

AMLS/ADMO TRACKING DOCUMENT

Item #	Topic Title	Description	Status
NR			
4.	Independent gambling regulator	Media announcement re: the intention to create an independent regulator	<ul style="list-style-type: none"> The <i>Independent Gambling Control Office (IGCO)</i> announced yesterday (Dec. 11) Logo development is underway^{s.13}
NR			
6.	AMLS project review 1.0	Opportunity for high level overview of German 1.0 recommendation implementation	Recommendations Timeline Addressed to date: <ul style="list-style-type: none"> 17/48 + 2 or 35% complete This includes R3 (source of funds annual audit) and R14 (JIGIT mandate support)

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NR

S.13

Updated On: Tuesday, February 4, 2020

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Item #	Topic Title	Description	Status
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3.	Independent gambling regulator	Media announcement re: the intention to create an independent regulator	s.13; s.14 s.13
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NR			<ul style="list-style-type: none"> This includes R3 (source of funds annual audit) and R14 (JIGIT mandate support)
			s.13

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Item #	Topic Title	Description	Status
3.	Independent gambling regulator	Media announcement to announce the intention to create an independent regulator	s.13; s.14 s.13

NR

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5.	AMLS project review 1.0	Opportunity for high level overview of German 1.0 recommendation implementation	<p>Recommendations Timeline Addressed to date:</p> <ul style="list-style-type: none"> • 17/48 + 2 or 35% complete • This includes R3 (source of funds annual audit) and R14 (JIGIT mandate support)

s.13

Updated On: Tuesday, February 4, 2020

AMLS/ADMO TRACKING DOCUMENT

Item #	Topic Title	Description	Status
NR			s.13

Updated On: Tuesday, February 4, 2020

**MINISTRY OF ATTORNEY GENERAL
BRITISH COLUMBIA LOTTERY CORPORATION
DISCUSSION PAPER**

PURPOSE: For discussion by the Deputy Minister's Committee on Anti-Money Laundering

ISSUE: Responding to German R#20 - cash alternatives become the responsibility of the Service Providers (SP).

SUMMARY:

- In his report, "Dirty Money", Dr. German recommended cash alternatives become the responsibility of the Service Providers (SP), subject to their compliance with overarching standards.
- Following further clarity from Dr. German around specific forms of cash alternatives, BCLC has also started investigating the use of credit as a cash alternative
- There is no one overarching BCLC standard or framework for implementing a cash alternative, as SP requests for alternatives are not common and are reviewed as needed. The BCLC review of proposed cash alternatives is governed by industry best practice and compliance to all applicable acts and regulations.
- SPs are given authorities and responsibilities around the acceptance and implementation of cash alternatives, but must comply with all applicable acts, regulation, and reporting frameworks.

BACKGROUND:

- In 2011, following the release of the Kroeker Report, BCLC focused on reducing the use of cash in gambling facilities to minimize the risk of money laundering.
- Reducing the use of cash and increasing cashless alternatives at B.C. casinos also improves public safety and offers greater convenience for players.
- The first two actions focused on the development of cash alternatives and the promotion of their use. This included:
 - Patron Gaming Fund (PGF) accounts where casino patrons could transfer money from regulated Canadian and U.S. banks and credit unions, or add funds to their account via certified cheques, bank drafts, internet transfers, debit card transaction or verified win cheques. These funds would then be withdrawn for gambling, re-deposited for subsequent play or returned to the patron.
 - Customer convenience cheques clearly marked as "Return of Funds – not gaming winnings" which allow players to receive a cheque instead of cash when cashing out.

- As per the BCLC Standards, PGF accounts and cash alternatives are the responsibility of SPs; PGF accounts are administered by the SP and are not BCLC accounts. However, as the reporting entity to FinTRAC, BCLC must retain some level of oversight and therefore approves the types of cash alternatives SP may choose to offer at their facility and approves related policies and procedures.
- The SP may set minimum deposit thresholds required for patrons to open a PGF account.

DISCUSSION:

New Cash Alternatives Process

- A July 2016 letter from GPEB to BCLC notes that “there is no requirement for BCLC to seek GPEB approval” for new cash alternatives being proposed by BCLC with the exception of credit. As per the *Gaming Control Act (GCA)* only GPEB has the authority to approve the use of credit.
- Generally, requests for additional cash alternatives are initiated by SPs who submit a proposal to BCLC. The most recent request was for the use of international electronic funds transfer (EFT), which was approved in November 2016.
- Prior to approval of new cash alternatives, BCLC along with the SP initiating the request, and any other stakeholders that may be impacted, would conduct a viability assessment looking at possible vulnerabilities, assess how the alternative would be operationalized, and identify any legislative requirements to determine if acceptance of that cash alternative is within BCLC’s risk tolerance.
- If a cash alternative is deemed a viable option, BCLC will set the necessary controls and parameters including additional Know Your Customer (KYC) monitoring.
- All approved cash alternatives are listed on BCLC’s risk register and are reviewed every 6-months as part of BCLC’s ongoing risk management responsibilities under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA)*.
- In its “2017 Methods-of-Payment Survey Report” the Bank of Canada reports that cash use is declining and cash makes up a smaller share of all transactions and a smaller share of the total amount spent. BCLC expects this trend will lead to increased demand for additional cashless alternatives in casinos in the years to come.¹

Next Steps

- Given that PGF accounts are administered by the SP, are not BCLC accounts and SPs are free to choose which authorized cash alternatives to offer at their facility, BCLC believes SPs are already responsible for cash alternatives and the current

¹ Bank of Canada, Staff Discussion Paper 2018-17. *2017 Methods-of-Payment Survey Report*. Retrieved from Bank of Canada: <https://www.bankofcanada.ca/2018/12/staff-discussion-paper-2018-17/>.

process need not change. BCLC's involvement is limited to fulfilling its obligations under the PCMLTFA.

s.13; s.17

- BCLC is also exploring options for account-based gambling solutions in order to further substantially reduce the need for cash, increase capacity for monitoring transactions and analysis, and to increase non-anonymous play. In addition to advancing AML efforts, such solutions have capabilities to provide additional benefits including supporting player health and the player experience.

ADDITIONAL INFORMATION:

PGF Account Process

- To be approved for a PGF account, patrons are subject to a higher level of due diligence.
- BCLC's AML team is alerted when a PGF account has been opened and reviews information collected by the SP and entered into iTRAK, to conduct further due diligence and prove patron's source of funds and source of wealth.

Service Provider Authorities

- Each SP can establish their own policies and procedures for opening a PGF account which, at a minimum, must capture required information for FinTRAC reporting.
- SPs may choose to accept some or all of the following authorized cash alternatives, as appropriate for the facility:
 - Bank draft from a regulated financial institution with the payee being the patron or the casino (funds and bank drafts from Money Service Businesses [MSBs] are not accepted);
 - Certified cheque from a regulated Canadian or U.S. financial institution;
 - Cheque from a Canadian casino that can be sourced by calling the casino;

- Electronic wire transfer;
- Debit card transaction.
- The SP may set minimum deposit thresholds required for patrons to open a PGF account.

Service Provider Responsibilities

- The SP must develop criteria to ensure the validity of any negotiable instrument and must keep auditable records on file of each transaction of this nature.
- The SP accepts full financial responsibility for any dishonoured or fraudulent negotiable instrument.
- When opening the account, the SP must do a preliminary search of one of a number of anti-terrorist financing lists available to them.
- Patrons presenting cash equivalents such as certified cheques or bank drafts totaling \$10,000 or more, must produce receipts for source of cash and cash equivalents. The receipt must include the patron's name, financial institution that issued the cash, location of the financial institution, and the patron's bank account information. This information must be provided by the patron and recorded on the receipt and SOF declaration form.

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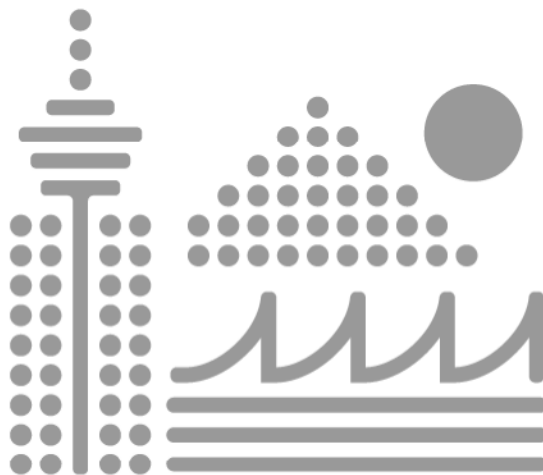
Cash Alternatives in Casinos

For discussion by the Deputy
Minister's Committee on Anti-
Money Laundering

bclc

Background

- Government launched anti-money laundering (AML) strategy in 2011 to reduce the use of cash in gaming facilities
 1. Patron Gaming Fund (PGF) accounts
 2. Customer convenience cheques



PGF Account Process

- Higher level of due diligence
- SP establish P&P, approval by BCLC
- SP accept full financial responsibility for any dishonoured or fraudulent negotiable instrument



Page 18 of 23

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s.13

Next Steps

s.13

- Account based gambling solutions



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Questions?

