



UNITE HERE LOCAL 40

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September 15, 2021

Mr. Peter Routledge
Superintendent
Office of the Superintendent of Financial Institutions Canada
255 Albert Street, 12th Floor
Ottawa, ON
K1A 0H2

Dear Superintendent Routledge,

We are writing to you on behalf of over 170 workers from Hilton Vancouver Metrotown, located in Burnaby, BC, to bring a matter involving the hotel's lender to your attention. We question whether in conducting their business with the hotel's South Korean owner DSDL, Canadian Western Bank (CWB) followed proper scrutiny and reporting practices, including compliance with the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA). As the federal supervisor of financial institutions in Canada, we believe your office has a responsibility to ensure that CWB is properly undertaking its legal obligations.

In June, we alerted CWB to the criminal past of Cho Wuk Rai, chairman of DSDL whose family controls the company. CWB has provided multiple mortgage loans to DSDL's hotels in Canada, including Hilton Metrotown, since 2010. According to our research, in September 2009, the Seoul High Court Criminal Division 2 found Cho Wuk Rai guilty of engaging in unfair internal transactions when he was Chairman of Hyosung Machinery Group. Mr. Cho's illegal actions resulted in the bankruptcy of two publicly traded companies, Hyosung Machinery Industry and Dongsung, at the expense of public investors. He was sentenced to two and half years in prison and three years of probation.

Commenting on the sentence, the judge stated that while Cho Wuk Rai did not benefit personally from the transactions, "[i]t is inevitable to impose severe punishment because the damaged amount is high, and the guilt is heavy."

However, Cho Wuk Rai did not serve his full sentence. Despite being convicted of illegal behaviour that bankrupted two publicly traded companies, he received a special pardon for his charges from President Lee Myung-bak on Korean National Liberation Day in August 2010. This was Mr. Cho's second presidential pardon: in 2002, he was pardoned for his conviction of embezzling 12 billion won of company funds and causing 5.3 billion won of losses to his company

We believe Cho Wuk Rai should be considered as a close associate of former President Lee, a foreign politically exposed person. Lee's daughter is married to Mr. Cho's nephew. The pardon granted to Mr. Cho by President Lee, who himself is serving a 17-year sentence for corruption, is alarming given Lee's abuse of the presidential pardon. In 2009, in exchange for bribes, Lee granted a pardon to Samsung's chairman Lee Kun-hee, who was convicted of embezzlement and tax evasion.

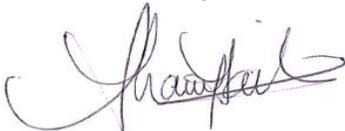
However, after we brought forth Cho's criminal past and political connections, an officer of CWB's Franchise Finance division replied that the bank "cannot comment on whether and the extent to which it does business with this or any other entity," citing client confidentiality.

Due diligence in dealing with associates or family members of corrupt foreign officials is a matter of public interest, with the stability and fairness of our economic institutions at stake. In this case, it is Canadian workers – disproportionately women and racialized – who are bearing the brunt. This April, the hotel and DSDL terminated 97 workers and locked out the rest after they urged Hilton Metrotown management and the Cho family to commit to returning them to their jobs as business recovers. Their actions during the pandemic prompted the BC and Alberta Federations of Labour to issue a boycott against DSDL hotels. DSDL has demonstrated little regard for workers who gave years of loyal service and are now struggling to pay their bills.

We urge OSFI to investigate mortgage loans provided by CWB to DSDL, and to ensure that proper scrutiny is being conducted by the bank on their transactions with the Cho family's business. For example, did CWB undertake proper due diligence when reviewing DSDL? If CWB was familiar with DSDL's history and its founder's convictions for embezzlement and illegal transactions, why did the bank approve their loans? Did CWB fulfill its obligations with respect to DSDL concerning politically exposed persons, and if so, when? Given DSDL chairman's criminal record and connections with former President Lee, the OSFI has a responsibility to hold both CWB and DSDL accountable to proper financial standards.

We would welcome the opportunity to meet with you or your staff to discuss this matter more fully. Should you have any questions, please contact Michelle Travis at mtravis@unitehere.org or 778-960-9785.

Sincerely,



Zailda Chan
President

cc: Ben Gully, Assistant Superintendent, Regulation Sector
Sanjiv Talwar, Assistant Superintendent Risk Support Sector