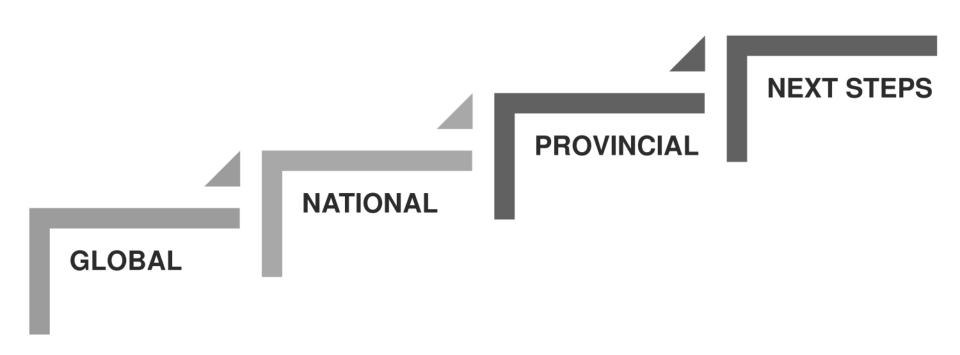
# UNREGULATED ONLINE GAMBLING



#### PRESENTATION OUTLINE



## PART I GLOBAL

**NATIONAL** 



**GLOBAL** 

#### **TERMINOLOGY**

ILLEGAL LEGAL GREY MARKET **BLACK MARKET UNREGULATED** REGULATED **MARKET** MARKET OFFSHORE ONSHORE

## UNREGULATED ONLINE GAMBLING





What is the value of the global online gambling market?



Total wagers









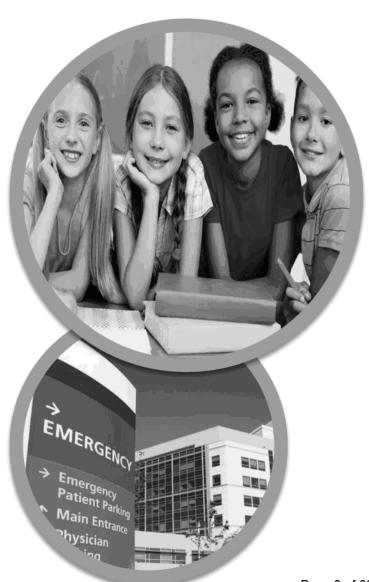


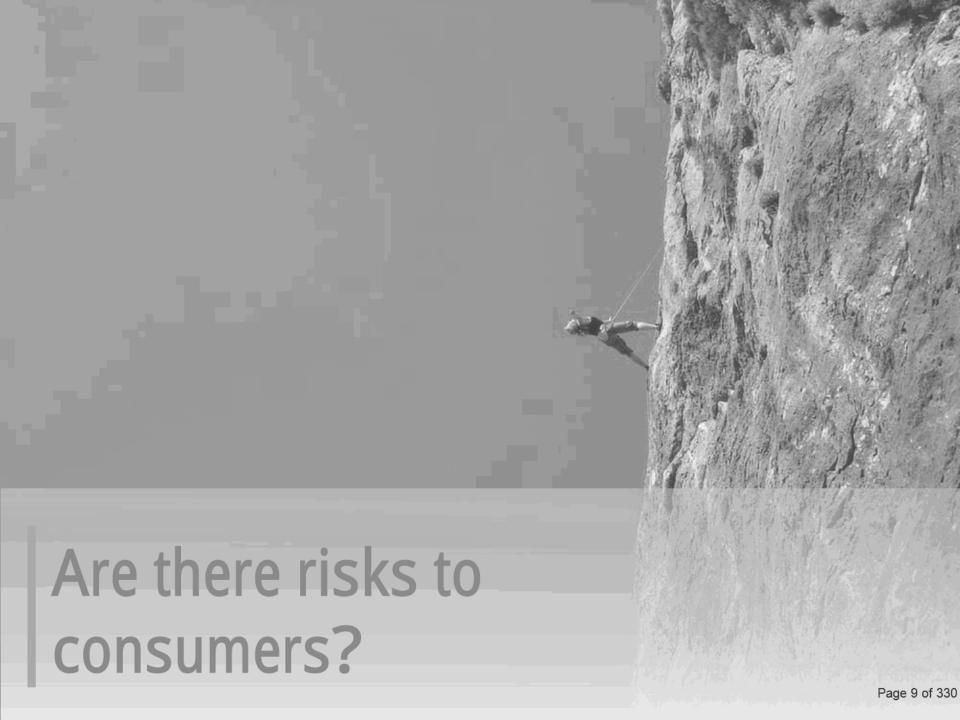
\$24B 2009 \$32B 2012 \$46B 2016 \$56B 2018

#### REVENUE EARNED

Where does the money go?







# CONSUMER PROTECTION

- 1. Technical Integrity
- 2. Responsible Gambling Standards
- 3. Minors Access to Online Gambling

# TECHNICAL



**Fraud** 



**Unclear standards of play** 



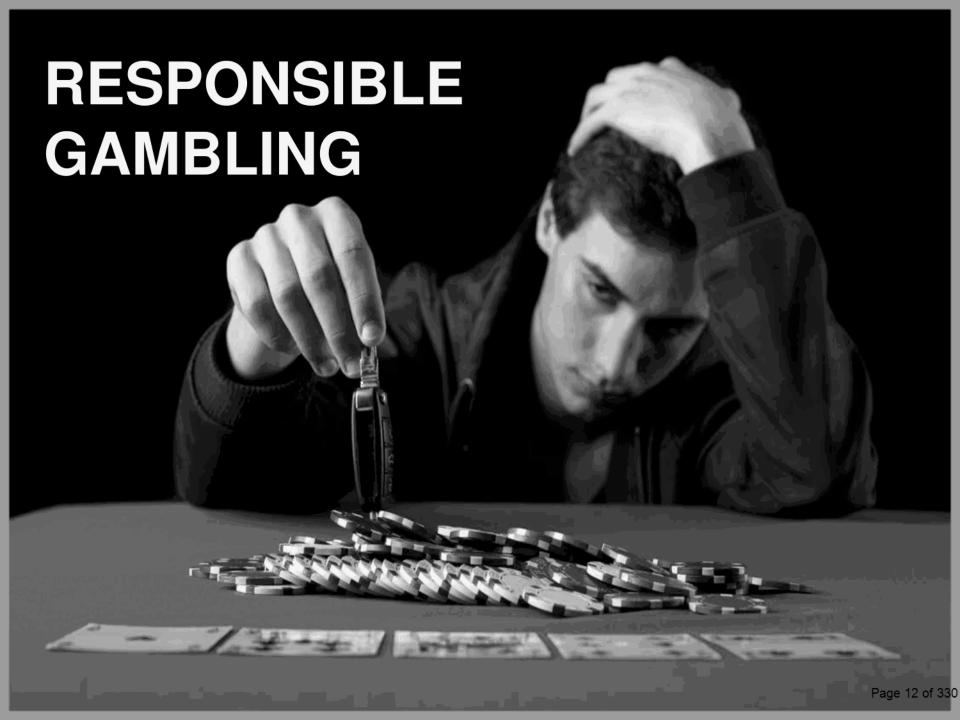
Problems settling disputes with companies



Excessive soliciting and advertising



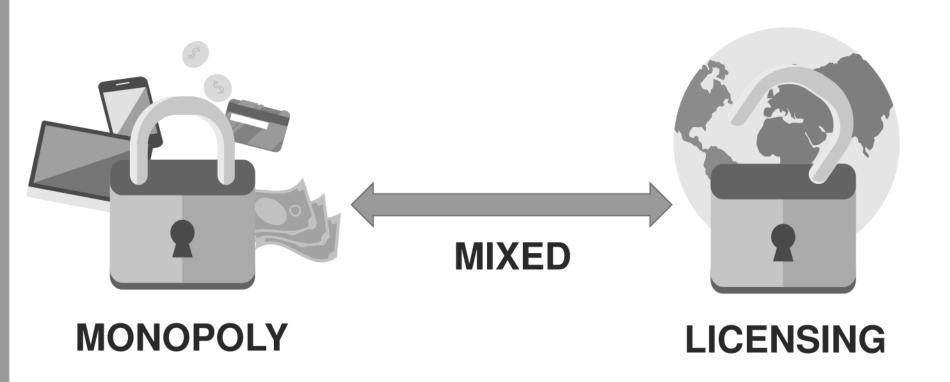
Concerns with integrity of sports and racing itself

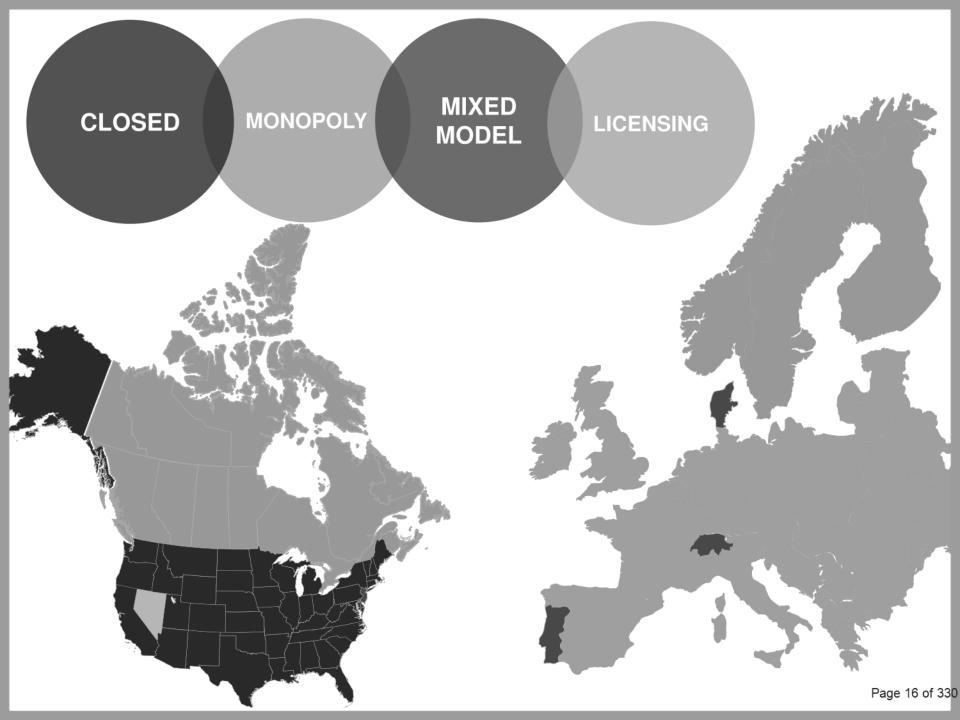






## ONLINE GAMBLING MODELS





MIXED MODEL

#### **AUSTRALIA**

Australia has a mixed regulatory model, where online gambling is regulated under both Federal and State/Territorial law

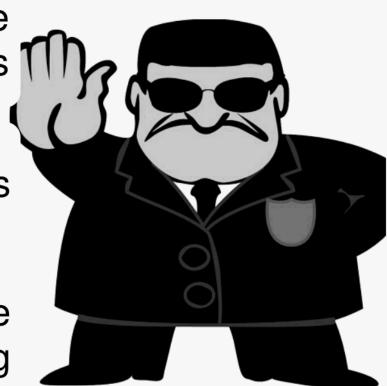


## ENFORCEMENT OPTIONS USED GLOBALLY

Offence Provisions

Civil Penalties

Website Blocking



Payment Blocking

Advertising Restrictions

Blacklisting

## PART II NATIONAL









Page 022

Withheld pursuant to/removed as

s.14;s.13

# Why do people choose to gamble in the unregulated market?



#### B.C.

## UNREGULATED MARKET

Copyright

## SINGLE-EVENT SPORTS BETTING

\$14B

ESTIMATED AMOUNT OF TOTAL BETS THAT CANADIANS PLACE ANNUALLY ON SINGLE-EVENT SPORTS



## WAGERS ON RACES & FIGHTS

Copyright







# What have provinces tried to do to address unregulated gambling sites?



#### QUEBEC





August 23, 2016

352035

Nigel Eccles, CEO Fanduel Inc. 1375 Broadway

## No person, other than BCLC [...] may conduct, manage or operate a lottery scheme in British

## Columbia; and no person may offer gaming services in British Columbia unless they are

authorized by GPEB to do so.

limited exceptions in relation to betting, letteries, games of chance, and permitted lottery schemes. Section 207 of the *Criminal Code of Quada* states that lottery schemes in Canada may only be lawfully conducted and managed by the government of a province or territory or by a limited number of other types of licensed organizations (eligible charitable and religious organizations). In British Columbia, the provincial government conducts and manages lottery schemes through the Province's statutory agent, the British Columbia Entrew Corporation (BCLC). Select s authority is set out in the Act.