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NR

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NR			
5.	ADMO staffing	MAG expenditure control	<ul style="list-style-type: none"> • DAG notified staff of expenditure controls including limitations on backfilling and hiring of positions • Places the AML project in significant risk without policy support <ul style="list-style-type: none"> ○ AMLS submitted request for approval of one backfill policy position. This has come into question and CMSB will seek MO approval. ○ In order to complete AML work expected, a minimum of 2 policy positions are required and at this time ADMO is only seeking 1 due to controls. ○ Impact of not approving the backfill jeopardizes ongoing work including s.13 ○
		NR	

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NR

s.13

From: [Pearson, Barbera AG:EX](#)
To: [Alagaratanam, Suhan Kumar AG:EX](#); [Bernard, Tabitha AG:EX](#); [Chu, Timothy GCPE:EX](#); [Croteau, Caitlin AG:EX](#); [Engelbrecht, Maya AG:EX](#); [Harder, Derrick AG:EX](#); [Hughes, Candice AG:EX](#); [Normand, Nicole AG:EX](#); [Pearson, Barbera AG:EX](#); [Pinette, Celia IRR:EX](#); [Richter, Connie AG:EX](#); [Smith, Jessica C AG:EX](#); [Ussery, Camas AG:EX](#)
Cc: [MacLeod, Sam GPEB:EX](#); [Lewis, Jamie GPEB:EX](#); [Harris, Megan AG:EX](#)
Subject: Re: IBN-566394 - Establishment of the IGCO
Date: November 29, 2019 9:59:00 AM
Attachments: [566394 - BN - Establishment of the IGCO.pdf](#)

Associate DM Approved Information Briefing Note for the Minister.

Thank You.

Barb

Barbera Pearson

Manager, Business Operations

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

PURPOSE: For INFORMATION for Doug Scott,
Associate Deputy Minister

ISSUE: Establishment of the Independent Gambling Control Office

SUMMARY:

- The Attorney General (AG) approved the mandate and governance model for the Independent Gambling Control Office (IGCO) on October 28, 2019 (Cliff 561362).
- The Gaming Policy and Enforcement Branch (GPEB), the Anti-Money Laundering Secretariat (AMLS) and Government Communications and Public Engagement (GCPE) are working collaboratively on a formal public announcement, which will likely be made in December 2019.
- Fully establishing the office requires legislative amendments to the *Gaming Control Act* (GCA) anticipated in Spring 2021.

- s.13

- Creating the IGCO requires re-branding, website development and external communications capacity. Approval from GCPE headquarters is required to move forward, particularly if there is a desire to move forward with implementation prior to legislative change.
- Decisions related to the IGCO's involvement in corporate Ministry initiatives is required.

BACKGROUND:

- The Attorney General approved the establishment of the IGCO, which will have a mandate to uphold the integrity of gambling and horse racing in BC and is intended to be separate from BCLC.^{s.13}
- GCPE staff are currently drafting a news release for the December announcement for GPEB and AMLS review.

Staffing

● s.13

● s.13

- The IGCO will independently manage public communications, media, and website content at arms length from government. Currently, GPEB has limited external communication staff (approximately 1 FTE) who do not have the equivalent expertise GCPE has for external communications management. The IGCO will require senior staff responsible for public communications.
- Additionally, the IGCO administration of a new standards based regulatory model and responsibility for anti-money laundering may require new resources.

Public Communications

- The Attorney approved that the IGCO will independently manage the regulator's public communications through media and online, at arms length from government.
- While it may be possible to assume this function prior to legislative changes anticipated in Spring 2021, approval and collaboration will be required from GCPE headquarters to determine timelines.
- The IGCO will require a new brand and website independent of government's external site. This work will need to be done by resources outside of GPEB (either through GCPE or a 3rd party contractor) as this expertise does not exist within the branch.
- The IGCO can only be fully implemented through legislative amendments. Until such time, all statutory activities and decisions of the gambling regulator must continue under the current GPEB title to have legal effect. For example, charitable gaming licences, registration of a gaming worker or corporation, or warning and violation tickets must continue to be issued under the statutory authority granted to the general manager under the *Gaming Control Act*.

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Government & Ministry Corporate Initiatives

s.13

- Operational decisions are also required for how the IGCO will participate and/or integrate into other cross-government initiatives such as the Work Environment Survey (WES) and ministry Strategic Plans.

Prepared by:

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Gaming Policy and Enforcement Branch
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Approved by:

Sam MacLeod
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Gaming Policy and Enforcement Branch
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UPDATE TO DMC
Role of the Regulator in Anti-Money Laundering (AML)
November 19, 2019

Purpose:

To provide DMC with an update on work to date Recommendation 30: that anti-money laundering (AML) be a responsibility of BC's gambling regulator (R30).

Activities to Date:

- In early 2019, the BC Lottery Corporation (BCLC) provided the Gaming Policy and Enforcement Branch (GPEB) with a summary of their obligations as a reporting entity to the Financial Transactions and Reports Analysis Centre (FINTRAC) under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (PCMLTFA). This included detailed information on how BCLC meets these obligations, and their AML staff complement and IT resources.
- In spring 2019, GPEB engaged a contractor to develop process maps of current AML reporting and due diligence procedures, including GPEB's involvement, and consider how GPEB could have an enhanced presence in a future state.
- At a briefing with the Attorney General in summer 2019 about Dr. German's recommendation that service providers be responsible for completing reports (R5) and sending them directly to FINTRAC (R6), ^{s.13}
- On October 29, 2019, GPEB and BCLC agreed on a proposed approach that strengthens the role of the regulator in AML, while maintaining BCLC as the reporting entity to FINTRAC.

Proposed Approach:

s.13

Enforcement / Intelligence

- In specified circumstances, service providers may be required to contact GPEB investigators to alert them of situations earlier than the current s.86(2)¹ reporting process. As GPEB has an increased presence in Lower Mainland casinos, GPEB would, in many cases, respond in real time.

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Next Steps

- s.14
- A decision note outlining options for the regulator's role in AML will be provided to DMC in December 2019.

¹ Under s. 86 of the Gaming Control Act, BCLC and service providers are required to report to GPEB any activity connected to a lottery scheme that may be an offence under the Criminal Code or the Gaming Control Act.

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

PURPOSE: For INFORMATION for AML Deputy Ministers Committee

ISSUE: Setting clear expectations for the gambling industry on reporting misconduct and addressing German Report Recommendation 19.

SUMMARY:

- In his report on money laundering, Dr. Peter German recommended, “That persons working in VIP rooms be provided with an independent avenue to report incidents of inappropriate conduct by patrons.”
- VIP rooms, also known as high limit rooms or private rooms, cater to casino patrons who wish to bet at higher levels and prefer privacy.
- BCLC has created a Private Room and VIP Patron Standard but it does not specify a requirement for an “independent” reporting avenue, nor does it address inappropriate conduct in other areas of a casino.

• s.15

- The General Manager will issue a Public Interest Standard to ensure GSPs have a player code of conduct and an independent process for reporting inappropriate conduct and make their staff aware of their ability to report criminal and regulatory offences to the regulator.

BACKGROUND:

- Dr. German’s “Dirty Money” report recommends creating an independent process for VIP room staff to report inappropriate conduct by patrons (R19), primarily to ensure the wellbeing of staff and not as a result of specific money laundering concerns.

• s.15

- The following reporting mechanisms are available to all members of the public, including gaming workers:
 - GPEB has a publicly accessible online complaints process (<https://www.gaming.gov.bc.ca/gaming/inv/Complaint.do>) to file a criminal or regulatory complaint.
 - BCLC's Customer Support Centre provides a publicly accessible complaints process that GSP staff and members of the public can use for reporting any complaint or concern regarding incidents at BC gaming facilities.
- The following reporting mechanisms are required under existing legislation:
 - Section 86(2) of the *Gaming Control Act* (GCA) requires the lottery corporation and GSPs to notify GPEB immediately about any conduct, activity or incident that involves or involved the commission of an offence under the *Criminal Code of Canada* (CC) that is relevant to a lottery scheme or horse racing or the commission of an offence under the GCA.
 - Section 34(1)(t) of the Gaming Control Regulation (GCR) requires a GSP, unless they are a lottery retailer, to immediately report to the General Manager any conduct or activity at or near a gaming facility that is or may be contrary to the CC, the GCA, or the GCR.
- There is no specific reporting requirement in legislation or as a condition of registration for gaming workers to report inappropriate conduct; however, if it is discovered that a worker is a detriment to the integrity of gaming, their registration could be impacted.
- In March 2019, BCLC implemented a Private Room and VIP Patron Standard which requires GSPs to "establish and maintain a whistleblower process through which Private Room staff can report any concerns of breaches of policy related to interactions between staff and VIP patrons" (see Appendix A). It does not explicitly require the process to be "independent" as Dr. German recommended.
- GSPs with VIP rooms are required to have a process to report misconduct between VIP patrons and casino staff; smaller casinos without VIP rooms are not required to have a similar process. All three GSPs with VIP rooms (Gateway, Great Canadian, and Parq) already have existing internal processes through which staff may report misconduct involving VIP rooms or patrons (see Appendix B).

DISCUSSION:

- The Attorney General has committed to implementing a standards-based model for gambling regulation in BC. In a standards-based approach, the regulator would have the ability to issue updated direction to GSPs through a standard to address emerging concerns or systemic gaps in policy.
- The Alcohol and Gaming Commission of Ontario has a standard that requires GSPs to have an independent "whistleblowing" process that allows employees to

anonymously report deficiencies, gaps, or non-compliance with the controls, Standards and Requirements, or the law.

