analysis intended to identify trends, relationships or patterns to inform future policy direction.

DATA COLLECTION PARAMETERS

Anonymous forms of payment transaction

- A payment transaction where the source of the funding used to make the purchase is not traceable to the individual.
- Including but not limited to:
 - Online transfers from payment sources that are not traceable and anonymous;
 - Physical cash where the source is anonymous;
 - Prepaid credit cards; and
 - Cryptocurrency where the source is anonymous.

This is Exhibit **D** referred to in the Affidavit of Tobias Louie affirmed before me at Victoria, British Columbia this **5** day of May 2021.


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Amount of payment transaction

- An amount of \$7,500 Canadian dollars or more in the course of:
 - A single transaction; or
 - Two of more transactions of amounts less than \$7,500 that total \$7,500 or more, within 24 consecutive hours.

Note: the amount of \$7,500 is consistent with the Federation of Law Societies model rules (3-59).

Licensed motor dealer information

- Requested information:
 - Name of the motor dealer;
 - Location of the motor dealer; and
 - Class of motor dealer.
- Licensed salesperson information will not be collected.

Consumer information

- Personal information of the consumer will not be collected.

TIMELINE:

- Overall data reporting and collection will occur within a one year timeline, starting in 2020. The start of the year will be confirmed by the VSA; and
- The frequency of data reporting throughout the year will be set by the VSA.
- Data reporting by the motor dealers will be completed on a voluntary basis.

DELIVERABLES:

- The VSA will provide the quarterly reports throughout the year to the Deputy Solicitor General. The reports will reflect the data collections parameters listed above.

LIMITATIONS:

- Due to the voluntary nature of this initiative, the level of participation by motor dealers is unknown. It is acknowledged that voluntary participation will result in the following limitations:
 - The rationale for either participating or not will be unknown; and
 - The validity of the data is dependent on the number of motor dealers participating.