No person, other than BCLC or a licensee, may conduct, manage or operate a lottery scheme in British Columbia; and no person may offer gaming services in British Columbia unless they are authorized by GPEB to do so. GPEB must caution that any gambling conducted, managed or operated by a company or individual in British Columbia is likely to be contrary to both the Criminal Code of Canada and the Act unless the company or individual has been authorized to do so under the Act.

Unauthors: A gambling conducted, managed or operated by corporations or individual as subject to the offense provisions under the Act. The Act provides for fines of up to \$100,000 on a first conviction.

. . ./2

#### JURISDICTIONAL AUTHORITY

#### **Federal**



#### **Telecom Act (CRTC)**

- Ability to block website
- Impose ad restrictions

**Provincial** 





#### Financial Consumer Legislation

Payment blocking

# How are we working together to address the unregulated market?





## SUB-WORKING GROUP WORKPLAN



s.13.s.17

#### PHASE 2:

(FALL 2017)

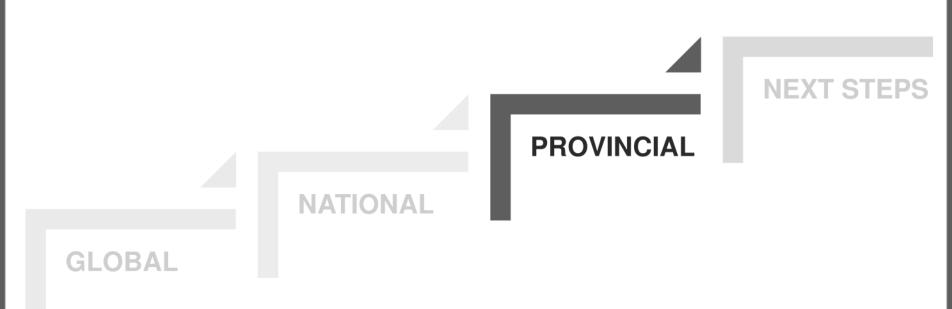
#### PHASE 3:

(JUNE 2018)

## SUB-WORKING GROUP APPROVALS

s.15

#### PART III PROVINCIAL



## BCLC'S SHARE OF ONLINE GAMBLING MARKET

s.13,s.17

## ONLINE GAMBLING MARKET DATA



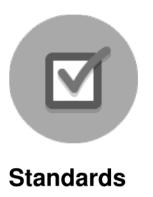
# websites











Page 041

Withheld pursuant to/removed as

s.13;s.17

CONSUMER PROTECTION

ENFORCEMENT CAPABILITY



**REVENUE** 

CONSUMER CHOICE & INNOVATION



## PART IV NEXT STEPS

PROVINCIAL NATIONAL NATIONAL

## PROVINCIAL OPTIONS TO EXPLORE



## AREAS OF INFLUENCE

#### **Premiers**



**Finance** 

**Justice** 

Gambling

**Consumer Protection** 

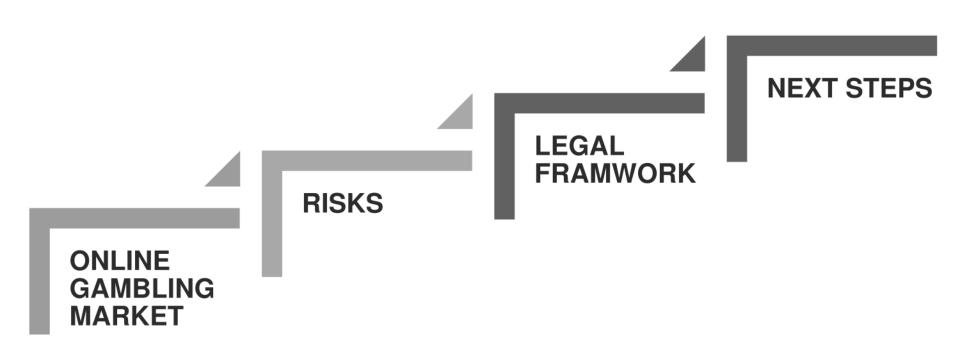
#### THANK YOU!



## UNREGULATED ONLINE GAMBLING



#### PRESENTATION OUTLINE



#### PARTI ONLINE GAMBLING MARKET

**NEXT STEPS** 

**LEGAL** 

**FRAMEWORK** 

**RISKS** 

**ONLINE GAMBLING MARKET** 

#### **TERMINOLOGY**

ILLEGAL LEGAL GREY MARKET **BLACK MARKET UNREGULATED** REGULATED **MARKET** MARKET OFFSHORE ONSHORE

## UNREGULATED ONLINE GAMBLING







**Total wagers** 











\$6B 2003 \$24B 2009

\$32B 2012

\$46B 2016

\$56B 2018

REVENUE EARNED

Where does the money go?





## Why do people choose to gamble in the unregulated market?



#### B.C.

### UNREGULATED MARKET

Copyright

## SINGLE-EVENT SPORTS BETTING

\$14B

ESTIMATED AMOUNT OF TOTAL BETS THAT CANADIANS PLACE ANNUALLY ON SINGLE-EVENT SPORTS



## WAGERS ON RACES & FIGHTS

Copyright





#### PART II RISKS

**MARKET** 





Are there risks to consumers?



# TECHNICAL



**Fraud** 



**Unclear standards of play** 



Problems settling disputes with companies



Excessive soliciting and advertising



Concerns with integrity of sports and racing itself





## PART III LEGAL FRAMWORK

**NEXT STEPS** 

**RISKS** 

**LEGAL** 

**FRAMWORK** 

ONLINE GAMBLING MARKET



Why are unregulated operators offering online gambling in canada?

Page 071

Withheld pursuant to/removed as

s.14;s.13

## ENFORCEMENT OPTIONS USED GLOBALLY

Offence Provisions

Civil Penalties

Website Blocking



Payment Blocking

Advertising Restrictions

Blacklisting

#### JURISDICTIONAL AUTHORITY

### **Federal**



#### **Telecom Act (CRTC)**

- Ability to block website
- Impose ad restrictions

**Provincial** 



#### Criminal Code

Monopoly

s.16



### Financial Consumer Legislation

Payment blocking

What have provinces tried to do to address unregulated gambling sites?



### QUEBEC





August 23, 2016

352035

Nigel Eccles, CEO Fanduel Inc. 1375 Broadway

### No person, other than BCLC [...] may conduct, manage or operate a lottery scheme in British

### Columbia; and no person may offer gaming services in British Columbia unless they are

authorized by GPEB to do so.

limited exceptions in relation to betting, letteries, games of chance, and permitted lottery schemes. Section 207 of the *Criminal Code of Conada* states that lottery schemes in Canada may only be lawfully conducted and managed by the government of a province or territory or by a limited number of other types of licensed organizations (eligible charitable and religious organizations). In British Columbia, the provincial government conducts and manages lottery schemes through the Province's statutory agent, the British Columbia Entresy Corporation (BCLC). BCLC's authority is set out in the Act.

No person, other than BCLC or a licensee, may conduct, manage or operate a lottery scheme in British Columbia; and no person may offer gaming services in British Columbia unless they are authorized by GPEB to do so. GPEB must caution that any gambling conducted, managed or operated by a company or individual in British Columbia is likely to be contrary to both the Criminal Code of Canada and the Act unless the company or individual has been authorized to do so under the Act.

Unauthors. A gambling conducted, managed or operated by corporations or individuely a subject to the offense provisions under the Act. The Act provides for fines of up to \$100,000 on a first conviction.

. . ./2



How are we working together to address the unregulated market?



### PART IV **NEXT STEPS**

**RISKS** 

**LEGAL FRAMEWORK**  **NEXT STEPS** 

**ONLINE** 

**GAMBLING** MARKET

# PROVINCIAL OPTIONS TO EXPLORE



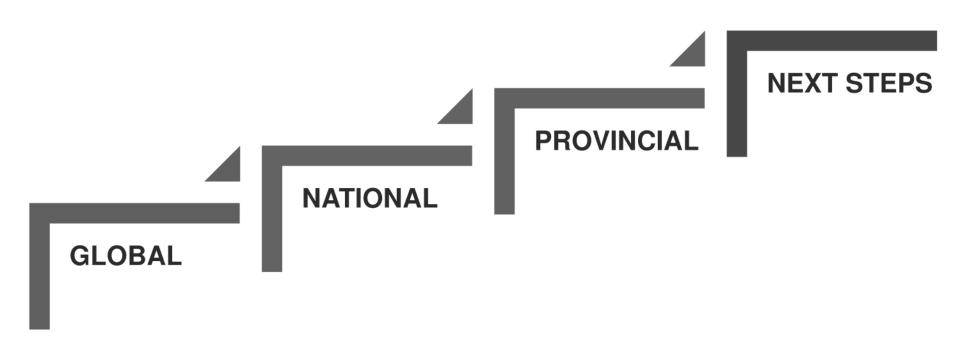
### THANK YOU!



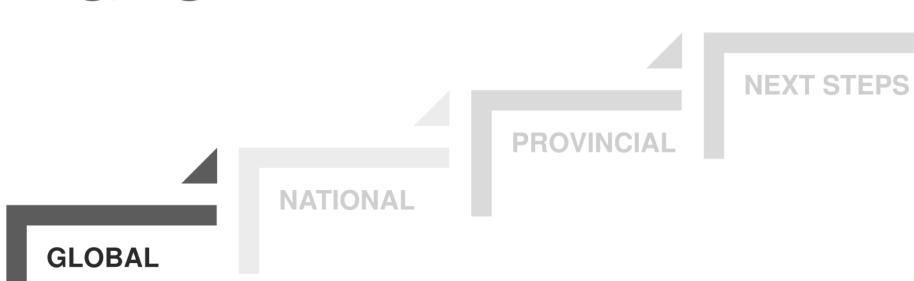
# UNREGULATED ONLINE GAMBLING



#### PRESENTATION OUTLINE



### PART I GLOBAL



# UNREGULATED ONLINE GAMBLING





What is the value of the global online gambling market?



**Total wagers** 











\$6B 2003 \$24B 2009

\$32B 2012

#### REVENUE EARNED

Where does the money go?

Copyright





consumers?