General Manager Public Interest Standard

- Section 27(2)(d) of the GCA provides authority for the regulator to establish a Public Interest Standard, which GSPs would be required to obey as a condition of registration.
- The General Manager will issue a Public Interest Standard requiring GSPs to have a player code of conduct and an independent process for reporting inappropriate conduct, including confidentiality and protection for the complainant, and make their staff aware of their ability to report criminal and regulatory offences to the regulator.
- GPEB will consult with GSPs on the Public Interest Standard and will work collaboratively with GSPs to foster compliance until the new standards-based model is established.

Implications:

- Consistent with the transition to a standards-based model where the regulator sets expectations for the industry.
- s.15
s.15 provides a more comprehensive response to concerns recommended by Dr. German.
- Meets the intent of German Report recommendation 19.
- Allows flexibility to ensure that complaints are reported through appropriate avenues; for example, integrity concerns are reported to the regulator while human resources concerns are reported to GSPs, etc.
- Allows discretion to determine what qualifies as “independent”.
- GSPs may need to create new policies or update their existing policies to comply with the new Public Interest Standard and BCLC may need to update their existing standard to ensure it is consistent with the Public Interest Standard.

OTHER MINISTRIES IMPACTED/CONSULTED:

- BCLC

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Attachment(s)

Appendix A – BCLC Private Room Standard

Appendix B – Summary of GSP VIP Room Standards

Page 11 of 19 to/à Page 12 of 19

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s.15; s.17

Appendix B – Summary of Gaming Service Provider (GSP) VIP Room Standards

- All three GSPs with VIP rooms (Gateway, Great Canadian, and Parq) already have existing internal processes through which staff may report complaints. As per their written policies:
 - Gateway requires improper conduct to be reported to a VIP manager or through Gateway's Whistleblower Policy.
 - Great Canadian allows breaches of law or company policy to be reported to a member of the management team or the board of directors.
 - Parq allows staff to report misconduct to a third-party through an established 1-800 number and website.

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

PURPOSE: For DECISION of the Honourable David Eby, QC,
Attorney General

ISSUE:

Align an administrative penalty structure to the new regulatory model for gambling in British Columbia (BC).

RECOMMENDATION:

s.12; s.13; s.14

BACKGROUND:

- Compliance with the GCA, its regulation, BCLC Standards and GM public interest standards is a requirement of a registrant or licensee through the conditions of a registration or licence.
- The GCA provides the GM with powers to address non-compliance by issuing warnings, imposing administrative fines, imposing or varying registration/licence conditions, and suspending or cancelling a registration or licence (GCA sections 37(1) & (2), 51(2), and 69 (1) & (2)).
- BCLC is responsible for conducting and managing gambling on behalf of the province. Although BCLC must comply with the statute, regulations and Minister or GM Directives, it is not a regulated entity and is not a registrant or licensee

Cliff: 565587
Date Prepared: October 22, 2019
Date Decision Required: December 1, 2019

- BCLC staff and Board members are registered gambling workers and are subject to conditions of registration.
- Decision note 565586 proposes a new regulatory model for gambling^{s.13}
s.13

DISCUSSION:

s.12; s.13; s.14

Page 16 of 19 to/à Page 17 of 19

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s.13; s.14

Cliff: 565587
Date Prepared: October 22, 2019
Date Decision Required: December 1, 2019

s.13; s.14

OTHER MINISTRIES IMPACTED:

- The BC Lottery Corporation

DATE:

Richard J. M. Fyfe, QC
Deputy Attorney General

Cliff: 565587
Date Prepared: October 22, 2019
Date Decision Required: December 1, 2019

RECOMMENDATIONS APPROVED

DATE:

David Eby, QC
Attorney General

Prepared by:
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**MINISTRY OF ATTORNEY GENERAL
GAMING POLICY AND ENFORCEMENT BRANCH
BRIEFING NOTE**

PURPOSE: For DECISION of the Honourable David Eby, QC,
Attorney General

ISSUE:
Establish a more effective and flexible regulatory model for gambling¹ in BC.

SUMMARY:

- s.13; s.14
- GPEB regulates the companies, workers and equipment in the commercial gambling industry, but does not regulate BCLC.
- The German report recommended:
 - clarifying the roles and responsibilities of the regulator and BCLC;
 - making the regulator the regulator of BCLC; and
 - implementing a standards-based regulatory model.
- s.14

RECOMMENDATION:

s.13

¹ The current Gaming Control Act uses the term 'gaming'. It is proposed the term 'gaming' should be replaced with 'gambling' in the new legislation.

BACKGROUND:

- The *Gaming Control Act* (GCA) establishes the regulatory framework for gambling in British Columbia, setting out the overarching roles and responsibilities for GPEB and BCLC. GPEB is responsible for administering the GCA with respect to the “overall integrity” of gambling while BCLC is responsible for the “conduct and management” of gambling.
- BCLC contracts with private industry service providers through Operational Services Agreements (OSAs) for the day-to-day operation of gambling facilities. BCLC directly operates online gambling through its PlayNow.com platform.
- The GCA establishes GPEB as the gambling regulator as well as the entity responsible for providing policy advice to government on matters related to gambling integrity and revenue generation.
- Although GPEB regulates the companies, workers and equipment in the commercial industry through registration and certification requirements, it does not have the statutory authority to effectively regulate BCLC, the largest entity in the industry. ^{s.14}
- ^{s.14}
- GPEB also licenses organizations to operate gambling events for charitable purposes and licenses individuals in BC's horse racing industry.

GM Directives to BCLC

- Section 28 provides the GM authority to issue directives to BCLC on matters specified in legislation.² ^{s.13}
^{s.13} and there have been three GM directives issued to BCLC since 2002.
- There are no statutory remedies available to the GM to address non-compliance with a directive; however, no specific incidents of non-compliance have arisen.

Public Interest Standards

- Section 27(2)(d) permits the GM to issue public interest standards. Compliance with these standards is a condition of registration for service providers under the *Gaming Control Regulation*. GPEB has issued three sets of standards since 2002: responsible gambling, advertising, and security and surveillance.

² Section 28 was amended in Fall 2018 to allow the GM to issue directives to BCLC without Minister approval.

- In the case of service provider non-compliance, GPEB has a range of statutory remedies including warnings, fines, or suspension or cancelation of registration.

s.14

BCLC Standards/Rules

- Under the OSAs, service providers have a contractual obligation to comply with BCLC's Standards. These standards set out comprehensive policies and procedures for all service providers to follow on a wide range of business matters, including issues related to gambling integrity. BCLC has contractual remedies to ensure service provider compliance.
- The *Gaming Control Regulation* also requires service providers to comply with BCLC rules as a condition of registration, which in practice, s.13

s.13

s.13

DISCUSSION:

s.13

- The current model also creates confusion and overlap between BCLC and GPEB's roles. As the branch responsible for government's gambling policy, GPEB provides policy advice on business matters. As the entity responsible for setting operational standards and policies in the absence of overarching regulatory expectations, BCLC is sometimes seen as acting in a quasi-regulatory fashion.
- The German report identifies this unclear regulatory framework and GPEB's lack of tools to regulate BCLC as key contributing factors to money laundering in BC casinos.³
- As recommended by German, there is a need to clearly delineate the roles and responsibilities between the regulator and BCLC and ensure the regulator's mandate and authority apply to all industry participants, including BCLC.

³ *Dirty Money: An Independent Review of Money Laundering in Lower Mainland Casinos conducted for the Attorney General of British Columbia*, Dr. Peter German, QC, pg. 12.

Standards-Based Model

- German also recommended implementation of a standards-based regulatory approach similar to the model used in Ontario. The intent of this model is to focus on outcomes and provide the industry with flexibility to meet the outcomes in ways that better suit their business needs when compared to traditional, prescriptive regulatory models.
- The Ontario legislation provides the regulator with broad authority to set standards for the industry on specified categories unless a LGIC regulation already exists.
- In practice, Ontario undertakes extensive consultation with industry to establish the standards and engages in ongoing risk assessment and consultation to ensure the standards remain relevant and do not place undue burden on regulated entities. Ontario also takes a compliance, rather than an enforcement, approach and dedicates resources to educating and working with regulated entities to bring them into compliance with standards. These are key features of the model's success that would need to be incorporated in the operationalization of the model in BC.