# CONSUMER PROTECTION

1. Integrity

2. Responsible Gambling Standards

3. Minors Access to Online Gambling



**Fraud** 



**Unclear standards of play** 



**Money Laundering** 



**Problems settling disputes with companies** 



**Excessive soliciting and advertising** 



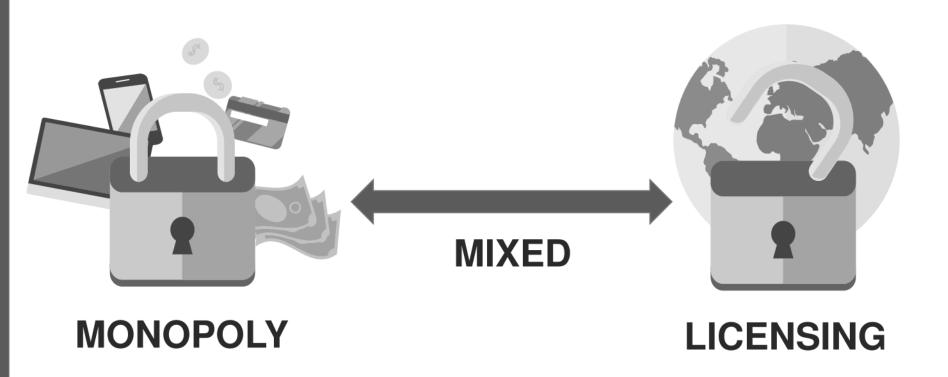
Concerns with integrity of sports and racing itself

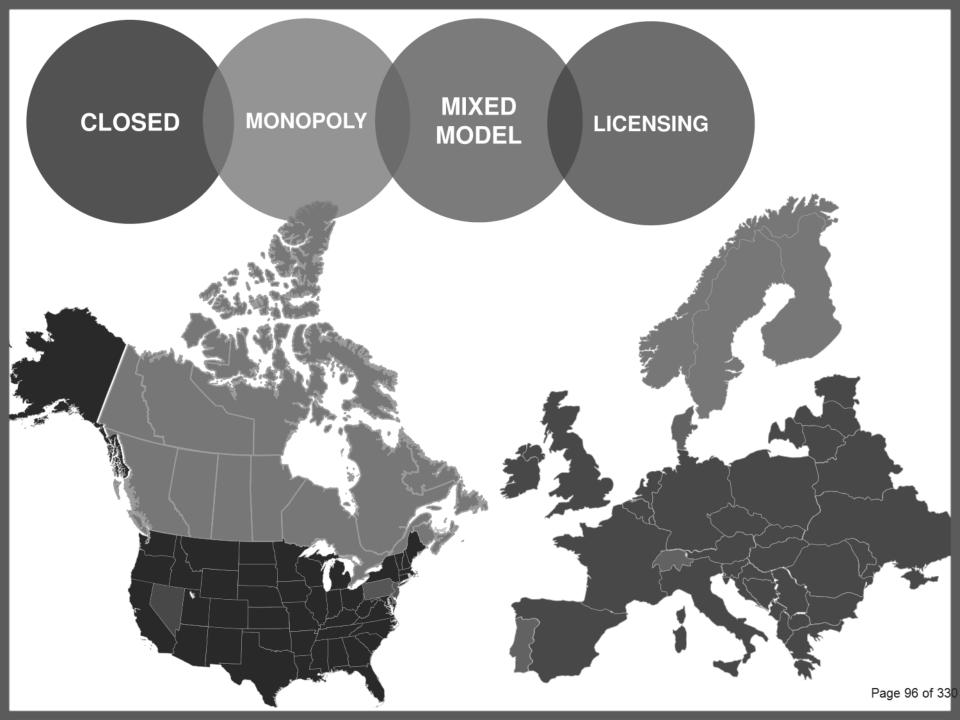






# ONLINE GAMBLING MODELS





MIXED MODEL

#### **AUSTRALIA**

Australia has a mixed regulatory model, where online gambling is regulated under both Federal and State/Territorial law

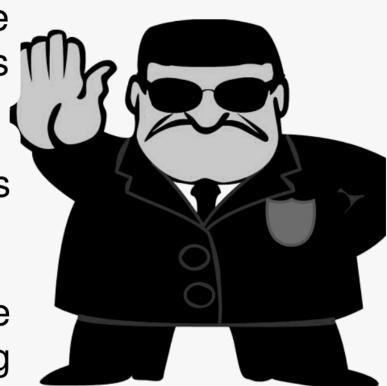


# ENFORCEMENT OPTIONS USED GLOBALLY

Offence Provisions

Civil Penalties

Website Blocking



Payment Blocking

Advertising Restrictions

Blacklisting

### PART II NATIONAL



#### **GAMBLING LAW IN CANADA**

FEDERAL CODE

PROVINCIAL
LEGISLATION
(BC GAMING CONTROL ACT)



Page 102

Withheld pursuant to/removed as

s.14;s.13

# Why do people choose to gamble in the unregulated market?



#### **CANADA**

### UNREGULATED MARKET

Copyright

# SINGLE EVENT WAGERS + WAGERS ON RACES & FIGHTS

Copyright





# What have provinces tried to do to address unregulated gambling sites?



### QUEBEC





Know your limit, play within it.

August 23, 2016 352035

Nigel Eccles, CEO Fanduel Inc. 1375 Broadway New York, NY 10018 USA

Dear Mr. Eccles;

RE: www.fanduel.com

The British Columbia Gaming Policy and Enforcement Branch (GPEB), acting through GPEB's general manager, regulates all lawful gambling in the Province of British Columbia, Canada, ensures the integrity of gambling industry companies, people and equipment, investigates contraventions to the *Gaming Control Act* (the Act), and assists police with the investigation of gaming-related *Criminal Code of Canada* contraventions. GPEB's authority is set out in the Act.

GPEB has reason to believe that your company is conducting and managing a lottery scheme which facilitates online betting within the Province of British Columbia, Canada

In Canada, Part VII of the *Criminal Code of Canada* outlines prohibition, offences and some limited exceptions in relation to betting, lotteries, games of chance, and permitted lottery schemes. Section 207 of the *Criminal Code of Canada* states that lottery schemes in Canada may only be lawfully conducted and managed by the government of a province or territory or by a limited number of other types of licensed organizations (higible charitable and religious organizations). In British Columbia, the provincial government conducts and manages lottery schemes through the Province's statutory agent the British Columbia Lottery Corporation (BCLC). BCLC's authority is set out in the ACC.

No person, other than BCLC or a licensee, may conduct, manage or operate a lottery sche ue in British Columbia; and no person may offer gaming services in British Columbia unless they are authorized by GPEB to do so. GPEB must caution that any gambling conducted, managed or operated by a company or individual in British Columbia is likely to be contrary to both the Criminal Code of Canada and the Act unless the company or individual has been authorized to do so under the Act.

Unauthorized gambling conducted, managed or operated by corporations or individuals is subject to the offense provisions under the Act. The Act provides for fines of up to \$100,000 on a first conviction

"No person, other than BCLC [...] may conduct, manage or operate a lottery scheme in British Columbia; and no person may offer gaming services in **British Columbia** unless they are authorized by GPEB to do so."

/2

### JURISDICTIONAL AUTHORITY

### **Federal**



#### **Telecom Act (CRTC)**

- Ability to block website
- Impose ad restrictions

**Provincial** 



#### Criminal Code

Monopoly

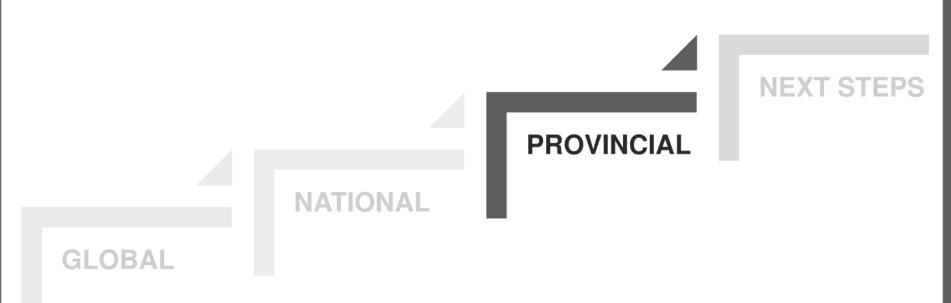
s.16



· Payment blocking



# PART III PROVINCIAL



Page 114

Withheld pursuant to/removed as

s.13;s.17

Page 115

Withheld pursuant to/removed as

s.13

# ONLINE GAMBLING MARKET DATA



# websites



% market share



# of players









# PART IV NEXT STEPS

**GLOBAL** 



# OPTIONS GPEB AND LSB HAVE EXPLORED

580

Page 120

Withheld pursuant to/removed as

s.13

## THANK YOU!



# UNREGULATED ONLINE GAMBLING



### **CANADA**

# UNREGULATED MARKET

Copyright

# |CONSUMER | PROTECTION

1. Technical Integrity

2. Responsible Gambling Standards

3. Minors Access to Online Gambling



### **IREVENUE EARNED**

Where does the money go?

Copyright



### JURISDICTIONAL AUTHORITY

### **Federal**



#### **Telecom Act (CRTC)**

- Ability to block website
- Impose ad restrictions

**Provincial** 



#### Criminal Code

Monopoly

s.16



## Financial Consumer Legislation

Payment blocking

# ONLINE GAMBLING MARKET DATA







% market share



# of players







### | ADVERTISING | STANDARDS COUNCIL

Copyright

## THANK YOU!



Page 131

Withheld pursuant to/removed as

Copyright

### Background

s.13,s.17

### **Gambling Outcomes**

s.13,s.17

## **Policy Problem**



The unregulated grey market gambling constitutes an adverse risk for both vulnerable people and government revenues

Reduced tax revenue

Limited protection of vulnerable populations

Regulatory Effectiveness

### **Key Policy Objectives**



Revenue Generating

Consumer Protection Simple, Feasible, Popular

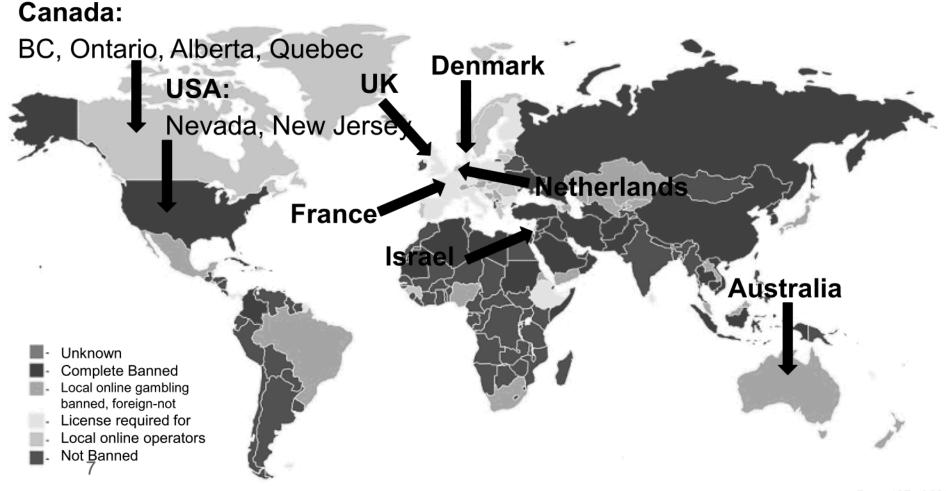
### Research Methodology

1. Cross-jurisdictional Review

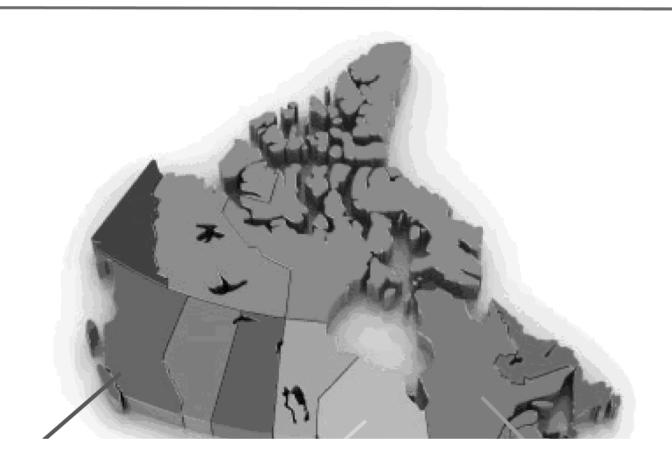
2. Cross-jurisdictional Analysis

3. Policy Analysis

### **Cross Jurisdictional Review**



### Canada: BC, Alberta, Ontario, Quebec



Copyright

Page 138 of 330

#### International (Part I)

**USA** 

Israel

**Australia** 



### International (Part II)

License Non-government Online Gambling Providers

**France** 

**Denmark** 

**Netherlands** 

UK



### **Policy Options**



A. ISP blocking legislation

B. Credit card restric

C. Harm reduction

Requires CCC amendment

Licensing non-government providers

D. Licensing

- Domestic
- International

### A. Internet Service Provider (ISP) Blockir

Key Strengths

Key Weaknesses

s.13

### B. Payment Processor Restriction



	Key Strengths	Key Weaknesses
s.13		

### C. Harm Reduction



- EDUCATIONAL CAMPAIGN
- 2. DIRECTION TO RESOURCES AND ASSISTANCE
- 3. ISP SPLASH PAGE

Key Weaknesses

s.13

Page 145

Withheld pursuant to/removed as

# Licensing



Key Strengths Key Weaknesses

Page 147 to/à Page 148

Withheld pursuant to/removed as

# Considerations



# Thank you



JURISDICTIONS	No local	Land and	Madianal	International	Doctrict or	Dontriet
JURISDICTIONS	No legal online	Legal gov't platform	National Licensing	International Licensing	Restrict or block ISP	Restrict payment
	platform					processor
Quebec		✓			✓	
Ontario		✓				
Alberta	✓					
Australia	<b>√</b> ¹				✓	✓²
USA	✓					✓
Nevada			✓			✓
New Jersey			✓			✓
Israel					✓	
Netherlands				✓		
France			✓		✓	
Denmark		✓		✓		✓²
United Kingdom				✓		

Online gambling is not permitted, but licensing for online sport wagering is allowed

<sup>&</sup>lt;sup>2</sup> In negotiation to apply restrictive measures

Page 152

Withheld pursuant to/removed as

s.16;s.13;s.17

Page 153 to/à Page 190

Withheld pursuant to/removed as

Page 192 to/à Page 199

Withheld pursuant to/removed as

# Ministry of Finance

## **BRIEFING DOCUMENT**

То:	Honourable Michael de Jong, Q.C. Minister of Finance	Date Requested: Date Required:	July 20, 2016 Aug.15, 2016
Initiated by:	John Mazure Assistant Deputy Minister, Gaming Policy and Enforcement Branch	Date Prepared:	Aug. 5, 2016
Ministry Contact:	Robin Jomha Director, Corporate Registration Gaming Policy and Enforcement Branch	Phone Number: Email: robin.jomha	·
TITLE:	Unlawful Gambling Website Operators		
PURPOSE: (X) FOR INF	ORMATION		

Executive Director approval: \_\_mjs\_\_\_\_ADM approval: \_\_as\_\_\_\_ Associate DM approval: \_\_\_\_\_\_,

DATE PREPARED: August 5, 2016

**TITLE:** Unlawful Gambling Website Notifications

**ISSUE:** Service providers that offer unlawful online betting within the province will be notified that their operations are contrary to Canada's and British Columbia's legal gambling framework.

GPEB intends to send letters to 29 unlawful online gambling operators the week of August 15th, 2016.

#### **BACKGROUND:**

Part VII of the *Criminal Code of Canada* states that lottery schemes in Canada may only be lawfully conducted and managed by the government of a province or territory or by a limited number of other types of licensed organizations (eligible charitable and religious organizations). In B.C., the British Columbia Lottery Corporation (BCLC) conducts and manages commercial lottery schemes as the province's statutory agent.

The Gaming Policy and Enforcement Branch (GPEB) is aware of numerous gambling website operators based extra-provincially currently offering gambling and betting opportunities to British Columbia residents. This is contrary to both the *Criminal Code*<sup>1</sup> and the *Gaming Control Act*.<sup>2</sup>

GPEB cannot sanction these operators as they operate outside of B.C.'s jurisdiction. Québec is the only Canadian jurisdiction to undertake any substantial efforts at the provincial level to deter or remove these operators from their jurisdiction.<sup>3</sup> Other provinces contemplating the implementation of online gambling through their respective crown corporations have yet to take action or opine on the legitimacy of unlawful online gambling operators.

British Columbia has taken limited action with respect to unlawful online gambling operators in the past. In 2011, an applicant was required to sever operational ties with the unlawful industry before they would be considered for registration within B.C. In 2016, a new applicant with financial ties to an unlawful online gambling operator was required to have the associated operator cease all gambling operations in B.C. as a condition of registration within B.C.

<sup>1</sup> Criminal Code of Canada, section 207(1)(a)

<sup>&</sup>lt;sup>2</sup> Gaming Control Act, section 88, 90

<sup>&</sup>lt;sup>3</sup> Québec passed legislation this past spring that seeks to block offshore gambling sites by mandating Quebecserving ISPs to blacklist any such domains. Bill 74 is pending implementation. The first legal challenge against this bill was filed July 16: 2016. It claims that the bill violates both Canada's federal *Wireless Telecommunications Act* and various freedom-of-information statutes.

#### DISCUSSION:

GPEB intends to send letters to 29 unlawful online gambling operators the week of August 15th, 2016 as notification that the gambling and betting opportunities they are offering in British Columbia falls outside of the federal and provincial legal framework. In doing so, GPEB will have taken the first step in protecting the integrity of B.C.'s gambling marketplace and serve notice to companies of illegalities. See Appendix A for a copy of the letter. The letter was drafted in conjuncture with GPEB's advising solicitor.

To GPEB's knowledge, B.C. will be the first jurisdiction in Canada to send such notification letters to unlawful gambling operators. (See Appendix B for other provincial action and opinions.) This aim is in alignment with Québec's efforts to address unlawful websites however our approach is different and likely more effective given the recent court challenge to Québec efforts.

Legal Services Branch advises s.13,s.14 s.13,s.14

t

The list of operators that will receive a letter was prepared by BCLC in consultation with GPEB and includes operators of all types of online lottery schemes including casino, bingo, sports betting and daily fantasy sports. The operators are primarily located overseas, mainly in Europe, and most of them are licensed by European regulators to operate there.

The recipient list of 29 service operators is not exhaustive, but focuses on the largest and most high-risk sites. See Appendix C for the list of recipients.

The UK Gambling Commission (UKGC) updated their regulations for licensed operators in 2015. The new UK laws demand that licensed operators justify the legality of their operations in countries or jurisdictions where they are unlicensed or what the UK terms as "grey market" jurisdictions.

s.13,s.16,s.17

GPEB's Director of Corporate Registration will meet with the UKGC, Isle of Man Gambling Supervision Commission, and the Malta Gaming Authority during a corporate registration investigation in Autumn 2016. These meetings provide GPEB with the opportunity to raise the profile of the B.C. gambling industry and inform the respective regulators of the legal gambling framework in Canada and enlist the assistance of the aforementioned regulators to combat these companies operating unlawfully in B.C.

19 of the 29 operators that will receive a letter are either registered and/or licensed in a jurisdiction that GPEB will be meeting with this fall.

s.16

The letter from GPEB will serve as notification of B.C.'s legal framework and GPEB's intention to enforce the provisions of the *Gaming Control Act*. s.13,s.17

#### APPENDIX A

#### Dear XXXXX,

The British Columbia Gaming Policy and Enforcement Branch (GPEB), acting through GPEB's general manager, regulates all lawful gambling in the Province of British Columbia, Canada, ensures the integrity of gambling industry companies, people and equipment, investigates contraventions to the *Gaming Control Act* (the Act), and assists police with the investigation of gaming-related *Criminal Code of Canada* contraventions. GPEB's authority is set out in the Act.

GPEB has reason to believe that your company is conducting and managing a lottery scheme which facilitates online betting within the Province of British Columbia, Canada.

In Canada, Part VII of the *Criminal Code of Canada* outlines prohibitions, offences and some limited exceptions in relation to betting, lotteries, games of chance, and permitted lottery schemes. Section 207 of the *Criminal Code of Canada* states that lottery schemes in Canada may only be lawfully conducted and managed by the government of a province or territory or by a limited number of other types of licensed organizations (eligible charitable and religious organizations). In British Columbia, the provincial government conducts and manages lottery schemes through the Province's statutory agent, the British Columbia Lottery Corporation (BCLC). BCLC's authority is set out in the Act.

No person, other than BCLC or a licensee, may conduct, manage or operate a lottery scheme in British Columbia; and no person may offer gaming services in British Columbia unless they are authorized by GPEB to do so. GPEB must caution that any gambling conducted, managed or operated by a company or individual in British Columbia is likely to be contrary to both the *Criminal Code of Canada* and the Act unless the company or individual has been authorized to do so under the Act.

Unauthorized gambling conducted, managed or operated by corporations or individuals is subject to the offense provisions under the Act. The Act provides for fines of up to \$100,000 on a first conviction.

Similarly, it is not permitted for any organization or individual to provide gaming supplies or services in British Columbia without a valid certificate of registration or licence issued by GPEB. The offence provisions of the Act also apply to these activities. GPEB officials will be meeting with major North American and European gambling regulators to discuss the framework for legal gaming in British Columbia and to share a list of companies that GPEB has reason to believe are offering gambling opportunities in this province without lawful authorization.

Please consider this letter to be notification of GPEB's view that the gambling and betting opportunities your company is offering in British Columbia fall outside of the legal framework that applies in the province. It is not permitted for your company to provide these opportunities to residents of the province without being registered by GPEB and working under contract to BCLC.

If you would like to discuss the contents of this letter or British Columbia's legal framework for gambling, please contact Robin Jomha, Director and Deputy Registrar, Corporate Registration at <a href="mailto:robin.jomha@gov.bc.ca">robin.jomha@gov.bc.ca</a>.

Yours sincerely,

John Mazure
Assistant Deputy Minister and General Manager
Gaming Policy and Enforcement Branch
Ministry of Finance
Government of British Columbia

### **APPENDIX B**

Province	Regulated online gaming site	Action on grey market sites
Alberta	N/A	Nothing to date
Saskatchewan	N/A	Nothing to date
Manitoba	PlayNow.com	Nothing to date
Ontario	PlayOLG.ca	Nothing to date
Québec	Espacejeux.com	On May 18, 2016, the Quebec government enacted Bill 74 "An Act respecting mainly the implementation of certain provisions of the Budget Speech of 26 March 2015". Bill 74 amends the Quebec Consumer Protection Act to require Internet service providers (ISPs) to block access to illegal gambling websites, as identified by the provincial government. Currently, over 2,000 websites are slated to be blocked.  In late July 2016, the Canadian Wireless Telecommunications Association (CWTA) challenged Bill 74, stating that by blocking select websites, the Quebec government was forcing ISPs to be in conflict with the federal Wireless Telecommunications Act. The case is ongoing.
New Brunswick	ALC.ca	Nothing to date
Nova Scotia	]	Nothing to date
PEI	]	Nothing to date
Nfld & Labrador	]	Nothing to date

#### **APPENDIX C**

Service operators that offer online 'casino' and 'sport' type games:

- 1. Mr. Green
- 2. Bodog (Bovada)
- 3. BWin
- 4. Leo Vegas
- 5. 888
- 6. Bet365
- 7. PokerStars
- 8. Bet Victor
- 9. Bingocanada.com
- 10.Maple Casino 11.Royal Vegas 12.Crazy Vegas

- 13. All Slots Casino
- 14. Betway Casino
- 15. Jackpot City Casino
- 16. Super Lenny
- 17. Guts
- 18. Winning Poker Network
- 19 Americas Cardroom
- 20. True Poker
- 21 BetCris Poker

Service operators that offer online sports games only:

- 1. Pinnacle
- 2. Unibet
- 3. 5Dimes
- 4. Bookmaker
- 5. Draft Kings
- 6. FanDuel
- 7. StarsDraft
- 8. BetOnline

Page 208 to/à Page 255

Withheld pursuant to/removed as

#### Notes for Presentation on Unregulated Online Gambling March 9, 2017

#### Slide 1: Title – Online Gambling in BC (Michele)

We wanted to have this opportunity to meet with you today to talk about unregulated online gambling— what it looks like, how online gambling is being regulated around the world and what the options are for regulation in Canada and BC.

#### Slide 2: Outline (Michele)

We have divided our presentation into four sections:

- 1. The online gambling market worldwide
- 2. Online gambling in Canada and national efforts to address unregulated online gambling
- 3. Online gambling in BC and BC's options to address the unregulated online gambling
- 4. Proposed next steps

#### Slide 3: Transition Slide – Part 1: Unregulated Online Gambling Worldwide (Jeff)

#### Slide 4: Terminology (Jeff)

You will have heard many different terms to describe the online gambling market:

- illegal,
- black market,
- grey market,
- unregulated,
- offshore

All these terms are used, often interchangeably, to refer to online gambling that is outside BC's regulatory scheme.

When we speak about a black market or illegal gambling, we are speaking about online gambling that is offered outside the regulatory model in jurisdictions that have clearly defined legislation that makes unregulated online gambling illegal.