• s.13; s.14

RECOMMENDED APPROACH

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Page 05 of 52

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s.13; s.14

Page 06 of 52

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s.13

DATE:

Richard J. M. Fyfe, QC
Deputy Attorney General

RECOMMENDATIONS APPROVED

DATE:

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Appendix A: Summary of Categories for Regulator Requirements

Category	Purpose
Integrity of a Lottery Scheme	This category would allow the regulator to set expectations on how the provincial gambling industry is expected to uphold the principles of soundness, fairness, incorruptibility and overall integrity of a lottery scheme.
Technical Integrity	This category ensures all gambling equipment and supplies used in the conduct and management of gambling operate in a fair, honest, secure and safe manner to ensure the overall integrity of gambling.
Security and Surveillance	This category ensures provincial gambling and horse racing are sufficiently monitored and supervised to ensure an appropriate regulatory response to incidents is achievable.
Responsible Gambling and Player Protection	This category would allow the regulatory to set requirements for the gambling sector in relation to responsible and problem gambling, centering around safe and responsible products, management, delivery, and consumption of gambling products and services.
Control Environment and Internal Controls	This category is for the regulator to set expectations for industry participants on control environments and internal controls within their operations. If control environments and internal controls are inadequate, operations are at a higher risk of fraud and corruption, unaccountable decision-making, non-compliance with the regulatory framework, and other risks, all of which could compromise the integrity of gambling.
Prohibitions	This category would allow the regulator to set out how BCLC, licensees, and registrants must restrict access to gambling activities and spaces (including online gambling) for certain people, including: <ul style="list-style-type: none"> a) minors and other classes of person (e.g. certain industry participants who may have conflicts of interest, such as certain gambling workers or regulator employees); b) individuals participating in BCLC's voluntary self-exclusion program (VSEs); and c) individuals specifically banned from gambling by a statutory decision maker.
Record Keeping	This category would allow the regulator to provide direction to industry participants on record keeping. Record requirements contribute to the integrity of gambling because records need to be made available to the regulator for the purposes of monitoring and for regulated entities to substantiate compliance under the regulatory framework.

Unlawful Activities	This category is to provide the regulator with the ability to set expectations for regulated persons to prevent or minimize unlawful activities during the operation of a lottery scheme, at a gambling facility or an electronic platform, or at a business connected to gambling.
Consideration Used in a Lottery Scheme	This category is to allow the regulator to set expectations governing the use and types of financial instruments and other consideration permitted in the provincial gambling industry. It involves preventing patrons from using the proceeds of crime as consideration in gambling facilities and lottery schemes and allows the regulator to set expectations for different forms of financial instruments and consideration (e.g. gift cards, banks drafts, cryptocurrency).
Reporting Requirements	This category allows the regulator to set expectations for industry participants on how to report to the regulator. This includes providing industry participants with direction and clarity on how to comply with reporting obligations set out in statute and regulations. Open and transparent communication and reporting ensures the regulator is aware of incidents or risks that may affect the integrity or public confidence in gambling.
Training	This category allows the regulator to set expectations on the provision of training for regulated persons. Without appropriate training, staff and volunteers in the gambling industry may not be equipped to comply with the regulatory framework, which could compromise the integrity of gambling.

CATEGORY:

INTEGRITY OF A LOTTERY SCHEME

PURPOSE:

This category would allow the regulator to establish requirements on how the provincial gambling industry is expected to uphold the principles of soundness, fairness, incorruptibility and overall integrity of a lottery scheme for all gambling regulated under the *Gaming Control Act* (GCA).

BACKGROUND:

The GCA relies on the *Criminal Code*'s definition of a "lottery scheme"⁵ to inform GCA requirements related to gambling events, gambling services, gambling workers, and lottery tickets.

The following list includes sections of the GCA that specify the responsibilities of the regulator and the BC Lottery Corporation (BCLC) related to maintaining the integrity of a lottery scheme:

- Section 7(1)(g) provides that BCLC may set rules of play for lottery schemes or any class of lottery schemes that the lottery corporation is authorized to conduct, manage or operate;
- Sections 18 through 20 establish requirements of BCLC, including seeking approval from the Minister and, where applicable, the Host Local Government or First Nation, prior to developing, using, operating a facility as a gaming facility, relocating an existing gaming facility, or substantially changing the type or extent of a lottery scheme at a gaming facility;
- Section 23 provides that the Gaming Policy and Enforcement Branch (GPEB) is responsible for the overall integrity of gaming and horse racing;
- S. 27 sets out the responsibilities of the general manager, including the authority to conduct an investigation or research into matters that affect or could reasonably be expected to affect the integrity of lottery schemes;
- S. 28 provides the general manager authority to issue directives to GPEB, BCLC or both respecting lottery schemes, including directives related to technical integrity and lottery schemes that require a gaming event licence;
- S. 40(1) includes provisions that allow the general manager to set rules of play for gaming events or categories of gaming events (e.g. charitable gaming events), and to set rules governing how prize winners at gaming events are selected; and

⁵ A "lottery scheme" is defined in the GCA section 1 as having the same meaning as the definition in section 207(4) of the *Criminal Code*.

- S. 75 outlines the general manager's oversight for technical integrity of the lottery scheme and gaming supplies.

The GCA also includes several sections (e.g., ss. 36(1), 68, 80) that outline reasons for the general manager to refuse a licence or registration, and provide the general manager with the authority to conduct background checks to assess whether there are concerns about a licensee's or registrant's likelihood of upholding the integrity of the lottery scheme they are involved in.

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WHAT KEY RISKS WOULD REGULATOR SEEK TO ADDRESS:

Note that risks to the integrity of a lottery scheme may be similar or the same as key risks identified for other proposed standards (e.g., technical integrity, responsible gambling).

- Raffles/lotteries do not have transparent and consistent rules for the chances to win (e.g., odds on slots, total tickets available per cost for raffle), the cost of purchasing the chance to win, the finite time the opportunity is available (e.g., ticket sale deadline), and method by which the winner is determined, documented and reported.
- Game procedures are not followed and, when an issue with how a game is being conducted is identified, GPEB doesn't have the ability to direct the licensee, BCLC or the gaming service provider (GSP) to fix the issue.
- Players are not aware of a major change to a lottery scheme that impacts how the game/lottery is played
- Changes to a lottery scheme negatively impact the fairness to patrons (e.g., changes to how prizes are distributed, odds are manipulated, changes or manipulation of lottery systems or products)
- Gambling industry not accurately receiving, recording and reporting revenues (e.g., gambling equipment is not recording revenues, skimming from the count room)
- Players are not aware of risks related to problem gambling

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- Online gambling systems are vulnerable to hacking
- Unlawful activities (including money-laundering, fraud, and cheat-at-play) through gaming
- Players who are connected (e.g., relatives, friends, associates) to gaming services providers, workers or others involved in a lottery scheme, win more frequently than the public
- Lottery corporation retrieves remaining lottery tickets prior to the draw date knowing that the winning ticket has not been sold
- Cheating and conspiracy/collusion by gaming services providers (e.g. table game dealers)
- Participation in games that are not deemed appropriate in BC (e.g., novelty/entertainment betting, implied parlay, junior hockey betting).
- Charitable gaming funds not used for charitable purpose or not distributed in accordance with disbursement criteria.

SCOPE:

Requirements would be intended to apply to all industry participants (i.e., BCLC, service providers, community gaming centres, commercial bingo halls, charitable licensees, as well as gambling services workers and suppliers), where applicable, and set out what is required of them to uphold the integrity of a lottery scheme in order to participate in the scheme or gambling event.

Standards on the integrity of a lottery scheme may include or overlap with other subcategories or focus areas, such as:

- technical integrity of gambling equipment and supplies,
- consistent, fair and transparent rules of play,
- conflict of interest requirements,
- responsible gambling requirements,
- anti-collusion and anti-cheat-at-play measures, and/or
- identity verification and prevention of patron account sharing.

When necessary and appropriate, standards could enable the regulator to quickly address unforeseeable issues or developments (e.g., new cryptocurrency) that have an immediate impact to the integrity of gambling, where development of legislation may be too slow to address the emerging risk.

EXAMPLES OF POTENTIAL STANDARDS:

- Organizational structures and gambling event procedures must have processes in place to minimize the possibility of collusion, cheating and unauthorized or illegal activities.
- The lottery corporation must have clear and transparent rules of play guidance (e.g., odds of winning, returns to player, circumstances when a game can be declared void).
- Licensee procedures and policies must be consistent with standards.
- Staff must be trained on game procedures and rules of play.
- Staff must be appropriately trained to identify activities that present a risk or a perceived risk to the integrity of a lottery scheme.
- Standards and requirements to prevent theft, fraud and other activities that present a risk or a perceived risk to the integrity of a lottery scheme.
- Expectations for organizational oversight which specifies such matters as handling of funds, tickets, expenses, bank accounts, etc., to prevent internal theft and fraud.
- Information about odds of winning is up-to-date and publicly available.

CATEGORY:

TECHNICAL INTEGRITY OF LOTTERY SCHEMES

PURPOSE:

The purpose of this category is to ensure that all gambling equipment and supplies used in the conduct and management of gambling operate in a fair, honest, secure and safe manner to ensure the overall integrity of gambling.

BACKGROUND:

Before gambling equipment and supplies (e.g., slot machines, scratch and win tickets, internet gambling systems, etc.) can be used in BC, they must be tested and certified to meet provincial technical standards.

Two provisions in BC's *Gaming Control Act* (GCA) outline roles and requirements on technical integrity:

- Section 28(1)(g) grants the general manager authority to issue directives to the Gaming Policy and Enforcement Branch (GPEB), the BC Lottery Corporation (BCLC) or both, on the technical integrity of lottery schemes; and
- Section 75 requires that the general manager issue a certificate of technical integrity before BCLC can permit the use of gaming equipment or supplies, and that the general manager must be notified and provide written approval before gaming supplies can be used following repair or upgrade.

To support the GCA's requirements related to technical integrity, GPEB provides substantive guidance on what is required for certification in the publicly-available Master Document and Submission Requirements – Technical Gambling Standards ("Master Document"), which are based on those used by world-leading organizations in the gaming certification industry.

The general manager has authority to ensure the integrity of gambling supplies and equipment since they directly influence the outcome of games and can issue directives on technical integrity to BCLC and GPEB, including one that was issued to BCLC in March 2007 about the Technical Integrity of Lottery Schemes Conducted and Managed by BCLC.

WHAT KEY RISKS WOULD THE REGULATOR SEEK TO ADDRESS:

- Equipment that lacks technical integrity or can be compromised (e.g. Random Number Generators (RNGs) with non-fair distribution and/or predictability, Percentage Return-to-Player (%RTP) values incorrect, games with flaws that impact player fairness, payouts, informed choice, responsible gaming, etc...)
- Use of untested and/or uncertified gaming equipment and supplies
- Gambling equipment fails to identify counterfeit currency or other currency cheating methods
- Equipment incapable of detecting critical errors and displaying error messages accordingly
- Gambling equipment's cash or operating components can be accessed by unauthorized people (e.g., slot machine door opens easily)
- Without certification to standards, the regulator is not aware of problems with equipment
- Operator is unable to mitigate and manage arising issues
- Insufficient controls over ongoing updates, fixes and enhancements to existing certified products

SCOPE:

The intended scope of requirements on technical integrity would be to provide the general manager the authority to establish standards for equipment and supplies for both commercial and charitable use. Requirements created under this authority would generally be identical in nature to the existing ones. However, the scope would also be intended to be broad enough for the general manager to create new or update existing technical standards to reflect changes to technology, testing methods, or cheating methods (as is currently rationalized in the current "Master Document").

Currently BCLC leases, owns and maintains all gaming equipment for the conduct and management of commercial gaming in the province, and existing technical standards for commercial gambling apply solely to BCLC. Additionally, some equipment that is currently certified is not owned or leased by BCLC but is critical to the conduct and management of gaming such as eGaming network system.^{s.13}

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The standards would apply to charitable gambling operators, given the rise in electronic raffles and other games for charitable purposes that were not contemplated when the GCA was introduced. As well, companies that develop new games would be required to meet the standards if they wish to have their games played by patrons within BC.

EXAMPLES OF POTENTIAL REQUIREMENTS:

- Requirement to permit regulator to require equipment testing for technical integrity
- Requirement for gaming equipment and supplies to be compliance tested by an approved accredited testing facility
- Equipment problems must be reported by suppliers concurrently to both the Regulator and BCLC as appropriate
- Equipment must have appropriate tampering or failure detection systems
- Operators must have up-to-date strategies and procedures in place to mitigate and manage risks
- Gambling systems must protect the private and financial information of players
- Expectations on what information must be recorded by gaming equipment and/or supplies, and length of time it should be retained

CATEGORY:**SECURITY AND SURVEILLANCE****PURPOSE:**

The purpose of this category is to ensure that provincial gambling and horse racing are sufficiently monitored and supervised to ensure an appropriate regulatory response to incidents is achievable.

Establishing requirements on security and surveillance would help the Regulator, the BC Lottery Corporation (BCLC), service providers, licensees, and employees understand their roles, accountabilities, and processes to monitor and supervise gambling and horse racing.

BACKGROUND:

Several provisions in BC's *Gaming Control Act* (GCA) outline roles and requirements on security and surveillance:

- Section 8(1)(g) allows BCLC to make rules regarding security and surveillance at gaming facilities;
- Section 28(1)(f) grants the general manager authority to issue directives to the Gaming Policy and Enforcement Branch (GPEB), BCLC or both, on standards for security and surveillance at gaming facilities and in relation to gaming operations.
- Section 40(1) grants the general manager the authority to make rules for licensees respecting security and surveillance at gaming facilities and in relation to gaming operations.
- Section 53(1)(a) grants the general manager authority to make rules about security and surveillance at race tracks and designated race horse training centres; and
- Section 85 authorizes BCLC and the general manager (or authorized designate) to place a gaming site under video surveillance to determine its compliance with the GCA, the rules and regulations.

Under the authority of the GCA section 27(2)(d), the general manager established a public interest standard on security and surveillance for the BC gambling sector, including casinos, community gaming centres, commercial bingo halls and horse race tracks, effective July 2005. This standard provides guidance on integrity of gambling, public security (including safety and protecting confidentiality), and staff training.

WHAT KEY RISKS WOULD THE REGULATOR SEEK TO ADDRESS:

- Ability to detect criminal behaviour such as cheat at play, employee theft and collusion, and money laundering
- The independence and objectivity of the surveillance department at a facility is compromised because of interference from other departments, fraternization with non-surveillance staff, and surveillance staff also working in other departments

- Confidentiality is breached by disclosure of sensitive information by surveillance staff
- Unauthorized individuals obtain access to and tamper with back of house operations such as surveillance room, equipment, cameras

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- Minors, banned/prohibited, or voluntary self excluded individuals gain entry to the facility
- Problem gambling behaviour is not recognized so the patron may be referred to appropriate treatment programs and services where possible
- Footage of transactions and events that are required by the regulator are not captured or retained
- Footage is not retained for required period of time
- Footage is not adequately backed-up in the event of software or equipment failure (i.e., redundant systems) resulting in historical or live video data loss
- Footage is not of sufficient quality and clarity to identify transactions, individuals, assets, events, etc.
- Service providers do not maintain adequate levels of security and surveillance
- Insufficient surveillance staff to monitor operations.
- Inadequate monitoring of non-camera tools in surveillance rooms (e.g., electronic alerts for door alarms, suspicious slot machine activity, radio calls, etc.).
- New or renovated gaming facilities at the time of commencement/recommencement of operations do not have fully functional surveillance equipment or systems or adequate coverage
- Unauthorized access ("hacking") of online platforms and/or IT systems
- Extra-territorial location of data does not provide appropriate safeguards for game security and patron information
- Customer information is not safe-guarded
- Assets are lost or stolen if security staff do not perform role (e.g., escorting chip fills and card delivery, slot jackpot payouts, slot and table cash removal)
- First aid may not be administered to patrons quickly or by first aid trained staff
- Incidents may not be correctly recorded or reported if not logged by security, impacting the Regulator's ability to carry out regulatory or criminal investigations
- Insufficient oversight of access controls (e.g., keys, swipe cards, etc.) to limit employees to only specific areas of the facility to perform authorized tasks

SCOPE:

Requirements related to security and surveillance would require that gambling operations and licenced events are appropriately monitored and supervised to protect patrons, employees, assets (including facilities, equipment and data), currency/money, and the public interest in general; and detect and deter any activity that may adversely affect patrons, employees, and the fair and honest conduct of gambling at casinos, community gaming centres, commercial bingo halls, charitable gaming events and horse race tracks. Requirements would acknowledge and leverage existing industry standards (e.g., Cyber Security) were possible.

Requirements on security and surveillance would likely need to be different depending on the type of registrant or licensee. For example, requiring floor plans to have the locations of security cameras would be reasonable for a casino, but a likely barrier for a charitable licensee.

The scope of requirements would also need to allow for advancements in technology (e.g., online app-based gambling, or non-camera-based surveillance systems) and require that training and certification is current.

EXAMPLES OF POTENTIAL REQUIREMENTS:

- Requirement for security and surveillance equipment to monitor gaming areas, back of house activities, and exits and entrances to gaming facilities and parking lots.
- Requirement that security and surveillance equipment be secure and operational at all times.
- Requirement for security and surveillance equipment to be of sufficient quality to enable staff to monitor gaming for cheat-at-play, suspicious activity, manipulation (e.g., table games, slot machines).
- Standards related to online gambling and IT security (e.g., encryption of sensitive IT systems, password protection, processes to restrict access to systems).
- Standards around location for data storage.
- Requirement for security and surveillance personnel to meet minimum training and qualification standards (e.g., accredited course).
- Requirement for surveillance equipment and personnel to be stationed in appropriate locations to identify prohibited patrons (including minors, VSEs).
- Requirement for gaming facilities to have adequate systems and processes to ensure only authorized personnel can access restricted areas and equipment.

SPECIAL CONSIDERATIONS:

Proposed requirements related to the protection of data will require consideration of FOIPPA obligations (both for BCLC as a public body and gaming services providers as "service providers").

CATEGORY:

RESPONSIBLE AND PROBLEM GAMBLING AND PLAYER PROTECTION

PURPOSE:

The purpose of this category is to set expectations for the gambling sector in relation to responsible and problem gambling, centering around safe and responsible products, management, delivery, and consumption of gambling products and services.

BACKGROUND:

The *Gaming Control Act* (GCA) includes three provisions regarding problem gambling:

- section 27(2)(d) grants the general manager the authority to establish public interest standards for gambling operations, including advertising, activities allowed, and policies to address problem gambling at gambling facilities;
- section 28(1)(k) grants the general manager the authority to issue directives applicable to the Gaming Policy and Enforcement Branch (GPEB) and the BC Lottery Corporation (BCLC) as to the carrying out of responsibilities under the GCA, including directives establishing policies to address problem gambling; and
- section 92(2) authorizes the right to refuse entry to a gambling facility if there is reason to believe that a person is a participant in a voluntary self-exclusion program.

While there are no issued directives regarding problem gambling, under the authority of section 27(2)(d), the general manager, in 2010 and 2015, established two public interest standards: responsible gambling and advertising and marketing. The standards provide guidance to BC's commercial gambling industry and charitable licensees on matters regarding advertising and promotion, informed choice, appropriate response, responsible practices, financial transactions, and voluntary self-exclusion programs.