Grey market refers to jurisdictions where the legislation is unclear about online gambling, which is the case in Canada. We'll discuss Canada's legal framework for online gambling later in the presentation.

The term offshore is often used because the companies that operate online gambling websites are usually located outside of Canada.

For the purposes of this presentation we will use the term unregulated online gambling to refer to gambling websites that are not regulated by GPEB – which is everything other than PlayNow.com.

#### Slide 5: What is the Unregulated Gambling Market? (Jeff)

There are thousands of websites that offer online gambling around the world.

- GPEB estimates that there are over 2,200 websites that offer their platforms to British Columbians. Many of the companies that operate these sites are completely legitimate in that they are registered and regulated to offer gambling in other jurisdictions.
- You're probably familiar with a number of these companies, or at least their names –
   PokerStars, Party Poker, Draft Kings, Bet888, Bodog these are all companies that operate gambling websites legally in other jurisdictions.

s.13,s.16,s.17

s.13,s.17

#### Slide 6: Transition Slide - What is the Value of the Online Gambling Market? (Jeff)

We know there are thousands of sites offering online gambling worldwide.

But what is the Value of the Online Gambling Market?

#### Slide 7: Value of the Unregulated Market (Jeff)

The online gambling market is a multi-billion dollar industry that continues to grow rapidly while the traditional land-based gambling industry has leveled off and is contracting in many jurisdictions in Canada and around the world.

As you can see, the total amount wagered has grown from an estimated \$6 billion in 2003 to \$46B in 2016.

This is projected to grow another 20% to \$56B by 2018.

Keep in mind that this industry did not exist in 1990 and it is now worth nearly \$50 billion.

#### Slide 8: Where does this money go? (Jeff)

We know there is a lot of money in the online gambling market – But where does this money go?

s.13,s.17

#### Slide 9 – Transition Slide – Are there risks to consumers? (Jeff)

So we know this unregulated market poses a risk to revenue –

Are there also risks to consumers?

#### **Slide 10: Consumer Protection (Jeff)**

The answer is yes!

s.13,s.17

These include issues related to:

- technical integrity,
- · responsible gambling standards, and
- access by minors.

#### Slide 11: Technical Integrity (Jeff)

First - Technical Integrity

All service providers that operate in BC must be certified and registered by GPEB and must meet our high technical integrity standards that ensure consumer protection.

s.13,s.17

Slide 12: Responsible Gambling Standards (Jeff)
Unregulated market sites self-regulate when it comes to responsible gambling messaging.
s.13,s.17
Slide 13: Access by Minors (Jeff)
s.13,s.17
Slide 14 – Transition Slide - How is the Unregulated Market Addressed Worldwide? (Rachel)

#### Slide 15 – Models (Rachel)

In jurisdictions that permit online gambling, there are three basic models:

- licensing model;
- monopoly; and
- mixed model.

s.13,s.17

#### Slide 16 – North America & Europe (Rachel)

Most western jurisdictions have implemented some form of licensing to regulate online gambling.

You can see from this map that the majority of European countries have implemented a licensing model. When this model is accompanied by enforcement provisions and a wide range of permitted gambling options for consumers, it can be very effective. This is the case in the United Kingdom, for example which estimates that it is able to regulate nearly 100% of the online gambling market. The U.K. permits operators to offer a wide range of games and these games are all offered through online websites that are licenced to operate in the U.K.

Some countries have implemented a mixed model, whereby certain types of gambling such as lotteries, bingo, and horse racing operate under a monopoly while others such as poker, sports betting, and casino games operate in a free market under the licensing model. In the mixed model situation – the types of games that are offered under the monopoly versus the licensing really matters.

This is the case in countries such as Denmark and Portugal. Again this model can be very effective if it is accompanied by appropriate enforcement mechanisms. Demark, for example, estimates that it is able to capture approximately 77% of the online gambling market.

A handful of countries use a monopoly – most notably three of the Scandinavian countries and Canada. Canada's monopoly is relatively ineffective because we lack clear legislation around online gambling and therefore lack enforcement mechanisms.

Similar to the situation in Canada, Sweden and Finland are unable to adequately enforce the regulations they have in place and have seen an increase in offshore providers active in their jurisdictions. Where legislation to combat the presence of illegal online providers does exist, it is largely non-functioning due to the complicated economic relationship with the European Union—the EU insists on the free movement of services.

Sweden's monopoly is estimated to capture approximately 50% of the online gambling market. Sweden is exploring regulated licensing options primarily as a result of increasing pressure from the EU. In contrast, Norway, which is not a member state of the EU is making attempts to strengthen its monopoly through payment blocking but this has yet to be proven effective.

The US is shown here as a black market. This is because federal legislation in the US has clearly defined online gambling as illegal (except in the noted states such as Nevada). The federal government has also taken significant enforcement action against numerous online companies.

#### Slide 17 – Australia (Michele)

Australia is an interesting model for us to consider because it faces very similar challenges as Canada. Australia is also a federation and land-based gambling is regulated by each individual state, similar to the way each individual province regulates gambling in Canada.

In 2001, the Australian federal government recognized the need for a national approach to regulate online gambling, and introduced federal legislation to prohibit online gambling except under certain specific circumstances. This was done through the federal government's authority over communications, including the internet.

A licensing regime was then introduced in Australia with individual states issuing licenses to online gambling service providers.

s.13.s.17

#### Slide 18 – Enforcement Options (Michele)

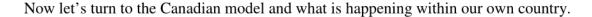
Nearly all countries that have legalized online gambling and have implemented either a licensing model or a monopoly have also implemented accompanying enforcement provisions to ensure that they are able to protect their citizens. The different types of enforcement options that are used in other countries include:

- Offence provisions in criminal and civil legislation
- Payment blocking this is when the credit card companies are restricted from permitting citizens from purchasing gambling offerings off of unregulated websites
- Website blocking this is when ISP addresses of unregulated websites are blocked by Internet service providers so that citizens are not able to visit the unregulated gambling websites;
- Advertising restrictions some countries clearly prohibit unregulated gambling websites from advertising their products within the jurisdiction.
- Blacklisting some countries create a list of the companies and websites that are offering
  online gambling illegally to their citizens. This serves the dual purpose of shaming
  companies and encouraging them to leave voluntarily while at the same time raising
  public awareness about unregulated gambling websites and their risks.

#### Slide 19: Transition Slide – Part 2: Canada (Jillian)

<sup>&</sup>lt;sup>1</sup> Progress of the Bill is available online;

http://www.aph.gov.au/Parliamentary\_Business/Bills\_Legislation/Bills\_Search\_Results/Result?bld=r5755



## Slide 20 - Canadian Model (Jillian)

The Criminal Code currently permits only the provincial government or its agent to conduct and manage gambling in the province. In BC, only BCLC, as an agent of the Crown, can conduct and manage gambling.s.13,s.17
s.13,s.17

Slide 21 – Transition Slide – Is the unregulated market really illegal in Canada? (Jillian)

Slide 22 – Legal advice (Jillian)

s.13,s.14

Slide 23: Transition Slide – Why do people choose to gamble in the unregulated market? (Rachel)

If people have a regulated option, why do they continue to gambling on the unregulated sites?

#### Slide 24: BC vs. Unregulated market (Rachel)

The majority of British Columbians are unaware of the majority of online gambling offerings in Canada are unregulated. Consumers have a large amount of choice when they play in the unregulated market – therefore they have choice in terms of the platform they play on as well as the types of games offered. They can also play against players from all over the world, which becomes very important in peer to peer games like poker.

This slide only include a small sample of the thousands of sites that BCers can gamble on in the unregulated market. It demonstrates why people choose to gamble on those sites given the vast amount of choice.

#### Slide 25: Single Sports Betting (Rachel)

In Canada, it is illegal to bet on the outcome of a single game or event. s.13,s.17

#### Slide 26: Fights and Racing (Rachel)

The Criminal Code also makes it illegal to gamble on racing and fighting, which means that Playnow.com cannot take bets on sports and events such as:

- boxing,
- mixed martial arts (MMA),
- NASCAR and Formula One car racing, or
- The 100-metre race at the Olympics

s.13

#### Slide 27: Federal Bills to Amend the Criminal Code (Rachel)

A federal private member's bill was introduced in 2011 that would have amended the Criminal Code to allow single event sports betting and betting on fights and races. It unanimously passed in the House of Commons and was sent to the Senate in March 2012 where it languished until government dissolved parliament for the election.

Another private member's bill was introduced in September 2016 where it was defeated in the House of Commons. s.13,s.16 s.13.s.16

s.13

#### Slide 28: Limits on Player Location: Impacts on Poker (Rachel)

Another limitation for regulated online gambling websites in Canada is something the industry calls 'player liquidity'.

People who play poker online want to be able to play multiple games at a time and want to be able to play whenever they like. In order for a website to offer a large number of poker games at any given time, a site needs to attract a large number of players. The more players a site has, the more players it attracts because the more hands being played, the more options there are for players. It is cyclical.

s.13.s.17

### Slide 29: Summary of why people use the unregulated market (Rachel)

s.13,s.17

# Slide 30 – Transition – What have provinces tried to do to address unregulated gambling sites? (Jillian)

#### Slide 31 - Quebec

s.16

Quebec has a legal online platform – Espacejeux – that was launched in 2010 with the intent that people would leave unregulated sites in favour of a safer online gambling platform. s.16

s.16

#### Slide 32 – BC attempts to get unregulated sites out of the market (Jillian)

In BC, we have also been interested in this issue and have begun exploring our options.

As we talked about earlier, many of the companies that operate online gambling are registered and regulated to offer gambling in other jurisdictions. In many cases, they are required to operate legally as a condition of their licence in that jurisdiction. So for example, the UK requires that all of the companies that hold a licence to operate online gambling to its citizens must not operate illegally in other jurisdictions.

s.13,s.17

Slide 33 – Provincial and Federal Authorities (Jillian)

s.13,s.16,s.17

#### Slide 34 – Transition - What is being done at the national level? (Jillian)

And this leads us into the work that we have been doing with the federal government and other Canadian provinces.

After Quebec released its report on unregulated gambling and recommendation for a Criminal Code change to permit a licensing model, it connected with the other provinces. s.13,s.16,s.17 s.13,s.16,s.17

s.13,s.16,s.17

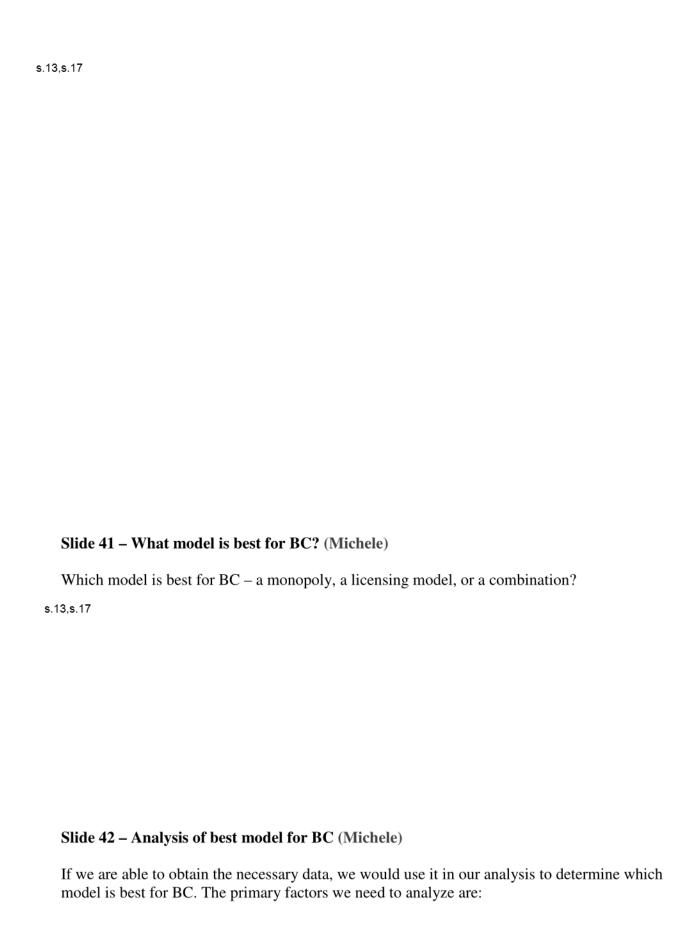
s.13,s.16,s.17



We're now onto Part 3 of the presentation which focusses on Online Gambling in BCs.13 s.13

Slide 39 – Online Unregulated Market in BC (Jeff) s.13, s.17

Slide 40 – Understanding the Market (Jeff)



1. Consumer protection – How effective is the model at bringing players into a safe and regulated environment's.13,s.17

s.13,s.17

s.13,s.17

 Enforcement Capability – Under whichever model we choose, we need effective enforcement capabilities, s.13,s.17
 s.13.s.17

3. Revenue – How much money can be earned from each model -\$.13,s.17 s.13,s.17

4. Consumer choice and innovation – which model is most likely to meet the demands of consumers and deliver gambling offerings consumers want within a regulated framework? s.13,s.17

s.13,s.17

All of these factors need to be fully explored and balanced. We need to analyze the different models and determine which one can get us the best balance of revenue generation for government with the highest level of consumer protection.

s.13,s.17



Slide 44 – Transition Slide – Part 4 – Next Steps (Michele)

Slide 45 – What we can do in BC? (Michele)

Under the current Criminal Code and the current Canadian model, BCLC and GPEB have common interests. s.13,s.17 s.13,s.17

Slide 46 s.13,s.16,s.17

(Michele)

s.13,s.16,s.17



 ${\bf Slide~47-Timeline~of~Work-Strategic~Overview~(Michele)}$ 

s.13,s.16,s.17

# Notes for Presentation to Minister Eby Unregulated Online Gambling October 2017

Slide 1: Title - Online Gambling in BC - Michele

We wanted to have this opportunity to meet with you to talk about unregulated online gambling –

- what it looks like;
- · how online gambling is being regulated around the world; and
- what the options are for regulation in Canada and BC.

#### Slide 2: Outline - Michele

We have divided our presentation into four sections:

- 1. The online gambling market worldwide;
- 2. Online gambling in Canada and national efforts to address unregulated online gambling;
- 3. Online gambling in BC and BC's options to address the issue; and
- 4. Proposed next steps

Slide 3: Transition Slide - Part 1: Unregulated Online Gambling Worldwide - Jeff

Slide 4: Unregulated Gambling Market - Jeff

- GPEB estimates that there are over 2,200 unregulated online gambling websites offering their platform to B.C. residents.
- You're probably familiar with the names of a number of these companies PokerStars, Party Poker, Draft Kings, Bet888, Bodog.

Slide 5: Transition Slide - What is the Value of the Online Gambling Market? - Jeff

Slide 6: Value of the Unregulated Market - Jeff

The online gambling market is a multi-billion dollar industry that continues to grow rapidly while traditional land-based gambling has leveled off and is contracting in many jurisdictions in Canada and around the world.

As you can see, the total amount wagered globally has grown from an estimated \$6 billion in 2003 to \$46B in 2016. This is projected to grow another 20% to \$56B by 2018.

#### Slide 7: Where does this money go? - Jeff

We know there is a lot of money in the online gambling market – But where does this money go?

s.13.s.17

s.13.s.17

Because the companies are located offshore, they also do not pay taxes in Canada or contribute to the Canadian job market and economy.

s.13

Slide 8 - Transition Slide - Are there risks to consumers? - Jeff

Slide 9: Consumer Protection - Jeff

The answer is yes!

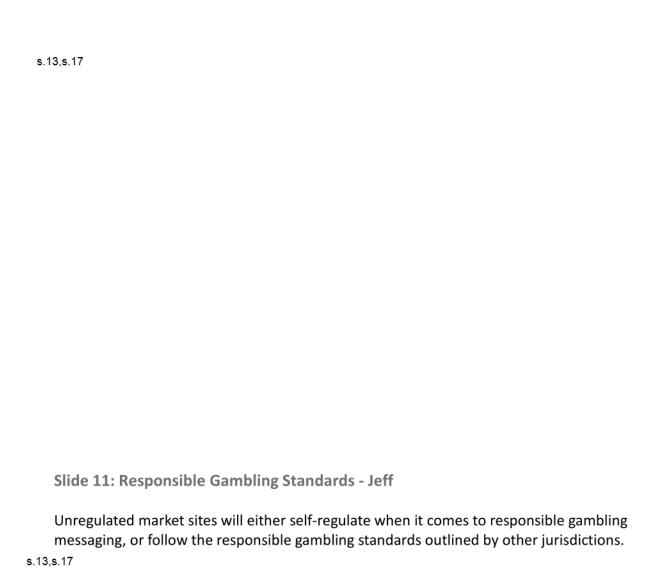
There are significant consumer protection issues, that as the regulator of gambling, we are very concerned about.

These include issues related to:

- Integrity,
- · responsible gambling standards, and
- access by minors.

Slide 10: Integrity - Jeff

s.13,s.17



Slide 12: Access by Minors - Jeff s.13.s.17



Slide 13 – Transition Slide - How is the Unregulated Market Addressed Worldwide? - Michele

Slide 14 - Models - Michele

In jurisdictions that permit online gambling, there are three basic models:

- licensing model;
- monopoly; and
- mixed model.

s.13,s.17

Slide 15 - North America & Europe - Michele



#### Slide 16 - Australia - Michele

Australia is an interesting model for us to consider because it faces very similar challenges as Canada. Australia is also a federation and land-based gambling is regulated by each individual state, similar to the way each individual province regulates gambling in Canada.

In 2001, the Australian federal government recognized the need for a national approach to regulate online gambling, and introduced federal legislation to prohibit online gambling except through a licensing model.

A licensing regime was then introduced in Australia with individual states issuing licenses to online gambling service providers.

Australia has similar experiences with their federal legislation as Canada does with its Criminal Code where the language used is not explicit enough to conclude that service providers offering online wagers to Australian citizens is illegal. s.13,s.17

Additionally, the types of sports wagers allowed does not reflect consumer demand and has fostered illegal wagering.

s.13,s.17

Slide 17 – Enforcement Options - Michele

Nearly all countries that have legalized online gambling have implemented accompanying enforcement provisions to ensure they are able to protect their citizens. s.13,s.17

Slide 18: Transition Slide - Part 2: Canada - Kathie

Now let's turn to the Canadian model and what is happening within our own country.

Slide 19: Legal Framework in Canada - Kathie

The underlying framework for gambling in Canada is derived from Part VII of the Criminal Code of Canada. This differs from many other countries where gambling has not been placed within criminal legislation.

Under the Criminal Code of Canada, all gambling and betting is prohibited as a criminal offence unless it is specifically exempted from prohibition. The broad exemptions are:

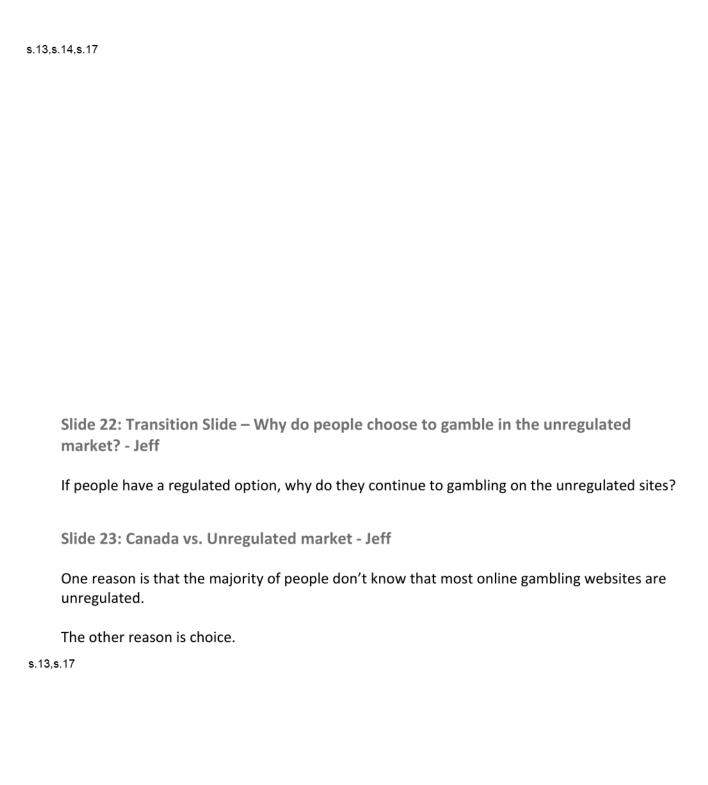
- Gambling conducted and managed by a province; and
- Gambling where the proceeds are used for a charitable or religious purpose, subject to a license issued by a province.

In B.C, we have the Gaming Control Act, which establishes the way in which gambling operates and is regulated in our province. This legislation must be consistent with the legal framework that is established by the federal government.

Slide 20 – Transition Slide – Why are unregulated service providers able to operate in Canada? - Kathie

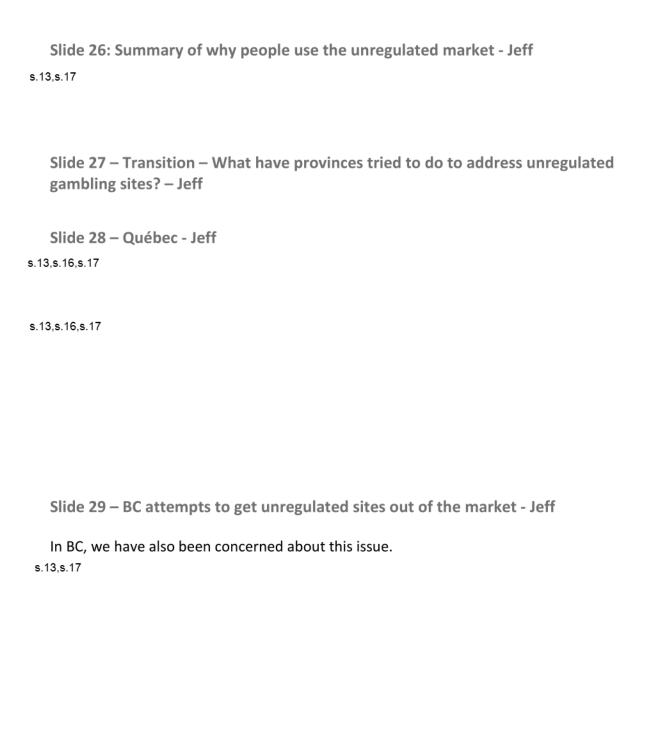
Slide 21 - Legal advice - Kathie

s.13.s.14.s.17



Slide 24: Single Sports Betting & Wagers on Races and Fights - Jeff

In Canada, the Criminal Code makes it illegal to bet on the outcome of a single game or event o on the outcome of a fight or a race. s.13,s.17 s.13,s.17
Slide 25: Player Liquidity: Limits on Player Location - Jeff
s.13,s.17





s.13,s.16,s.17

Slide 31 - s.13,s.16,s.17 - Michele

Slide 32- Transition Slide - Part 3: Online Gambling in BC - Michele

We're now onto Part 3 of the presentation which focusses on online gambling in B.C.

Slide 33 – Online Unregulated Market in BC - Michele s.13,s.17



Slide 34 – What model is best for BC? - Michele s.13,s.17

Slide 35 – Understanding the Market - Michele

s.13,s.17

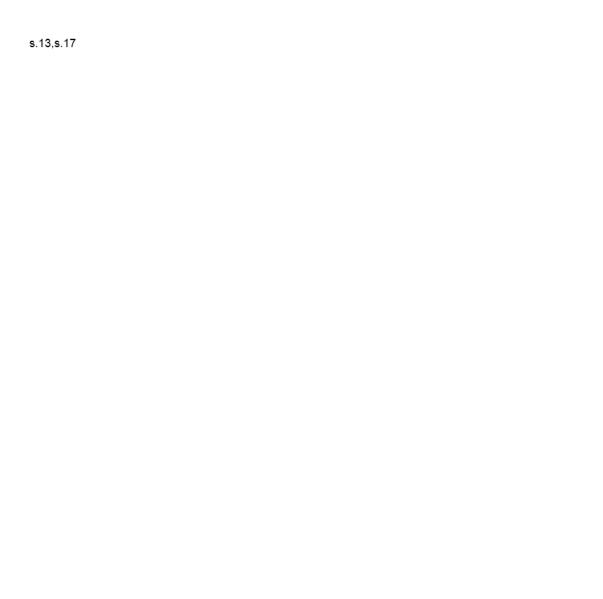


Slide 36 – Differing Interests - Michele s.13,s.17

Slide 37 - Transition Slide - Part 4 - Next Steps - Michele

Slide 38 – What have we done in BC already? – Kathie

Provincially, we have very few tools available to us to address unregulated online gambling.