WHAT KEY RISKS WOULD THE REGULATOR SEEK TO ADDRESS:

- Addictive/predatory games, or new games with unknown risks to responsible gambling
- Problem gambling
- Lack of information/support available to support healthy play
- Patron inability to access supports for problem gaming
- Insufficient support for Voluntary Self-Exclusion (VSE) patrons, and/or VSE patrons continue to play during exclusion period
- Misleading advertising
- Advertising to minors
- Increased provincial costs placed on mental health and addictions supports, the justice system, etc.

- Lack of information about game rules and odds of winning
- Use of credit to gamble potentially increasing patron debt
- Minors are able to access brick-and-mortar and online gambling

SCOPE:

All industry participants, where applicable (i.e., BCLC, service providers, licensed horse racing service providers, BCLC designated lottery distribution channels, and charitable licensees), would be subject to requirements regarding responsible gambling and player protection. Specifically, the gambling industry and community organizations conducting gambling events would be required to implement and adhere to responsible gambling practices, with a focus on player protection for their physical and online gambling offerings.

Current problem gambling standards look to minimize the potential negative consequences problem gambling can have on individuals, families, and communities. The requirements created under this authority would generally be identical in nature to the existing ones. However, the scope of future responsible and problem gambling and player protection standards should be broad enough to be able to adapt to technological and product developments in the gambling sector (e.g., internet and app-based gambling service providers, advertisements on social media platforms).

EXAMPLES OF POTENTIAL REQUIREMENTS:

- Require game features that do not encourage problem gambling and features that discourage problem gambling
- Provision of voluntary self-exclusion programs (e.g. BCLC's Voluntary Self-Exclusion (VSE) program)
- Requirement to display problem gambling risk and treatment information in casinos
- Restricting the extension of credit for gambling
- Provision of problem gambling support programs (e.g., GPEB services) and responsible gambling programs (e.g., BCLC's GameSense program)
- Specify what marketing and advertising materials must not contain (e.g., encourage people to play beyond their means)
- Requirement for policies and processes to be in place to ensure marketing/promotional materials are not sent to VSE individuals
- Information on game rules and the odds of winning are publicly available
- Gambling facility and event staff who interact with patrons have appropriate training to respond to patrons in distress

CATEGORY:

CONTROL ENVIRONMENT AND INTERNAL CONTROLS

PURPOSE:

The purpose of this category is for the regulator to set expectations for industry participants on control environments and internal controls within their operations. If control environments and internal controls are inadequate, operations are at a higher risk of fraud and corruption, unaccountable decision-making, non-compliance with the regulatory framework, and other risks, all of which could compromise the integrity of gambling.

BACKGROUND:

Definitions

The control environment and internal controls are two distinct concepts used by the auditing industry. There is no universal definition of these concepts, and their definitions are sometimes broad, vague, and overlapping. The definitions provided below provide a general outline of how they may be used by the regulator.

Internal Controls are the individual “policies, procedures, practices, or mechanisms designed to provide reasonable assurance that an operator’s objectives will be achieved. This includes controls designed to safeguard assets, ensure the timeliness, accuracy and reliability of financial and management reporting, and to promote operational efficiency, effectiveness and compliance with all applicable laws, regulations, policies and procedures”⁷. For example, internal controls include: an organization’s policy on safeguarding computer passwords, its emergency planning procedures, and its hiring policies.

The Control Environment is the overarching framework used to develop and maintain internal controls. This framework includes policies, procedures, practices, mechanisms, and structures. For example, the control environment may contain a policy that all internal controls must be formally documented, a process to review internal controls regularly to ensure they are operating effectively, a structure for reporting concerns with internal controls, and a philosophy to comply with internal controls.

The control environment and internal controls span entire organizations, from the “ground or event” level to the “senior management or executive” level, and everything in between. The following table uses the example of a segregation of duty policy to demonstrate how both the control environment and internal controls are present at multiple levels of an organization.

⁷ Source: Queen’s University. “Internal Controls.” Internal Audit. Resources.
<https://www.queensu.ca/internalaudit/resources/internal-controls>.

	Ground or Event Level	Senior Management or Executive Level
Control Environment	A policy for on-site managers to review segregation of duty or conflict of interest internal controls monthly	A policy for an internal auditor to review segregation of duty or conflict of interest internal controls monthly for all levels of the organization
Internal Controls	A segregation of duties or conflict of interest policy for dealers	A segregation of duties or conflict of interest policy for a board of directors

Other Jurisdictions

Ontario's *Gaming Control Act* enumerates internal controls as a category of standard under section 3.8(1) but does not mention the control environment.^{s.13}

WHAT KEY RISKS WOULD REGULATOR SEEK TO ADDRESS:

Robust control environments and internal controls prevent, detect and help mitigate many kinds of risks of operating businesses, such as: fraud and corruption within the organization, unaccountable decision-making, unauthorized accesses, incompetent staff, unprotected assets, lack of surveillance, non-compliance with legislation and regulations, etc. Many of these risks could compromise the integrity of gambling.

There is a risk that operators will neglect to create, implement, monitor, and sustain robust enough control environments and internal controls. For example:

- operators may not keep their control environment or internal controls up-to-date, current, relevant, or effective. For example, the control environment's process to review internal controls becomes inefficient over time, or an internal control to protect assets is not updated to protect against new vulnerabilities.
- operators may cut or reduce the effectiveness of their control environments or internal controls over time.
- Regulator cannot effectively audit for regulatory assurance purposes because operators do not adequately document their control environment and internal controls.

If the Regulator sets requirements that require operators to develop robust control environments and internal controls, then these risks can be addressed.

SCOPE:

The Regulator would be able to set requirements for control environments and internal controls where they relate to gambling integrity.

These standards would span from the ground or event level up to the senior management or executive level.

These standards could potentially apply to all service providers. For BCLC, the standards would be limited in scope so as not to overlap with existing legislative requirements on BCLC as a crown corporation. In the case of licensees, requirements may be applicable to certain classes of licensees depending on the nature of the requirement.

It is anticipated that the regulator would generally establish standards that are high-level or of particular concern. It is possible that the regulator would focus primarily on requirements for control environments rather than internal controls, since control environments provide the high-level, overarching framework for internal controls.

Because the control environment and internal controls address many kinds of risks, it is expected that requirements will be weaved throughout many other standards to some degree in addition to functioning as a stand-alone category.^{s.13}

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EXAMPLES OF POTENTIAL REQUIREMENTS:

The Control Environment requirements for industry participants may include:

- Establishing a compliance program which includes the designation of a compliance function and a position of accountability such as a chief compliance officer.
- Developing control activities based on the regulatory risks identified by the regulator, taking into account how these risks apply or could manifest at their premises.
- Developing controls on governance that meet the best practices of that industry.
- Establishing a code of conduct promoting integrity and compliance.
- Complying with an organization's own controls.
- Being accountable for compliance with control activities.
- Establishing, implementing, and maintaining internal controls to support compliance, including preparation for financial reports.
- Having a formal process to create and maintain their internal controls.
- Submitting control environment frameworks and details to the regulator.
- Submitting internal control plans to the regulator.
- Having an independent 3rd party review of internal controls be conducted annually and reported to the regulator. Weaknesses must be documented.

- Reporting of any changes to internal controls to the regulator immediately.
- Assigning employees to reconcile and review internal controls periodically to ensure they are operating effectively.
- Having a policy or process for employees to inform their employer if controls are ineffective.
- Clearly documenting and communicating management overrides of internal controls to the regulator.

Internal Controls:

- Designing organizational structures to ensure proper segregation of duties to minimize the possibility for collusion, unauthorized access, or illegal activities.
- Providing training to staff.
- Implementing policies to prepare for emergencies and system failures.
- Restricting access to physical assets and records only to those who are authorized.
- Implementing controls to prevent the unauthorized use or breaches of data (i.e. cybersecurity controls).

CATEGORY:

PROHIBITING PERSONS AND CLASSES OF PERSONS FROM PARTICIPATING IN GAMBLING AND/OR ENTERING GAMBLING SPACES

PURPOSE:

This category will allow the regulator to set out how the British Columbia Lottery Corporation (BCLC), licensees, and registrants must restrict access to gambling activities and spaces (including online gambling) for certain people, including:

- a) minors and other classes of person (e.g. certain industry participants who may have conflicts of interest, such as certain gambling workers or regulator employees);
- b) individuals participating in BCLC's voluntary self-exclusion program (VSEs); and
- c) individuals specifically banned from gambling by a statutory decision maker.