Slide 39 - What should we be asking for at the national level? - Michele s.13,s.16,s.17

s.13,s.16,s.17

Slide 40 – Thank you

#### Notes for Presentation on Unregulated Online Gambling at GPEB All-Staff Meetings May 15, 16 & 23

#### Slide 1: Title – Online Gambling in BC

We wanted to have this opportunity to meet with you today to talk about unregulated online gambling— what it looks like, how online gambling is being regulated around the world and what the options are for regulation in Canada and BC.

#### Slide 2: Outline

We have divided our presentation into four sections:

- 1. The online gambling market
- 2. Risks
- 3. Legal Framework
- 4. Possible next steps

#### Slide 3: Transition Slide - PART I: ONLINE GAMBLING MARKET

#### Slide 4: Terminology

You will have heard many different terms to describe the online gambling market:

- illegal,
- black market.
- grey market,
- unregulated,
- offshore

All these terms are used, often interchangeably, to refer to online gambling that is outside BC's regulatory scheme.

For the purposes of this presentation I will use the term unregulated online gambling to refer to gambling websites that are not regulated by GPEB – which is everything other than PlayNow.com.

#### Slide 5: What is the Unregulated Gambling Market?

There are thousands of websites that offer online gambling around the world.

- GPEB estimates that there are over 2,200 websites that offer their platforms to British Columbians. Many of the companies that operate these sites are completely legitimate in that they are registered and regulated to offer gambling in other jurisdictions.
- You're probably familiar with a number of these companies, or at least their names PokerStars, Party Poker, Draft Kings, Bet888, Bodog these are all companies that operate gambling websites legally in other jurisdictions.

#### Slide 6: Transition Slide - What is the Value of the Online Gambling Market?

We know there are thousands of sites offering online gambling worldwide.

But what is the Value of the Online Gambling Market?

#### Slide 7: Value of the Unregulated Market

The online gambling market is a multi-billion dollar industry that continues to grow rapidly while the traditional land-based gambling industry has leveled off.

Keep in mind that this industry did not exist in 1990 and it is now worth nearly \$50 billion.

#### Slide 8: Where does this money go?

We know there is a lot of money in the online gambling market – But where does this money go?

Revenue earned from the regulated online gambling market in Canada used to fund important services like health care and education.

s.13,s.17

#### Slide 9: Transition Slide – Why do people choose to gamble in the unregulated market?

If people have a regulated option, why do they continue to gambling on the unregulated sites?

#### Slide 10: BC vs. Unregulated market

s.13,s.17

#### Slide 11: Single Sports Betting

In Canada, it is illegal to bet on the outcome of a single game or event. s.13,s.17

#### Slide 12: Fights and Racing

The Criminal Code also makes it illegal to gamble on racing and fighting, which means that Playnow.com cannot take bets on sports and events such as:

- boxing,
- mixed martial arts (MMA),
- NASCAR and Formula One car racing, or
- The 100-metre race at the Olympics

s.13,s.17

#### Slide 13: Federal Bills to Amend the Criminal Code

s.13,s.17

#### Slide 14: Summary of why people use the unregulated market

Similar to prohibition at the turn of the century, prohibition does not work when consumers have made up their mind.

s.13,s.17

#### Slide 15: Transition Slide – PART II – RISKS

#### Slide 16: Transition Slide – Are there risks to consumers?

So we know that people will continue to play in the unregulated market as it offers products that aren't available in the regulated market. What are the risks to those consumers?

#### **Slide 17: Consumer Protection**

s.13.s.17

These include issues related to:

- · technical integrity,
- responsible gambling standards, and
- access by minors.

#### Slide 18: Technical Integrity

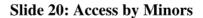
First - Technical Integrity

s.13,s.17

#### Slide 19: Responsible Gambling Standards

Unregulated market sites self-regulate when it comes to responsible gambling messaging.

s.13,s.17



s.13,s.17

#### Slide 21: Transition Slide – PART III – LEGAL FRAMEWORK

Slide 22: Transition Slide - Is the unregulated market really illegal in Canada?

Slide 23: Legal advice

s.13,s.14,s.17

#### **Slide 24: Enforcement Options**

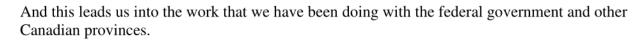
Nearly all countries that have legalized online gambling and have implemented have also implemented accompanying enforcement provisions to ensure that they are able to protect their citizens. s.13,s.17

s.13,s.17

Slide 25: Provincial and Federal Authorities
s.13,s.16,s.17
Slide 26: Transition – What have provinces tried to do to address unregulated gambling sites?
Slide 27: Quebec
You may have seen in the news that Quebec is trying to take action. s.13,s.16,s.17 s.13,s.16,s.17
Slide 28: BC attempts to get unregulated sites out of the market s.13,s.17

Slide 29: Transition - What is being done at the national level?

Page **6** of **7** 



Slide 30 s.13,s.16,s.17

s.13,s.16,s.17

\_ \_

Slide 31: Transition Slide – PART IV – NEXT STEPS

Slide 32: What we can do in BC?

s.13,s.17

Slide 33: THANK YOU & QUESTIONS

Date Prepared: September 25, 2017

## MINISTRY OF ATTORNEY GENERAL GAMING POLICY AND ENFORCEMENT BRANCH BRIEFING NOTE

**PURPOSE:** For INFORMATION for Attorney General David Eby

Unregulated Online Gambling Overview

#### ISSUE:

Provide an overview of the unregulated online gambling market in British Columbia.

#### SUMMARY:

- There are thousands of unregulated online gambling websites offering their services to British Columbians. These sites are based offshore and represent risks to public safety.
- The Gaming Policy and Enforcement Branch (GPEB) is developing a strategy to address these internet-based gambling opportunities, however, GPEB s.13 s.13,s.17
- Additionally, significant authorities related to this issue lie with the federal government.
- The Minister may <sup>s.16</sup>
   s.16

#### **BACKGROUND:**

- The Criminal Code currently permits only the provincial government or its agent to conduct and manage gambling in the province (monopoly model). In B.C., only the British Columbia Lottery Corporation (BCLC), as an agent of the Crown, can conduct and manage gambling.
- The Criminal Code prohibits certain types of wagers; single-event sports betting and betting on the outcome of a race or fight.<sup>1</sup>
- The Criminal Code does not explicitly permit or explicitly outlaw internet gambling which is why Canada is often referred to as a "grey market" in terms of online gambling.<sup>2</sup> Many of the gambling provisions in Part VII of the Code were written in the nineteenth century, and so they could not contemplate the Internet or the idea that a person or company could offer gambling to citizens from outside of the country using virtual means as opposed to a bricks and mortar operation.

s.13,s.17

<sup>&</sup>lt;sup>2</sup> This briefing note uses the term 'unregulated online gambling' rather than grey market as it is recognized that these sits are unregulated in B.C. See APPENDIX I for a list of terminology related to online gambling markets.

Date Prepared: September 25, 2017

 Presently, B.C., Manitoba, Québec, Ontario, and Atlantic Canada have implemented regulated online gambling platforms. Manitoba uses B.C.'s PlayNow.com.

- Of the regulated online operators in Canada, BCLC's PlayNow.com is by far the
  most successful and offers the widest range of games and gambling offerings.
  PlayNow.com offers lottery games, casino games, poker, parlay sports betting, and
  novelty betting.
- As the Criminal Code is unclear as to the legality of online gambling, thousands of unregulated operators have entered the British Columbian and Canadian marketplace. GPEB estimates that there are currently 2,200 active sites in B.C.
- The total global amount wagered in both regulated and unregulated online markets has grown from an estimated<sup>s.13,s.17</sup> in 2003 to <sup>s.13,s.17</sup> in 2016 and is projected to grow another 20 per cent to <sup>s.13,s.17</sup> by 2018<sup>3</sup>.
- The current B.C. online gambling market is estimated to be approximately \$640 million, of which BCLC estimates that it captures approximately \$.13,s.17
- In jurisdictions that permit online gambling,<sup>4</sup> there are three basic models: licensing, mixed model, and monopoly;
  - Licensing model is where a regulatory body issues licenses to companies to offer their online platform to the citizens of that jurisdiction.
  - Mixed model is where some forms of gambling such as lotteries are offered by a single company or organization that has a monopoly and other forms of gambling such as casino games are offered in an open market using a licensing model.
  - Monopoly is where a single service provider offers services to citizens in that jurisdiction.
- Most jurisdictions have implemented some form of licensing to regulate online gambling, including nearly all European countries.
- For any of these models to be effective, appropriate and robust enforcement mechanisms must be in place to protect their model. See APPENDIX II for a description of the most popular enforcement mechanisms used around the world.

<sup>&</sup>lt;sup>3</sup> Source: https://www.statista.com/statistics/270728/market-volume-of-online-gaming-worldwide/2009 s.13,s.17

Date Prepared: September 25, 2017

 Canada's monopoly model is relatively ineffective due to the lack of clear legislation outlining the legalities of online gambling as well as the popularity of certain prohibited wagers. This ambiguity has led to a lack in availability of enforcement mechanisms.

#### DISCUSSION

- Unregulated online gambling websites pose significant risks to consumers, including risk of fraud, changing odds, lack of responsible gambling features, and access by minors.
- Government also bears the negative social consequences and pays through its health and justice systems for problem gamblers who gamble on unregulated sites.
- Additionally, online gambling websites represent a potential untapped revenue source for government.

Efforts to address the unregulated online market in Canada

s.13,s.14,s.17

- s.13,s.17
   s.13,s.17
   Québec's online platform –
   Espacejeux has not been successful in attracting a large amount of players.
- Québec undertook a study to determine how to address the unregulated sites. The report recommended the *Criminal Code* be amended to permit a licensing model.
- After Québec released its report and recommendation for a Code change to permit a licensing model, it connected with the other provinces and a sub-working group of the larger federal/provincial/territorial (FPT) working group on gambling was established to study whether the Criminal Code should be amended to permit a licensing model. The scope of the working group's mandate is narrow and focuses only on this one question around the licensing model. The sub-working group is cochaired by Québec and the federal government. B.C. is a participant in the group however; there has not been a meeting in the last year.
  s.13.s.16.s.17

•

Date Prepared: September 25, 2017

s.13.s.16.s.17

• In August 2016, GPEB sent letters to 18 companies that operate at least 25 of the most prominent unregulated online gambling websites, advising they may be operating contrary to the *Criminal Code*. However, none of these companies has ceased operations in B.C. because of these letters.

s.13,s.16,s.17

s.13,s.16,s.17

Strategies in progress in B.C.

s.13,s.17

•

s.13,s.17

- BCLC has been successful in capturing the market for certain types of online gambling offerings –<sup>s.13,s.17</sup> s.13,s.17
- GPEB is currently working with B.C. Stats and an contractor to enable to branch to better understand the unregulated market and how British Columbian's interact with it. This will help the branch in developing its online gambling strategy.
- GPEB is also pursuing several other approaches to address the unregulated gambling websites including:

s.13,s.16

Date Prepared: September 25, 2017

s.13

 GPEB has created a working group with BCLC to explore the option of BCLC running a public awareness campaign about unregulated websites.

#### Analysis of Best Model for BC

Once the necessary data is obtained, GPEB will assess which model is best for BC. The primary factors to analyze are: s.13.s.17

#### Potential Next Steps

• In addition to the discussions GPEB is having at the FPT table, government may wish to consider having discussions with their federal and provincial counterparts to raise the profile of unregulated gambling websites and encourage the federal government to take steps to address this issue.

Date Prepared: September 25, 2017

Examples of general areas where discussions could occur are:

s.13

Prepared by: Rachel DeMott Senior Policy Analyst Gaming Policy and Enforcement Branch (250) 387-3948

#### Attachment(s)

APPENDIX I – Terminology APPENDIX II - Enforcement Mechanisms

#### Approved by:

[Name] [Title] [Branch] [Phone Number]

Date Prepared: September 25, 2017

#### APPENDIX I – Terminology

There are several different terms to describe the online gambling market The most common tterms and definitions are listed below:.

Illegal gambling	Online gambling that happens outside the regulatory framework in a jurisdiction that has clearly defined what is and isn't legal gambling.		
Black Market	Refers to a jurisdiction where legislation has clearly defined what is and is legal in relation to online gambling		
	The United States is an example of a country that has 'black market' gambling		
Grey Market	Refers to a jurisdiction where legislation is not clearly defined what is and isn't legal in relation to online gambling		
	Canada is an example of a country that has 'grey market' gambling		
Offshore	Term used to refer to companies that operate online gambling websites that operate both in the grey and black market that are located outside of a jurisdiction		
	Bodog is an example of an 'offshore' company/website		
Onshore	Term used to refer to companies that operate online gambling websites that are located inside of a jurisdiction and, typically, within the regulated market		
	PlayNow.com is an example of an 'onshore' company/website		

Date Prepared: September 25, 2017

#### APPENDIX II - Enforcement Mechanisms

Nearly all countries that have legalized online gambling and have implemented either a licensing model or a monopoly have also implemented accompanying enforcement provisions to ensure that they are able to protect their citizens. The different types of enforcement options that are used in other countries include:

Enforcement Mechanisms	Used commonly in;	
Offence provisions	• USA	
(criminal and civil)	Scandinavia	
Payment blocking	• USA	
This is when the credit card companies are restricted from	Scandinavia	
permitting citizens from purchasing gambling offerings off unregulated websites	Latvia	
Website blocking	<ul> <li>Scandinavia</li> </ul>	
This is when ISP addresses of unregulated websites are	Latvia	
blocked by Internet service providers so citizens are not		
able to visit the unregulated gambling websites  Advertising restrictions	Coordinavia	
Some countries clearly prohibit unregulated gambling	Scandinavia     Latvia	
websites from advertising their products within the	Latvia     Average	
jurisdiction.	Australia	
Blacklisting	• USA	
Some countries create a list of the companies and websites	Latvia	
that are offering online gambling illegally to their citizens.  This serves the dual purpose of shaming companies and	Australia	
encouraging them to leave voluntarily while at the same		
time raising public awareness about unregulated gambling		
websites and their risks.		

Page 303 to/à Page 307

Withheld pursuant to/removed as

s.14

### Notes for Presentation on Unregulated Online Gambling Presentation – For 2017 CAGRA Policy Committee Meeting

#### Slide 1: Title – Online Gambling in BC

Thank you everyone for giving me this opportunity to talk about unregulated online gambling—what it looks like, what the value is, and what some options might be for regulation in Canada and BC.

#### Slide 2: What is the Unregulated Gambling Market?

There are thousands of websites that offer online gambling around the world.

- B.C. estimates there are over 2,200 websites that offer their platforms to British Columbians this figure is likely the same for other provinces.
- Many of the companies that operate these sites are completely legitimate in that they are registered and regulated to offer gambling in other jurisdictions.
- You're probably familiar with a number of these companies, or at least their names –
   PokerStars, Party Poker, Draft Kings, Bet888, Bodog these are all companies that operate gambling websites legally in other jurisdictions.

s.13,s.17

s.13,s.17

There are many reasons why we believe Canadians choose to gamble in the unregulated market – from the ability to place bets on single sports events to having a larger variety of choice when it comes to operator. We do know that many who gamble in the unregulated market are unaware of the risks involved.

#### **Slide 3: Consumer Protection**

s.13.s.17

**Technical Integrity** 

s.13,s.17



#### **Responsible Gambling Standards**

Our research indicates that unregulated market sites self-regulate when it comes to responsible gambling messaging.

s.13,s.17

#### **Access by Minors**

s.13,s.17

### Slide 4: Value of the Unregulated Market

The online gambling market is a multi-billion dollar industry that continues to grow rapidly while the traditional land-based gambling industry has leveled off.

Keep in mind this industry did not exist in 1990 and it is now worth nearly \$50 billion.

The B.C. market alone is estimate to be valued at \$640 million –a portion of this money could come to government.

#### Slide 5: Where does this money go?

We know there is a lot of money in the online gambling market – But where does this money go?

Revenue earned from the regulated online gambling market in Canada is used to fund important services like health care and education.

In contrast, all of the revenue from the unregulated market is going into private pockets – often offshore - to build the wealth of shareholders and executives of large online gambling corporations. Additionally, government bears the negative social consequences and pays through its health and justice systems for problem gamblers who gamble on unregulated sites.

Pictured here is Calvin Ayres, the founder of international gaming brand, BODOG, which at one time was one of the largest online gambling brands in the world. At his peak, his net worth was valued at over 1 billion USD.

#### Slide 6: Provincial and Federal Authorities

s.13.s.17

#### Slide 7: Understanding the Market

We believe B.C. and the rest of Canada is at a point where we need to determine what is the best strategy to combat the unregulated market. However, before we start to develop such a strategy, it is vital to have a better understanding of the makeup of the unregulated market.

B.C. is currently planning to conduct a large-scale market research project in conjuncture with BC Stats and a private contractor.

We recognize B.C. cannot realize any online gambling strategy without the inclusion of the other provinces given the federal government's jurisdiction in this area. I would encourage you to speak with me after about possibly participating with us in this research and measuring your own marketplaces.

s.13

and MLS, where their advertisements are seen on TV and on the fields where matches occur; and finally Facebook and Instagram are littered with ads for unregulated online sites.

The Advertising Standards Council (ASC) is the national not-for-profit self-regulatory body for advertising in Canada. Members of the ASC include major corporations such as Coca-Cola, Air Canada, and Walt Disney Studios.

The ASC created and adheres to the *Canadian Code of Advertising Standards* (the *Code*) which sets the criteria for acceptable advertising and forms the basis upon which advertising is evaluated in response complaints. The *Code* is widely endorsed by advertisers, advertising agencies, media that exhibit advertising, and suppliers. The premise of the *Code* is to prevent any misleading or unacceptable advertising to a public audience.

Individuals and 'special interest groups' can make complaints to the ASC alleging that advertising does not comply with the *Code*. The ASC accepts and responds to all complaints received, regardless of the volume of complaints received on a particular ad, and publishes its findings on its website. Compliance is ultimately voluntary. According to the ASC, however, it is rare when an ad is not amended or taken down.

B.C. would like to propose that we, as provincial gambling regulators, lodge an official complaint against the advertisement of both '.net' and pay-for-play sites. We believe that gaming regulators from across Canada could bring themselves into a "special interest group" raising the various issues related to how these sites violate the Code. My view is that if there were enough regulators that agreed with the proposed complaint that would be enough to meet the test for the "special interest group". The ASC would have difficulty ignoring a group of government regulators making a singular complaint of this nature.

B.C. is willing to lead the drafting of this complaint with input from those provinces that are interested in participating. Participation would involve some research by each regulator – namely, documenting the instances and mediums of advertisement by these websites in your province from now until our next Community of Practice meeting – the more evidence we can show that this type of advertising is prevalent and linked to actual gambling websites, the better.

I'd like to gauge the interest of this group on their willingness to participate.

#### Slide 9: THANK YOU & QUESTIONS

### MINISTRY OF FINANCE GAMING POLICY AND ENFORCEMENT BRANCH ESTIMATES NOTE

**ISSUE: Unregulated Online Gambling** 

#### ADVICE AND RECOMMENDED RESPONSE:

- The B.C. Lottery Corporation (BCLC) has delegated authority to conduct and manage commercial gambling in B.C. As a result, only Playnow.com, BCLC's online gambling site, is legally allowed to offer online gambling in British Columbia.
- PlayNow.com provides British Columbians with the opportunity to enjoy online gambling in a safe, regulated environment.
- The B.C. government is concerned about the risks that unregulated gambling websites pose to British Columbians.
- Major operators have been advised that by conducting a lottery scheme in B.C., they may be in contravention of the Criminal Code of Canada.
- Actions taken to address the issue of unregulated gambling websites operating in B.C. would be more effective at the national level because the federal government has responsibility for the Criminal Code.
- For this reason, B.C. is participating in a Federal/Provincial/Territorial (FPT) sub-working group on online gambling that is exploring options for addressing unregulated online gambling in Canada.

#### **CURRENT STATUS:**

- In August 2016, GPEB sent letters to operators of unregulated gambling websites to inform them they may be in contravention of the Criminal Code. However, operators of these websites continue to offer gambling in the B.C. market. GPEB is currently considering next steps.
- s.13,s.16

•

Contact: John Mazure Phone: 250-208-7000

Division: Strategic Policy and Projects Division Page: 1 of 3

File Name: Unregulated Online Gambling

### MINISTRY OF FINANCE GAMING POLICY AND ENFORCEMENT BRANCH ESTIMATES NOTE

s.13.s.17

#### KEY FACTS REGARDING THE ISSUE:

The online gambling market is a multi-billion dollar industry that continues to grow rapidly while the traditional land-based gambling industry has leveled off and is contracting in many jurisdictions in Canada and around the world.

The unregulated online gambling market represents an untapped potential revenue source for governments in Canada. In addition to the large amount of revenue lost to government because online gambling remains unregulated, there are also significant potential consumer protection issues, such as access by minors and inconsistent and insufficient responsible gambling standards.

In Canada, most aspects of gambling and betting are unlawful due to Part VII of the *Criminal Code*. However, under section 207(1)(a) of the *Criminal Code*, a province may conduct and manage lottery schemes in that province. In B.C. gambling is regulated under the *Gaming Control Act*. The B.C. government conducts and manages gambling through its statutory agent, the B.C. Lottery Corporation (BCLC). BCLC operates an online gambling platform, PlayNow.com, which is the only legal online gambling website in B.C.

GPEB estimates there are over 2,200 unregulated websites that offer their online gambling platforms to British Columbians. It is unlikely actions taken by provincial governments against gambling service providers who are based outside of the province but whose services are available in Canada via the Internet would be successful.

In Canada, internet gambling is neither explicitly permitted nor explicitly outlawed by the *Criminal Code*, which is why it is sometimes referred to as a "grey market". Many of the gambling provisions in Part VII of the *Criminal Code* were written in the nineteenth century, and so they do not contemplate the Internet or the idea a person or company could offer gambling to citizens from outside of the country using virtual means as opposed to a bricks and mortar operation.

s.13,s.14,s.16

Contact: John Mazure Phone: 250-208-7000

Division: Strategic Policy and Projects Division Page: 2 of 3

File Name: Unregulated Online Gambling

### MINISTRY OF FINANCE GAMING POLICY AND ENFORCEMENT BRANCH ESTIMATES NOTE

GPEB has developed a strategic plan considering how to address unregulated online gambling in B.C. It will be necessary to brief the minister further on this plan.

#### **Questions and Answers**

### Question: What was the result of the letters issued to online gambling service providers?

#### Answer:

- GPEB has received some responses from unregulated gambling operators; however, none have ceased operations in British Columbia as a result of these letters.
- GPEB has met with foreign regulators in the United Kingdom and Latvia to discuss best practices for addressing unregulated gambling websites.
- GPEB is exploring next steps. Because the federal government has responsibility for the Criminal Code, actions taken at the federal level would be more effective. This is the reason GPEB is engaging with federal and provincial counterparts through an FPT subworking group on online gambling.

Contact: John Mazure Phone: 250-208-7000

Division: Strategic Policy and Projects Division Page: 3 of 3

File Name: Unregulated Online Gambling

Page 316 to/à Page 330

Withheld pursuant to/removed as

s.13