BACKGROUND:

The following provisions in the *Gaming Control Act* (GCA) set out the authorities and responsibilities of the general manager, BCLC, licensees, and registrants to prohibit persons from gambling or entering gambling facilities:

- s. 89(1) requires gaming services providers (SPs) not to allow minors to be present on gaming facility⁸ premises (exceptions by regulation);
- s. 89(2) requires SPs that operate a gaming facility not to allow minors to participate in gaming that takes place at that gaming facility;
- s. 89(3) requires persons not to sell or otherwise enable selling of any lottery ticket to a minor (exceptions by regulation);
- s. 91 requires SPs not to allow persons in gaming facilities if they believe the person is there unlawfully, is there for unlawful purpose, or is contravening the law there, and SPs may request such persons to leave immediately;
- s. 92(1) allows the GM, BCLC, or a person acting on behalf of BCLC to request a person to leave a gaming facility or to forbid a person in writing from entering a (all) gaming facility(ies) for a specified period if they believe the person's presence is "undesirable";
- s. 92(2) allows BCLC to use the power to forbid a person if the person is involved in BCLC's voluntary self-exclusion (VSE) program;
- s. 93(1)(a-b) makes SPs', BCLC's, or a person acting on behalf of any of them, requests to leave gaming facilities mandatory and enforceable (i.e. via offence penalties);
- s. 93(1)(c) makes BCLC's (or a person acting on behalf of BCLC) or the GM's written forbiddance under s. 92(2) mandatory and enforceable (i.e. via offence penalties);

⁸ GCA s. 1(1) defines a "gaming facility" as a horse racing race track or teletheatre, a permanent bingo facility, or a facility for casino gaming;

- s. 93(2) allows SPs, BCLC, or a person acting on behalf of either of them to remove a person using no more force than necessary to enforce a request to leave under s. 91(2) or 92(1)(a);
- s. 93(3) states a person is not entitled to any prize or winnings from gaming at gaming facilities if they have received a forbiddance under s. 92(1)(b);

The *Gaming Control Regulation* (GCR) clarifies exceptions to some of the GCA's prohibitions of minors, such as for employment purposes, and prohibits service providers and gambling workers from participating in most gambling activities.

WHAT KEY RISKS WOULD REGULATOR SEEK TO ADDRESS:

- Underage presence in gambling spaces (including online gambling sites)
- Underage access to lottery tickets and other gambling activities
- VSE participants bypassing security controls and participating in gambling
- Persons laundering the proceeds of crime ("money laundering"), thereby bringing the industry into disrepute
- Inconsistent or inadequate forbiddance periods
- BCLC, registrants, or licensees failing to forbid individuals or request them to leave for misbehaviours, crimes, or offences
- Prohibited individuals accessing gambling spaces and participating in gambling activities
- Some individuals chronically violating their prohibitions, engaging in illegal behaviours, and failing to face consequences

SCOPE:

Future legislation would continue to specify who is prohibited from participating in gambling and/or entering gambling spaces, and obligate BCLC, registrants, and licensees to uphold these prohibitions. Where it is necessary to exempt some persons from these prohibitions, this could be done through regulation (for example, youth at racetracks).

Standards could outline the Regulator's expectations for *how* BCLC, registrants, and licensees ensure that prohibited individuals not participate in gambling or enter gambling spaces. The Regulator may set standards establishing minimum requirements by which BCLC exercises the power to forbid, including behavioural criteria (such as repeated suspicious transactions or connections with loan sharks) meriting prohibitions for minimum periods.

These standards may contemplate specific industry segments, such as online gambling or charitable events. Standards will apply to any or all of BCLC, registrants, and licensees. However, the Regulator may be provided with statutory authority to exercise certain discretion over which standards and requirements apply to which classes of regulated persons (BCLC, licensees, and registrants).

EXAMPLES OF POTENTIAL REQUIREMENTS:

- Specified industry best practices to monitor and remove prohibited persons
- Requirement to verify patron ages prior to allowing access to gambling facilities or participation in gambling if the patron appears under a certain age
- Standards for reporting VSE violations to the regulator and provide escalating care resources to patrons where appropriate
- Standards for policies to prevent entry or participation by prohibited persons
- Standards for training front-line workers on recognizing and deterring prohibited persons

CATEGORY OF STANDARDS:

RECORDS

PURPOSE:

The purpose of this category is to have the Regulator provide direction to industry participants on the keeping of records. Record requirements contribute to the integrity of gambling because records need to be made available to the Regulator for the purposes of monitoring and for regulated entities to substantiate compliance under the regulatory framework.

BACKGROUND:

The *Gaming Control Act* (GCA) permits the general manager or an inspector to conduct inspections and audits of registrants, licensees, and the British Columbia Lottery Corporation (BCLC) for the purposes of monitoring compliance. For this purpose, section 79(1) provides for, among other things, the inspection, audit and examination of records.

The GCA allows for the establishment of rules concerning records in certain circumstances including:

- Section 40(2)(g) - the general manager can make rules requiring and governing books, and records to be kept by licensees. This includes prescribing a time schedule for the retention of records.
- Section 8(1)(a) - BCLC can make rules for the purposes of Part 2 of the GCA including rules requiring and governing books, accounts and other records to be kept by registered gaming services providers, including but not limited to establishing time schedules for the retention of these things.

BCLC is governed by the record keeping requirements under the *Information Management Act*.

WHAT KEY RISKS WOULD THE REGULATOR SEEK TO ADDRESS:

- Regulator cannot determine compliance with Act, regulations, standards, conditions, etc. because specific records are not kept
- Records are not maintained or stored in appropriate formats (i.e., not maintained electronically) which limits the ability to effectively analyze and audit.
- Records are not maintained in an appropriate physical or accessible location (e.g., player records maintained extra-jurisdictionally without appropriate consent)
- Records are not supplied to the regulator in an acceptable format or the requested/preferred format (e.g., supplied in PDF when data should be in excel)
- Electronic records systems are not designed to effectively capture data for analytical purposes (don't have required fields or capture info in text boxes)
- Service providers not retaining records for appropriate length of time
- Poor records – lack of organization, documentation or relevant information

SCOPE:

Requirements under this category would aim to ensure the regulator has the necessary documentation and evidence to effectively regulate the industry. The regulator needs the authority to set standards and requirements for records to ensure they can access records to:

- Monitor compliance with the Act, regulations and standards during audits and inspections
- Conduct independent analysis to identify regulatory risks, trends, potential vulnerabilities and non-compliance. This analysis will inform government and contribute to oversight of the gambling industry

Industry participants may include BCLC, registrants and licensees. Record-keeping standards applicable to BCLC created under this authority would complement requirements under the *Information Management Act* or other provincial and federal statutes.

EXAMPLES OF POTENTIAL REQUIREMENTS:

- The types of records that must be kept by industry participants (e.g., surveillance recordings, logs, control records, books and accounts (financial records), receipts, etc.):
 - May vary by industry participant (e.g., small charitable licensee vs. gaming services provider who is incorporated)
- Type of information required to be recorded and how it is to be recorded (e.g., in an accurate and complete manner, applicable content);
- Format of records - to ensure that the information is capable of being reviewed and audited (e.g., records are to be kept in a legible, orderly fashion; specifics concerning electronic records, etc.);
- Ensuring the availability of records to the regulator;
- Destruction of records; and
- Time schedules for the retention of records.

CATEGORY:**UNLAWFUL ACTIVITY****PURPOSE:**

The purpose of this category is to provide the regulator with the ability to set expectations for regulated persons to prevent or minimize unlawful activities during the operation of a lottery scheme, at a gambling facility or an electronic platform, or at a business connected to gambling.

The ability for the general manager to set standards for unlawful activities will allow GPEB to uphold gambling integrity in two main ways. First, this authority will allow GPEB to set standards to mitigate the likelihood of unlawful activity occurring in the gambling industry. Second, it will allow GPEB to set standards for BCLC, service providers and licensees on topics where there is a conflict between revenue generation and mitigating unlawful activities, safeguarding the incorruptibility and soundness of the gambling sector.

BACKGROUND:

Section 86(2) of the *Gaming Control Act* (GCA) requires BCLC, a registrant, and a licensee to notify the general manager immediately about any conduct, activity or incident occurring in connection with a lottery scheme or horse racing, if the conduct, activity or incident involves or involved the commission of an offence under the *Criminal Code* of Canada that is relevant to a lottery scheme or horse racing or the commission of an offence under the GCA.

GPEB plays a role in addressing unlawful conduct through the work of its Enforcement Division and the Joint Illegal Gaming Investigation Team (JIGIT), which conduct investigations, liaise with police, issue violation tickets, refer cases to Crown Counsel, and analyze reports from service providers or BCLC. GPEB's Compliance Division has a role in minimizing unlawful activity by verifying compliance with legislation, standards and policies.

WHAT KEY RISKS IS THE REGULATOR TRYING TO ADDRESS:

- The commission of *Criminal Code* offences clearly linked to gambling (e.g. Part VII offenses such as cheat-at-play, illegal lottery schemes etc.)
- The commission of broader *Criminal Code* offenses indirectly linked to gambling (e.g. theft, fraud, loan sharking (s.347 *Criminal Code*), assault, sexual assault)
- Money laundering in relation to gambling.
- A commission of an offence under the GCA.

SCOPE:

Requirements would be a combination of high-level and more prescriptive obligations for industry participants to implement policies aimed at reducing and deterring unlawful activity in the gambling industry.

Requirements would be applicable to regulated persons in relation to a site used for the operation of a lottery scheme, a gambling facility or an electronic platform, as well as all regulated persons. The kinds of offences that the regulator will set unlawful activities requirements on would be similar to the incidents and activities outlined in the general manager's September 3rd, 2019 letter concerning section 86(2) reporting.⁹

EXAMPLES OF POTENTIAL REQUIREMENTS:

- Requirements for mechanisms to prevent patrons from committing credit card fraud in gambling facilities.
- Requirements for reasonable measures to identify cheating at play, including:
 - Providing gambling floor staff with appropriate training to identify cheating
 - Ensuring the surveillance cameras sufficiently cover the gambling floor
 - Ensuring surveillance operators are appropriately trained to identify signs of cheating
- Requirements for reasonable measures to prevent theft, including:
 - Ensuring the surveillance cameras sufficiently cover the gambling floor, entries and exits, and other areas of the facility where theft could compromise the integrity of lottery schemes
 - Ensuring surveillance operators are appropriately trained to identify signs of theft
- Requirements to request identification.
- Training requirements for security guards and other employees involved in ensuring the safety and security of gambling facilities to address violence by patrons (e.g. assault of patron by another patron; assault by patron of a gambling worker).

⁹ For further examples of topics that the regulator may set standards on, see Appendix A in the general manager's September 3rd, 2019 letter on reporting requirements: <https://www2.gov.bc.ca/assets/gov/sports-recreation-arts-and-culture/gambling/gambling-in-bc/reporting-to-general-manager-bclc-and-gsps.pdf>

Page 33 of 52

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Page 34 of 52 to/à Page 35 of 52

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

PURPOSE: For DECISION of David Eby, QC
Attorney General

ISSUE:

Options to strengthen BC's gambling regulator's role in anti-money laundering to address German Report recommendations.

RECOMMENDATION:

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SUMMARY:

TBD - PLACEHOLDER

BACKGROUND:

- In his "Dirty Money" report, Dr. Peter German recommended that:
 - Service providers be responsible for directly reporting to the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) (R5-R69);
s.13
 - BC's regulator be provided with access to iTRAK, the BC Lottery Corporation's (BCLC's) incident tracking and reporting system (R10); and
 - Anti-money laundering be a responsibility of BC's gambling regulator
s.13 (R30);
- Under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (PCMLTFA), the entity responsible for the "conduct and management" of gambling is accountable for the PCMLTFA reporting and compliance obligations in the Act.
- Under the *Gaming Control Act*, BCLC is delegated the responsibility for the conduct and management of gambling on behalf of the Province of BC and is thereby responsible^{s.13} for meeting federal statutory requirements under the PCMLTFA. The legal liability cannot be shifted to service providers.

- BC's gambling regulator, the Gaming Policy and Enforcement Branch (GPEB), is expressly prohibited from the "conduct and management" of gaming under the Gaming Control Act and therefore has no role in meeting FINTRAC requirements.
- The PCMLTFA^{s.13} requires reporting entities like BCLC to:
 - maintain a comprehensive compliance program (including risk assessments, AML training for employees and Board members, and biennial effectiveness reviews/audits);
 - verify client identity ("Know Your Client") and conduct ongoing monitoring of business relationships and high-risk clients;
 - comply with record-keeping requirements; and
 - comply with all transaction reporting requirements, including suspicious transaction reports (STRs), applicable electronic funds transfers, large cash transactions and casino disbursement reports.
- Non-compliance with the PCMLTFA, including failing to file an STR, may result in criminal or administrative monetary penalties (AMPs) against reporting entities up to \$500,000 per occurrence for "very serious violations." Additionally, individuals employed by the reporting entity could be penalized up to \$100,000 per occurrence for "very serious violations." Fines for non-compliance cannot be downloaded onto service providers, and FINTRAC is required to make all AMPs public.
- BCLC has operating services agreements with service providers. Under the current model, service providers in land-based casinos report Unusual Financial Transactions (UFTs) to BCLC. BCLC then reviews and prepares STRs upon establishing reasonable grounds to suspect those transactions are related to money laundering or terrorist financing, and submits those reports to FINTRAC. As BCLC is the operator of PlayNow.com, it reports online suspicions transactions directly to FINTRAC. Casino Disbursement Reports (CDRs) and Large Cash Transactions¹ (LCTs) are reported directly to FINTRAC by service providers.
- GPEB receives all UFT and STR information through section 86 reports², however in general, these items are for information only.
- In recent years, GPEB and BCLC have made significant improvements to address potential money laundering risks in BC casinos (see Appendix A).

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¹ Casino Disbursement Reports (CDR) and Large Cash Transaction (LCT) reports are required when the transaction(s) is for \$10,000 or more in a 24 hour period.

² Section 86 of the *Gaming Control Act* requires BCLC, registrants and licensees to notify GPEB's general manager of any conduct or activity connected to a lottery scheme or horse racing that may involve a commission of an offence under the *Criminal Code* or the *GCA*.

DISCUSSION

- The German report identified challenges with the province's anti-money laundering regime, including that:
 - There is an inherent conflict of interest with the entity responsible for generating gambling revenue also setting policy expectations for anti-money laundering;
 - Enforcement of money laundering has not been done effectively; and
 - The gambling regulator has had limited access to data and information to monitor trends and effectively investigate incidents of money laundering.

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- GPEB does not currently have a role in setting policy expectations for anti-money laundering.^{s.13}
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- With respect to investigation of money laundering incidents, GPEB and BCLC worked with a consultant to identify how GPEB investigators could take a more proactive role in training, investigating suspicious transactions, monitoring high-risk patrons and business relationships, and providing more timely investigation and enforcement (see Appendix B).
- GPEB receives information about suspicious activity through section 86 reports and has access to BCLC's iTRAK terminals in its offices. However, GPEB does not have statutory authority to and does not set policy for classifying high and moderate risk patrons, collect data and monitor business relationships, or have ownership of patron or transactional data, which limits its ability monitor trends and oversee AML activities in gambling facilities.

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Cross Jurisdictional and Organizational Analysis

- Other reporting entities under the PCMLTFA are revenue generating entities that are responsible for accepting transactions that may be large and/or suspicious.
- There are two provincial gambling regulators that report to FINTRAC. The Alberta Gaming and Liquor Commission has a dual responsibility to regulate and conduct and manage gambling in Alberta. The Saskatchewan Liquor and Gaming Authority is the gambling regulator, but is also a reporting entity to FINTRAC because it ^{s.13} conducts and manages slot machines and dice games in casinos operated by the Saskatchewan Indian Gaming Authority. ^{s.13}

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Regulators in other provinces are not reporting entities to FINTRAC.

Cost Analysis

- BCLC advises it dedicates approximately 36.7 FTEs at \$3.344M in salaries to support its AML work (as of March 2019); however, these FTEs are spread across about 55 positions as many staff also support other functions in the organization.

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Date Prepared: ~~September 27, 2019~~ November XX, 2019

Date Decision Required: Month XX, 201X

- The BCLC AML team uses two subscription services to conduct due diligence/Know

Your Client:

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- The current gaming information and AML tracking software systems used by BCLC are nearing their end of life and rely on manual input from service providers.
 - BCLC has released a Request for Proposals to seek a software solution to replace its existing aging systems, and further automate and streamline anti-money laundering processes and analysis of gambling activity.
 - s.13; s.17

- BCLC is a revenue-generating Crown corporation. Its operations are charged as business expenses, which allows it flexibility to fund unbudgeted expenses arising from AML responses and other business needs.

PLACEHOLDER – data on business relationships and number of STRs:

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OPTIONS:

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Page 41 of 52 to/à Page 42 of 52

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Date Prepared: September 27, 2019 November XX, 2019

Date Decision Required: Month XX, 201X

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OTHER MINISTRIES IMPACTED/CONSULTED:

- BCLC

DATE:

Richard J. M. Fyfe, QC
Deputy Attorney General

RECOMMENDED OPTION APPROVED
or **OPTION ____ APPROVED**

DATE:

David Eby, QC
Attorney General

Prepared by:

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

Approved by:

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

APPENDIX A – GPEB and BCLC Actions to Address Money Laundering Risks

- Since money laundering was identified as a major concern for the integrity of gambling in BC, both GPEB and BCLC have taken significant action to identify suspicious transactions and activities:
 - Source of Funds (SOF) requirement for one or more transactions totalling \$10,000 in a 24-hour period. This has resulted in a substantial decrease in the number and value of STRs (\$27 million in July 2015 to \$240,000 in July 2019).
 - GPEB access to iTRAK allowing investigators to review UFTs as soon as they are submitted to BCLC by service providers, and take a more proactive role in investigating potential money laundering.
 - Regular meetings of the Gaming Intelligence Group (GIG), comprised of investigators and analysts from GPEB, BCLC, and JIGIT who review incidents, coordinate investigative efforts and identify potential vulnerabilities.
 - Increased presence of GPEB investigators in five Lower Mainland casinos during times of day that have historically had the highest amount of activity.

APPENDIX B – Potential Enhanced Investigations Role

In 2019, GPEB engaged a consultant to create process maps of BCLC's AML related work, review BCLC's responsibilities under the PCMLTFA, and identify options for where in the process GPEB should become involved to strengthen the province's AML response.

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See next pages for process maps.

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C UFT / Section 86(2) & STR



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Date Decision Required: Month XX, 201X

A Open a PGF Account



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Date Prepared: ~~September 27, 2019~~ November XX, 2019

Date Decision Required: Month XX, 201X

D FinScan (OSINT Batch Screening)



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Date Prepared: ~~September 27, 2019~~ November XX, 2019

Date Decision Required: Month XX, 201X

E Provincial Tactical Enforcement Priority (PTEP) Yearly Screening



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Date Decision Required: Month XX, 201X

F Enhanced Due Diligence



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Date Decision Required: Month XX, 201X



AML Rule & Scenario Analysis



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B Transactional Reporting - CDR & LCTR



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